

Haystacks

Intellectual Property Law

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Table of Contents

Asia Brewery vs. CA, GR 103543, 5 July 1993	1
Western Equipment vs. Reyes, GR 27897, 2 December 1927	8
Philips Export BV vs. CA, Gr 96161, 21 February 1992	10
Asari Yoko v. Kee Boc, GR L-14086, 20 January 1961	14
Sterling Products Vs. Farbenfabriken Bayer, GR L-19906, 30 April 1969	15
Kabushi Kaisha Isetan vs. IAC, GR 75420, 15 November 1991	21
Emerald Garment v CA, GR 100098, 29 December 1995	25
Converse Rubber vs. Universal Rubber, GR L-27906, 8 January 1986	31
Pagasa Industrial vs. CA, GR L-54158, 31 August 1984	35
La Chemise Lacoste vs. Fernandez, GR 63796-97, 21 May 1984	36
Fruit of the Loom vs. CA, GR L-32747, 29 November 1984	44
Del Monte vs. CA, GR L-78325, 23 January 1990	46
246 Corporation v. Daway, GR 157 216, 20 November 2003	50
Pearl & Dean v. Shoemart, GR 148222, 15 August 2003	53

This collection contains fourteen (14) cases
summarized in this format by
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during the First Semester, school year 2004-2005
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Haystacks (Berne Guerrero)

[1]

Asia Brewery vs. CA (GR 103543, 5 July 1993)

En Banc, Grino-Aquino (J): 7 concur, 2 took no part

Facts: On 15 September 1988, San Miguel Corporation (SMC) filed a complaint against Asia Brewery Inc. (ABI) for infringement of trademark and unfair competition on account of the latter's BEER PALE PILSEN or BEER NA BEER product which has been competing with SMC's SAN MIGUEL PALE PILSEN for a share of the local beer market. On 27 August 1990, a decision was rendered by the trial Court, presided over by Judge Jesus O. Bersamira, dismissing SMC's complaint because ABI "has not committed trademark infringement or unfair competition against" SMC.

SMC appealed to the Court of Appeals (CA-GR CV 28104). On 30 September 1991, the Court of Appeals (Sixth Division composed of Justice Jose C. Campos, Jr., chairman and ponente, and Justices Venancio D. Aldecoa Jr. and Filemon H. Mendoza, as members) reversed the trial court. It held the ABI was guilty of infringement of trademark and unfair competition, and thus (1) permanently enjoining and restraining ABI, its officers, agents, servants and employees from manufacturing, putting up, selling, advertising, offering or announcing for sale, or supplying Beer Pale Pilsen, or any similar preparation, manufacture or beer in bottles and under labels substantially identical with or like the said bottles and labels of SMC employed for that purpose, or substantially identical with or like the bottles and labels now employed by ABI for that purpose, or in bottles or under labels which are calculated to deceive purchasers and consumers into the belief that the beer is the product of SMC or which will enable others to substitute, sell or palm off the said beer of ABI as and for the beer of SMC, (2) ordered ABI to render an accounting and pay the SMC double any and all the payments derived by the former from operations of its business and sale of goods bearing the mark 'Beer Pale Pilsen' estimated at approximately P5,000,000.00; to recall all its products bearing the mark 'Beer Pale Pilsen' from its retailers and deliver these as well as all labels, signs, prints, packages, wrappers, receptacles and advertisements bearing the infringing mark and all plates, molds, materials and other means of making the same to the Court authorized to execute this judgment for destruction, (3) ordered ABI to pay SMC the sum of P2,000,000.00 as moral damages and P500,000.00 by way of exemplary damages, and further ordered ABI to pay the SMC attorney's fees in the amount of P250,000.00 plus costs of this suit. Upon a motion for reconsideration filed by ABI, the dispositive portion of the decision was modified by the separate opinions of the Special Sixth Division, deleting the order to account for all payments derived from operations of business and sale of goods bearing the mark "Beer Pale Pilsen." In due time, ABI appealed to the Supreme Court by a petition for certiorari under Rule 45 of the Rules of Court.

The Supreme Court granted the petition for review, set aside the decision and resolution of the Court of Appeals, and reinstated and affirmed that of the trial court; with costs against SMC.

1. Main thrust of SMC's complaint

The main thrust of SMC's complaint is not infringement of its trademark, but unfair competition arising from the allegedly "confusing similarity" in the general appearance or trade dress of ABI's BEER PALE PILSEN beside SMC's SAN MIGUEL PALE PILSEN. SMC claims that the "trade dress" of BEER PALE PILSEN is "confusingly similar" to its SAN MIGUEL PALE PILSEN because both are bottled in 320 ml. steinie type, amber-colored bottles with white rectangular labels.

2. Exceptions to conclusiveness of the factual findings of the Court of Appeals

As a general rule, the findings of the Court of Appeals upon factual questions are conclusive and ought not to be disturbed by the Supreme Court. However, there are exceptions to this general rule, and they are: (1) When the conclusion is grounded entirely on speculation, surmises and conjectures; (2) When the inference of the Court of Appeals from its findings of fact is manifestly mistaken, absurd and impossible; (3) Where there is grave abuse of discretion; (4) When the judgment is based on a misapprehension of facts; (5)

Haystacks (Berne Guerrero)

When the appellate court, in making its findings, went beyond the issues of the case, and the same are contrary to the admissions of both the appellant and the appellee; (6) When the findings of said court are contrary to those of the trial court; (7) When the findings are without citation of specific evidence on which they are based; (8) When the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and (9) When the findings of facts of the Court of Appeals are premised on the absence of evidence and are contradicted on record. Under any of these exceptions, the Court has to review the evidence in order to arrive at the correct findings based on the record. Where findings of the Court of Appeals and trial court are contrary to each other, the Supreme Court may scrutinize the evidence on record. The present case is one of the exceptions because there is no concurrence between the trial court and the Court of Appeals on the lone factual issue of whether ABI, by manufacturing and selling its BEER PALE PILSEN in amber colored steinie bottles of 320 ml. capacity with a white painted rectangular label has committed trademark infringement and unfair competition against SMC.

3. Nature of Infringement of trademark; Definition under Section 22 of RA 166

Infringement of trademark is a form of unfair competition. Sec. 22 of Republic Act No. 166, otherwise known as the Trademark Law, defines what constitutes infringement: "any person who shall use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or trade-name in connection with the sale, offering for sale, or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services, or identity of such business; or reproduce, counterfeit, copy or colorably imitate any such mark or trade-name and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services, shall be liable to a civil action by the registrant for any or all of the remedies herein provided. " This definition implies that only registered trade marks, trade names and service marks are protected against infringement or unauthorized use by another or others. The use of someone else's registered trademark, trade name or service mark is unauthorized, hence, actionable, if it is done "without the consent of the registrant."

4. Registered trademark of SMC for its pale pilsen beer

The registered trademark of SMC for its pale pilsen beer is "San Miguel Pale Pilsen With Rectangular Hops and Malt Design. (Philippine Bureau of Patents, Trademarks and Technology Transfer Trademark Certificate of Registration No. 36103, dated 23 Oct. 1986." It consists of a rectangular design bordered by what appears to be minute grains arranged in rows of three in which there appear in each corner hop designs. At the top is a phrase written in small print 'Reg. Phil. Pat. Off.' and at the bottom 'Net Contents: 320 ML.' The dominant feature is the phrase 'San Miguel' written horizontally at the upper portion. Below are the words 'Pale Pilsen' written diagonally across the middle of the rectangular design. In between is a coat of arms and the phrase 'Expertly Brewed.' The 'S' in 'San' and the 'M' of 'Miguel,' 'P' of 'Pale' and 'Pilsen' are written in Gothic letters with fine strokes of serifs, the kind that first appeared in the 1780s in England and used for printing German as distinguished from Roman and Italic. Below 'Pale Pilsen' is the statement 'And Bottled by' (first line, 'San Miguel Brewery' (second line), and 'Philippines' (third line)."

5. Registered trademark of ABI for its pale pilsen beer

ABI's trademark, as described, consists of "a rectangular design bordered by what appear to be buds of flowers with leaves. The dominant feature is 'Beer' written across the upper portion of the rectangular design. The phrase 'Pale Pilsen' appears immediately below in smaller block letters. To the left is a hop design and to the right, written in small prints, is the phrase 'Net Contents 320 ml.' immediately below 'Pale Pilsen' is the statement written in three lines 'Especially brewed and bottled by' (first line), 'Asia Brewery Incorporated' (second line), and 'Philippines' (third line)."

6. Test of dominancy in infringement; Co Tiong Sa vs. Director of Patents, reiterated in Lim Hoa vs. Director of Patents

Haystacks (Berne Guerrero)

Infringement is determined by the “test of dominancy” rather than by differences or variations in the details of one trademark and of another. Similarity in size, form and color, while relevant, is not conclusive. If the competing trademark contains the main or essential or dominant features of another, and confusion and deception is likely to result, infringement takes place. Duplication or imitation is not necessary; nor is it necessary that the infringing label should suggest an effort to imitate. The question at issue in cases of infringement of trademarks is whether the use of the marks involved would be likely to cause confusion or mistakes in the mind of the public or deceive purchasers.

7. Test of dominancy; Confusing resemblance of two trademarks

In *Forbes, Munn & Co. (Ltd.) vs. Ang San To*, 40 Phil. 272, 275), the test was similarity or “resemblance between the two (trademarks) such as would be likely to cause the one mark to be mistaken for the other . . . [But] this is not such similitude as amounts to identity.” In *Phil. Nut Industry Inc. vs. Standard Brands Inc.*, 65 SCRA 575, the court was more specific: the test is “similarity in the dominant features of the trademarks.”

8. Dissimilarities of the two trademarks in present case

a. Dominant features

The dominant feature of SMC’s trademark is the name of the product: SAN MIGUEL PALE PILSEN, written in white Gothic letters with elaborate serifs at the beginning and end of the letters “S” and “M” on an amber background across the upper portion of the rectangular design. On the other hand, the dominant feature of ABI’s trademark is the name: BEER PALE PILSEN, with the word “Beer” written in large amber letters, larger than any of the letters found in the SMC label. The word “BEER” does not appear in SMC’s trademark, just as the words “SAN MIGUEL” do not appear in ABI’s trademark. Hence, there is absolutely no similarity in the dominant features of both trademarks.

b. Sound, spelling or appearance

Neither in sound, spelling or appearance can BEER PALE PILSEN be said to be confusingly similar to SAN MIGUEL PALE PILSEN. No one who purchases BEER PALE PILSEN can possibly be deceived that it is SAN MIGUEL PALE PILSEN. No evidence whatsoever was presented by SMC proving otherwise.

c. Other dissimilarities of the two trademarks

Besides the dissimilarity in their names, the following other dissimilarities in the trade dress or appearance of the competing products abound: (1) The SAN MIGUEL PALE PILSEN bottle has a slender tapered neck, while the BEER PALE PILSEN bottle has a fat, bulging neck; (2) The words “pale pilsen” on SMC’s label are printed in bold and laced letters along a diagonal band, whereas the words “pale pilsen” on ABI’s bottle are half the size and printed in slender block letters on a straight horizontal band; (3) The names of the manufacturers are prominently printed on their respective bottles: SAN MIGUEL PALE PILSEN is “Bottled by the San Miguel Brewery, Philippines,” whereas BEER PALE PILSEN is “Especially brewed and bottled by Asia Brewery Incorporated, Philippines”; (4) On the back of ABI’s bottle is printed in big, bold letters, under a row of flower buds and leaves, its copyrighted slogan: “BEER NA BEER!” whereas SMC’s bottle carries no slogan; (5) The back of the SAN MIGUEL PALE PILSEN bottle carries the SMC logo, whereas the BEER PALE PILSEN bottle has no logo; (6) The SAN MIGUEL PALE PILSEN bottle cap is stamped with a coat of arms and the words “San Miguel Brewery Philippines” encircling the same, while the BEER PALE PILSEN bottle cap is stamped with the name “BEER” in the center, surrounded by the words “Asia Brewery Incorporated Philippines”; and (7) there is a substantial price difference between BEER PALE PILSEN (currently at P4.25 per bottle) and SAN MIGUEL PALE PILSEN (currently at P7.00 per bottle). One who pays only P4.25 for a bottle of beer cannot expect to receive San Miguel Pale Pilsen from the storekeeper or bartender.

Haystacks (Berne Guerrero)

9. Use of generic words “Pale” and “Pilsen” does not constitute infringement

The fact that the words pale pilsen are part of ABI’s trademark does not constitute an infringement of SMC’s trademark: SAN MIGUEL PALE PILSEN, for “pale pilsen” are generic words descriptive of the color (“pale”), of a type of beer (“pilsen”), which is a light bohemian beer with a strong hops flavor that originated in the City of Pilsen in Czechoslovakia and became famous in the Middle Ages. “Pilsen” is a “primarily geographically descriptive word,” and is hence, non-registerable and not appropriable by any beer manufacturer.

10. Section 4 (e) of RA 166

Section 4 (e) of the Trademark Law provides that “the owner of trade-mark, trade-name or service-mark used to distinguish his goods, business or services from the goods, business or services of others shall have the right to register the same [on the principal register], unless it: xxx (e) consists of a mark or trade-name which, when applied to or used in connection with the goods, business or services of the applicant is merely descriptive or deceptively misdescriptive of them, or when applied to or used in connection with the goods, business or services of the applicant is primarily geographically descriptive or deceptively misdescriptive of them, or is primarily merely a surname.”

11. “Pale Pilsen” merely descriptive words and cannot be exclusive appropriated as trademark; To whom descriptive or generic words belong

The words “pale pilsen” may not be appropriated by SMC for its exclusive use even if they are part of its registered trademark: SAN MIGUEL PALE PILSEN, any more than such descriptive words as “evaporated milk,” “tomato ketchup,” “cheddar cheese,” “corn flakes” and “cooking oil” may be appropriated by any single manufacturer of these food products, for no other reason than that he was the first to use them in his registered trademark. The words are merely descriptive and it would be unjust to deprive other dealers in leather shoes of the right to use the same words with reference to their merchandise. No one may appropriate generic or descriptive words. They belong to the public domain.

12. Rationale why descriptive words cannot be appropriated and protected as trademark; Use of descriptive words

A word or a combination of words which is merely descriptive of an article of trade, or of its composition, characteristics, or qualities, cannot be appropriated and protected as a trademark to the exclusion of its use by others . . . inasmuch as all persons have an equal right to produce and vend similar articles, they also have the right to describe them properly and to use any appropriate language or words for that purpose, and no person can appropriate to himself exclusively any word or expression, properly descriptive of the article, its qualities, ingredients or characteristics, and thus limit other persons in the use of language appropriate to the description of their manufactures, the right to the use of such language being common to all. This rule excluding descriptive terms has also been held to apply to tradenames. As to whether words employed fall within this prohibition, it is said that the true test is not whether they are exhaustively descriptive of the article designated, but whether in themselves, and as they are commonly used by those who understand their meaning, they are reasonably indicative and descriptive of the thing intended. If they are thus descriptive, and not arbitrary, they cannot be appropriated from general use and become the exclusive property of anyone. Others may use the same or similar descriptive word in connection with their own wares, provided they take proper steps to prevent the public being deceived. A descriptive word may be admittedly distinctive, especially if the user is the first creator of the article. It will, however, be denied protection, not because it lacks distinctiveness, but rather because others are equally entitled to its use.

13. Evidence contradicting alleged intent of ABI to mislead consumers

The circumstance that the manufacturer of BEER PALE PILSEN, ABI, has printed its name all over the bottle of its beer product: on the label, on the back of the bottle, as well as on the bottle cap, disproves SMC’s charge that ABI dishonestly and fraudulently intends to palm off its BEER PALE PILSEN as SMC’s

Haystacks (Berne Guerrero)

product. In view of the visible differences between the two products, it is quite unlikely that a customer of average intelligence would mistake a bottle of BEER PALE PILSEN for SAN MIGUEL PALE PILSEN.

14. Unfair competition defined; Section 29, RA 166

Unfair competition is the employment of deception or any other means contrary to good faith by which a person shall pass off the goods manufactured by him or in which he deals, or his business, or services, for those of another who has already established goodwill for his similar goods, business or services, or any acts calculated to produce the same result.

15. Common ways of committing unfair competition; Section 29, RA 166

Section 29 of RA 166 enumerates the more common ways of committing unfair competition, i.e. "In particular, and without in any way limiting the scope of unfair competition, the following shall be deemed guilty of unfair competition: (a) Any person, who in selling his goods shall give them the general appearance of goods of another manufacturer or dealer, either as to the goods themselves or in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance, which would be likely to influence purchasers to believe that the goods offered are those of a manufacturer or dealer other than the actual manufacturer or dealer, or who otherwise clothes the goods with such appearance as shall deceive the public and defraud another of his legitimate trade, or any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose; (b) Any person who by any artifice, or device, or who employs any other means calculated to induce the false belief that such person is offering the services of another who has identified such services in the mind of the public; or (c) Any person who shall make any false statement in the course of trade or who shall commit any other act contrary to good faith of a nature calculated to discredit the goods, business or services of another."

16. Test to determine unfair competition

The universal test question is whether the public is likely to be deceived. Nothing less than conduct tending to pass off one man's goods or business as that of another will constitute unfair competition. Actual or probable deception and confusion on the part of the customers by reason of defendant's practices must always appear.

17. Use of steinie bottle not identical to competition's is not unlawful

The use by ABI of the steinie bottle, similar but not identical to the SAN MIGUEL PALE PILSEN bottle, is not unlawful. There is no infringement of SMC's bottle, firstly, because it is a standard type of bottle called steinie, and it is not a San Miguel Corporation design but a design originally developed in the United States by the Glass Container Manufacturer's Institute and therefore lacks exclusivity. (It must be noted that the steinie bottle is also used by the Cerveza Especial and the Efes Pale Pilsen.) Secondly, the shape was never registered as a trademark. SMC's trademark registration is not a registration of a beer bottle design required under RA 165 but the registration of the name and other marks of ownership stamped on containers as required by RA 623. Thirdly, the neck of ABI's bottle is much larger and has a distinct bulge in its uppermost part. In sum, thus. ABI does not use SMC's steinie bottle. Neither did ABI copy it. ABI makes its own steinie bottle which has a fat bulging neck to differentiate it from SMC's bottle.

18. Bottle size, shape and color may not be the exclusive property of any one beer manufacturer

SMC's being the first to use the steinie bottle does not give SMC a vested right to use it to the exclusion of everyone else. Being of functional or common use, and not the exclusive invention of any one, it is available to all who might need to use it within the industry. Nobody can acquire any exclusive right to market articles supplying simple human needs in containers or wrappers of the general form, size and character commonly and immediately used in marketing such articles.

19. Protection against imitation confined to nonfunctional features

Haystacks (Berne Guerrero)

Protection against imitation should be properly confined to nonfunctional features. Even if purely functional elements are slavishly copied, the resemblance will not support an action for unfair competition, and the first user cannot claim secondary meaning protection. Nor can the first user predicate his claim to protection on the argument that his business was established in reliance on any such unpatented nonfunctional feature, even 'at large expenditure of money.

20. Amber bottle color a functional feature of the steinie bottle; SMC cannot claim monopoly for use

The amber color is a functional feature of the beer bottle. All bottled beer produced in the Philippines is contained and sold in amber-colored bottles because amber is the most effective color in preventing transmission of light and provides the maximum protection to beer. A merchant cannot be enjoined from using a type or color of bottle where the same has the useful purpose of protecting the contents from the deleterious effects of light rays. Moreover, no one may have a monopoly of any color. Not only beer, but most medicines, whether in liquid or tablet form, are sold in amber-colored bottles.

21. Bottle capacity prescribed by Metrication Circular of Department of Trade's Metric System Board; SMC cannot claim monopoly for use

That the ABI bottle has a 320 ml. capacity is not due to a desire to imitate SMC's bottle but because that bottle capacity is the standard prescribed under Metrication Circular No. 778, dated 4 December 1979, of the Department of Trade, Metric System Board.

22. White labels economical; SMC cannot claim monopoly for use

With regard to the white label of both beer bottles, ABI explained that it used the color white for its label because white presents the strongest contrast to the amber color of ABI's bottle; it is also the most economical to use on labels, and the easiest to "bake" in the furnace. No one can have a monopoly of the color amber for bottles, nor of white for labels, nor of the rectangular shape which is the usual configuration of labels.

23. Test of Fraudulent Simulation; Dy Buncio vs. Tan Tiao Bok

In order that there may be deception of the buying public in the sense necessary to constitute unfair competition, it is necessary to suppose a public accustomed to buy, and therefore to some extent familiar with, the goods in question. The test of fraudulent simulation is to be found in the likelihood of the deception of persons in some measure acquainted with an established design and desirous of purchasing the commodity with which that design has been associated. The test is not found in the deception, or possibility of the deception, of the person who knows nothing about the design which has been counterfeited, and who must be indifferent as between that and the other. The simulation, in order to be objectionable, must be such as appears likely to mislead the ordinarily intelligent buyer who has a need to supply and is familiar with the article that he seeks to purchase."

24. Registration of bottle under RA 623 does not give registrant patent to the bottle

The steinie bottle is a standard bottle for beer and is universally used. SMC did not invent it nor patent it. The fact that SMC's bottle is registered under RA 623 (as amended by RA 5700, An Act to Regulate the Use of Duly Stamped or Marked Bottles, Boxes, Casks, Kegs, Barrels and Other Similar Containers) simply prohibits manufacturers of other foodstuffs from the unauthorized use of SMC's bottles by refilling these with their products. It was not uncommon then for products such as patis (fish sauce) and toyo (soy sauce) to be sold in recycled SAN MIGUEL PALE PILSEN bottles. Registration of SMC's beer bottles did not give SMC a patent on the steinie or on bottles of similar size, shape or color.

25. No action between users of standardized containers

Most containers are standardized because they are usually made by the same manufacturer. Milk, whether in powdered or liquid form, is sold in uniform tin cans. The same can be said of the standard ketchup

Haystacks (Berne Guerrero)

or vinegar bottle with its familiar elongated neck. Many other grocery items such as coffee, mayonnaise, pickles and peanut butter are sold in standard glass jars. The manufacturers of these foodstuffs have equal right to use these standard tins, bottles and jars for their products. Only their respective labels distinguish them from each other. Just as no milk producer may sue the others for unfair competition because they sell their milk in the same size and shape of milk can which he uses, neither may SMC claim unfair competition arising from the fact that ABI's BEER PALE PILSEN is sold, like SMC's SAN MIGUEL PALE PILSEN in amber steinie bottles.

26. Beer ordered by brand; Beer Pale Pilsen not being passed off as San Miguel Pale Pilsen

Consumers or buyers of beer generally order their beer by brand. In supermarkets and tiendas, beer is ordered by brand, and the customer surrenders his empty replacement bottles or pays a deposit to guarantee the return of the empties. If his empties are SAN MIGUEL PALE PILSEN, he will get SAN MIGUEL PALE PILSEN as replacement. In sari-sari stores, beer is also ordered from the tindera by brand. The same is true in restaurants, pubs and beer gardens — beer is ordered from the waiters by brand. Considering further that SAN MIGUEL PALE PILSEN has virtually monopolized the domestic beer market for the past hundred years, those who have been drinking no other beer but SAN MIGUEL PALE PILSEN these many years certainly know their beer too well to be deceived by a newcomer in the market. If they gravitate to ABI's cheaper beer, it will not be because they are confused or deceived, but because they find the competing product to their taste.

27. Totality doctrine in Del Monte not diminished; Ruling may not apply to all kinds of products; Factors in resolving cases of infringement and unfair competition

The decision in the present case will not diminish our ruling in "Del Monte Corporation vs. Court of Appeals and Sunshine Sauce Manufacturing Industries," that "to determine whether a trademark has been infringed, we must consider the mark as a whole and not as dissected. If the buyer is deceived, it is attributable to the marks as a totality, not usually to any part of it." That ruling may not apply to all kinds of products. The Court itself cautioned that in resolving cases of infringement and unfair competition, the courts should "take into consideration several factors which would affect its conclusion, to wit: the age, training and education of the usual purchaser, the nature and cost of the article, whether the article is bought for immediate consumption and also the conditions under which it is usually purchased."

28. Ruling in del Monte does not apply to beer

The ruling in Del Monte would not apply to beer which is not usually picked up from a store shelf but ordered by brand by the beer drinker himself from the storekeeper or waiter in a pub or restaurant. The Del Monte case involved catsup, a common household item which is bought off the store shelves by housewives and house help who, if they are illiterate and cannot identify the product by name or brand, would very likely identify it by mere recollection of its appearance. Since the competitor, Sunshine Sauce Mfg. Industries, not only used recycled Del Monte bottles for its catsup (despite the warning embossed on the bottles: "Del Monte Corporation. Not to be refilled.") but also used labels which were "a colorable imitation" of Del Monte's label, we held that there was infringement of Del Monte's trademark and unfair competition by Sunshine.

29. ABI does not infringe upon SMC's trademark nor does it commit unfair competition

SMC's brand or trademark: "SAN MIGUEL PALE PILSEN" is not infringed by ABI's mark: "BEER NA BEER" or "BEER PALE PILSEN." ABI makes its own bottle with a bulging neck to differentiate it from SMC's bottle, and prints ABI's name in three (3) places on said bottle (front, back and bottle cap) to prove that it has no intention to pass off its "BEER" as "SAN MIGUEL." There is no confusing similarity between the competing beers for the name of one is "SAN MIGUEL" while the competitor is plain "BEER" and the points of dissimilarity between the two outnumber their points of similarity. ABI has neither infringed SMC's trademark nor committed unfair competition with the latter's SAN MIGUEL PALE PILSEN product. While its BEER PALE PILSEN admittedly competes with the latter in the open market, the competition is neither unfair nor fraudulent.

Haystacks (Berne Guerrero)

[2]

Western Equipment and Supply Co. vs. Reyes (GR 27897, 2 December 1927)

En Banc, Johns (J): 7 concur

Facts: On 4 May 1925, the Western Equipment and Supply Company, through its duly authorized agent, Felix C. Reyes, applied to the Director of the Bureau of Commerce and Industry for the issuance of a license to engage in business in the Philippine Islands and on 20 May 1926, the Director issued in favor of Western Equipment a provisional license for that purpose which was made permanent on 23 August 1926. On the other hand, Western Electric Company, Inc., has never been licensed to engage in business in the Philippine Islands, and has never engaged in business therein. From and since the issuance of said provisional license of 20 May 1926, to Western Equipment, it has been and still is engaged in importing and selling in the Philippine Islands electrical and telephone apparatus and supplies manufactured by Western Electric (as well as those manufactured by other factories). Electrical and telephone apparatus and supplies manufactured by Western Electric have been sold in foreign and interstate commerce for the past 50 years, and have acquired high trade reputation throughout the world. At the present time the greater part of all telephone equipment used in Manila, and elsewhere in the Philippine Islands, was manufactured by Western Electric, and sold by it for exportation to the Philippine Islands. A Philippine Corporation known as the Electric Supply Company, Inc. (where Henry Herman is its President and General Manager), has been importing the manufactures into the Philippine Islands for the purpose of selling the same therein, and that the defendant Henry Herman, is the President and General Manager of said corporation. The words "Western Electric" have been registered by Western Electric Company, Inc., as a trademark under the provisions of the Act of Congress of 20 February 1905, in the office of the Commissioner of Patents at Washington, District of Columbia, and said trade-mark remains in force. On 15 October 1926, Henry Herman, Peter O'Brien, Manuel B. Diaz, Felipe Mapoy and Artemio Zamora signed and filed articles of incorporation with Fidel A. Reyes, as Director of the Bureau of Commerce and Industry, with the intention of organizing a domestic corporation under the Philippine Corporation Law to be known as the Western Electric Company, Inc., for the purpose, among other things, of manufacturing, buying, selling and dealing generally in electrical and telephone apparatus and supplies. On 20 October 1926, W. Z. Smith was authorized by the Board of Directors of Western Electric to take all necessary steps for the issuance of a license to said company to engage in business in the Philippine Islands, and to accept service of summons and process in all legal proceedings against said company, and on 21 October 1926, Smith filed a written application for the issuance of such license with the Director of the Bureau of Commerce and Industry, which application, however, has not yet been acted upon. On 18 October 1926, the Philippine Telephone and Telegraph Co., by its general manager, Smith, lodged with the Director of the Bureau of Commerce and Industry its protest against the registration of the proposed corporation by Henry Herman, Peter O'Brien, Manuel B. Diaz, Felipe Mapoy and Artemio Zamora, to be known as the Western Electric Company, Inc., as a domestic corporation under the Philippine Corporation Law.

On 23 October 1926, Western Equipment and Western Electric filed in the CFI of Manila a complaint against Herman, et. al. They alleged that the purpose of the latter in attempting to incorporate under the corporate name of Western Electric Company, Inc., is to profit and trade upon Western Electric's business and reputation, by misleading and deceiving the public into purchasing the goods manufactured or sold by them as those of Western Electric, in violation of the provisions of Act 666 of the Philippine Commission, particularly section 4 thereof. The lower court rendered judgment for Western Equipment and Western Electric as prayed for in their complaint, and made the temporary injunction permanent, from which Herman, et. al. appealed.

The Supreme Court affirmed the judgment of the lower court, with costs.

1. Questions raised in the case

Haystacks (Berne Guerrero)

(1) “Has a foreign corporation which has never done business in the Philippine Islands, and which is unlicensed and unregistered therein, any right to maintain an action to restrain residents and inhabitants of the Philippine Islands from organizing a corporation therein bearing the same name as such foreign corporation, when said residents and inhabitants have knowledge of the existence of such foreign corporation, having dealt with it, and sold its manufactures, and when said foreign corporation is widely and favorably known in the Philippine Islands through the use therein of its products bearing its corporate and trade name, and when the purpose of the proposed domestic corporation is to deal in precisely the same goods as those of the foreign corporation?” (2) “Has an unregistered corporation which has not transacted business in the Philippine Islands, but which has acquired a valuable goodwill and high reputation therein, through the sale, by importers, and the extensive use within the Islands of its products bearing either its corporate name, or trademark consisting of its corporate name, a legal right to restrain an officer of the Government of the Philippine Islands, i. e., the Director of Commerce and Industry, with knowledge of those facts, from issuing a certificate of incorporation to residents of the Philippine Islands who attempt to organize a corporation for the purpose of pirating the corporate name of such foreign corporation, of engaging in the same business as such foreign corporation, and of defrauding the public into thinking that its goods are those of such foreign corporation, and of defrauding such foreign corporation and its local dealers of their legitimate trade?”

2. Noncompliance of a foreign corporation an affirmative defense when case involves legal or contract rise arising from business transacted in the Philippines; Not applicable in present case

In the case of *Marshall-Wells Co. vs. Henry W. Elser & Co.* (46 Phil., 70, 76), the court held that “the noncompliance of a foreign corporation with the statute may be pleaded as an affirmative defense. There after, it must appear from the evidence, first, that the plaintiff is a foreign corporation, second, that it is doing business in the Philippines, and third, that it has not obtained the proper license as provided by the statute.” Herein, however, *Western Electric Company, Inc.*, which has never engaged in business in the Philippine Islands, is not seeking to enforce any legal or contract rights arising from, or growing out of, any business which it has transacted in the Philippine Islands.

3. Sole purpose of present action

The sole purpose of the action is to protect its reputation, its corporate name, its goodwill, whenever that reputation, corporate name or goodwill have, through the natural development of its trade, established themselves.

4. Trademark acknowledges no territorial boundary but extends to every market where the trader’s goods are known

A trade-mark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader’s goods have become known and identified by the use of the mark. Rights to the use of its corporate and trade name is a property right, a right in rem, which it may assert and protect against all the world, in any of the courts of the world—even in jurisdictions where it does not transact business—just the same as it may protect its tangible property, real or personal, against trespass, or conversion.

5. Requisite justifying injunction to restrain competition

In *Walter E. Olsen & Co. vs. Lambert* (42 Phil., 633, 640), it was said that “in order that competition in business should be unfair in the sense necessary to justify the granting of an injunction to restrain such competition it must appear that there has been, or is likely to be, a diversion of trade from the business of the complainant to that of the wrongdoer, as a consequence of the adoption by the latter of means or methods generally recognized as unfair. In most, if not all, of the cases in which relief has hitherto been granted against unfair competition the means and methods adopted by the wrongdoer in order to divert the coveted trade from his rival have been such as were calculated to deceive and mislead the public into thinking that the goods or business of the wrongdoer are the goods or business of the rival. Diversion of trade is really the fundamental

Haystacks (Berne Guerrero)

thing, and if diversion of trade be accomplished by any means which according to accepted legal canons are unfair, the aggrieved party is entitled to relief.”

6. Distinction between infringement of trademarks and unfair competition in trade

In *Shaver vs. Heller & Merz Co.* (48 C. C. A., 48; 108 Fed., 821; 65 L. R. A., 878, 881), it is said that “in infringement of trademarks, title to the trade-marks is indispensable to a good cause of action; in unfair competition in trade, no proprietary interest in the words, names, or means by which the fraud is perpetrated is requisite to maintain a suit to enjoin it. It is sufficient that the complainant is entitled to the custom — the goodwill — of a business, and that this goodwill is injured, or is about to be injured, by the palming off of the goods of another as his.”

7. Court’s jurisdiction over the Director of the Bureau of Commerce and Industry

The jurisdiction of the courts over the Director of the Bureau of Commerce and Industry has been adversely decided to his contention in the case of *Asuncion vs. De Yriarte* (28 Phil., 67), in which, among other things, it is said that “if the defendant erred in determining the question presented when the articles were offered for registration, then that error will be corrected by this court in this action and he will be compelled to register the articles as offered. If, however, he did not commit an error, but decided that question correctly, then, of course, his action will be affirmed to the extent that we will deny the relief prayed for.”

8. Purpose of Herman, et. al. in organizing corporation fraudulent, contrary to law

The purpose and intent of Herman and his associates in seeking to incorporate under the name of Western Electric Company, Inc., was to unfairly and unjustly compete in the Philippine Islands with the Western Electric Company, Inc., in articles which are manufactured by, and bear the name of, that company, all of which is prohibited by Act 666. Herman and his associates were actually asking the Government of the Philippine Islands to permit them to pirate the name of the Western Electric Company, Inc., by incorporating thereunder, that they may deceive the people of the Philippine Islands into thinking that the goods they propose to sell are goods of the manufacture of the real Western Electric Company. Western Electric Company, Inc., has been in existence as a corporation for over 50 years, during which time it has established a reputation all over the world including the Philippine Islands, for the kind and quality of its manufactured articles. The whole purpose and intent of Herman and his associates in seeking to incorporate another corporation under the identical name of Western Electric Company, Inc., and for the same identical purpose as that of Western Electric is to trespass upon and profit by its good name and business reputation. The very fact that Herman and his associates have sought the use of that particular name for that identical purpose is conclusive evidence of the fraudulent intent with which it is done.

[3]

Philips Export BV, et. al. vs. CA (GR 96161, 21 February 1992)

Second Division, Melencio-Herrera (J): 4 concur

Facts: Philips Export B.V. (PEBV), a foreign corporation organized under the laws of the Netherlands, although not engaged in business in the Philippines, is the registered owner of the trademarks PHILIPS and PHILIPS SHIELD EMBLEM under Certificate of Registration R-1641 and R-1674, respectively issued by the Philippine Patent Office (presently known as the Bureau of Patents, Trademarks and Technology Transfer). Philips Electrical Lamps, Inc. and Philips Industrial Development, Inc., authorized users of the trademarks PHILIPS and PHILIPS SHIELD EMBLEM, were incorporated on 29 August 1956 and 25 May 1956, respectively. All petitioner corporations belong to the PHILIPS Group of Companies. Standard Philips Corporation, on the other hand, was issued a Certificate of Registration by respondent Commission on 19 May 1982. On 24 September 1984, PEBV, et. al. filed a letter complaint with the Securities & Exchange Commission (SEC) asking for the cancellation of the word “PHILIPS” from Standard Philip’s corporate name in view of the prior registration with the Bureau of Patents of the trademark “PHILIPS” and the logo

Haystacks (Berne Guerrero)

“PHILIPS SHIELD EMBLEM” in the name of PEBV, and the previous registration of Philips Electrical and Philips Industrial with the SEC. As a result of Standard Philip’s refusal to amend its Articles of Incorporation, Petitioners filed with the SEC, on 6 February 1985, a Petition (SEC Case 2743), praying for the issuance of a Writ of Preliminary Injunction, alleging, among others, that Standard Philip’s use of the word PHILIPS amounts to an infringement and clear violation of PEBV’s exclusive right to use the same considering that both parties engage in the same business. After conducting hearings with respect to the prayer for Injunction, the SEC Hearing Officer, on 27 September 1985, ruled against the issuance of such Writ. On 30 January 1987, the same Hearing Officer dismissed the Petition for lack of merit. PEBV’ Motion for Reconsideration was likewise denied on 17 June 1987.

On appeal, the SEC en banc affirmed the dismissal declaring that the corporate names of PEVB, Philips Industrial, and Philips Electrical and Standard Philips hardly breed confusion inasmuch as each contains at least two different words and, therefore, rules out any possibility of confusing one for the other. On 30 January 1990, PEVB et. al. sought an extension of time to file a Petition for Review on Certiorari before the Supreme Court, which Petition was later referred to the Court of Appeals in a Resolution dated 12 February 1990. On 31 July 1990, the Court of Appeals dismiss the petition. The Appellate Court denied PEBV’s Motion for Reconsideration on 20 November 1990. Hence, the petition.

The Supreme Court set aside the Decision of the Court of Appeals dated 31 July 1990, and its Resolution dated 20 November 1990, and entered a new one entered enjoining Standard Philips from using “PHILIPS” as a feature of its corporate name, and ordering the SEC to amend Standard Philips’ Articles of Incorporation by deleting the word PHILIPS from the latter’s corporate name; without costs.

1. Corporation’s right to use its corporate trade name is a property right, a right in rem; Right cannot be defeated by appropriation by another corporation

As early as *Western Equipment and Supply Co. v. Reyes*, 51 Phil. 115 (1927), the Court declared that a corporation’s right to use its corporate and trade name is a property right, a right in rem, which it may assert and protect against the world in the same manner as it may protect its tangible property, real or personal, against trespass or conversion. It is regarded, to a certain extent, as a property right and one which cannot be impaired or defeated by subsequent appropriation by another corporation in the same field (*Red Line Transportation Co. vs. Rural Transit Co.*, September 6, 1934, 60 Phil 549).

2. Necessity of a corporate name

A name is peculiarly important as necessary to the very existence of a corporation. Its name is one of its attributes, an element of its existence, and essential to its identity. The general rule as to corporations is that each corporation must have name by which it is to sue and be sued and do all legal acts. The name of a corporation in this respect designates the corporation in the same manner as the name of an individual designates the person; and the right to use its corporate name is as much a part of the corporate franchise as any other privilege granted.

3. Limitations in the choice of corporate name

A corporation acquires its name by choice and need not select a name identical with or similar to one already appropriated by a senior corporation while an individual’s name is thrust upon him. A corporation can no more use a corporate name in violation of the rights of others than an individual can use his name legally acquired so as to mislead the public and injure another.

4. Section 18 of the Corporation Code

The Philippine Corporation Code, in its Section 18, expressly provides that “no corporate name may be allowed by the Securities and Exchange Commission if the proposed name is identical or deceptively or confusingly similar to that of any existing corporation or to any other name already protected by law or is

Haystacks (Berne Guerrero)

patently deceptive, confusing or contrary to existing law. Where a change in the corporate name is approved, the commission shall issue an amended certificate of incorporation under the amended name.”

5. Requisites to be proven to merit prohibition

To come within the scope of the statutory prohibition, two requisites must be proven, i.e. (1) that the complainant corporation acquired a prior right over the use of such corporate name; and (2) the proposed name is either: (a) identical or (b) deceptively or confusingly similar to that of any existing corporation or to any other name already protected by law; or (c) patently deceptive, confusing or contrary to existing law.

6. Right to exclusive use of a corporate name determined by priority of adoption

The right to the exclusive use of a corporate name with freedom from infringement by similarity is determined by priority of adoption. Herein, in this regard, there is no doubt with respect to PEBV, et. al.'s prior adoption of the name “PHILIPS” as part of its corporate name. Philips Electrical and Philips Industrial were incorporated on 29 August 1956 and 25 May 1956, respectively, while Standard Philips was issued a Certificate of Registration on 19 April 1982, 26 years later. PEBV has also used the trademark “PHILIPS” on electrical lamps of all types and their accessories since 30 September 1922, as evidenced by Certificate of Registration 1651.

7. Test in determining existence of confusing similarity in corporate names

In determining the existence of confusing similarity in corporate names, the test is whether the similarity is such as to mislead a person using ordinary care and discrimination. In so doing, the Court must look to the record as well as the names themselves. While the corporate names of the companies are not identical, a reading of the corporate names, to wit: PHILIPS EXPORT B.V., PHILIPS ELECTRICAL LAMPS, INC. and PHILIPS INDUSTRIAL DEVELOPMENT, INC., inevitably leads one to conclude that “PHILIPS” is, indeed, the dominant word in that all the companies affiliated or associated with the principal corporation, PEBV, are known in the Philippines and abroad as the PHILIPS Group of Companies.

8. Proof of actual confusion need not be shown

Proof of actual confusion need not be shown. It suffices that confusion is probably or likely to occur.

9. Prior patent applications of Standard Philips’ products denied by Director of Patents

Standard Philips’ products also consist of chain rollers, belts, bearing and the like while PEVB et. al. deal principally with electrical products. It is significant to note, however, that even the Director of Patents had denied Standard Philips’ application for registration of the trademarks “Standard Philips & Device” for chains, rollers, belts, bearings and cutting saw; holding that PEBV “had shipped to its subsidiaries in the Philippines equipment, machines and their parts which fall under international class where chains, rollers, belts, bearings and cutting saw, the goods in connection with which Standard Philips is seeking to register “STANDARD PHILIPS also belong.”

10. Standard Philips’ primary purposes in its Articles of Incorporation

Among Standard Philips’ primary purposes in its Articles of Incorporation are “to buy, sell, barter, trade, manufacture, import, export or otherwise acquire, dispose of, and deal in and deal with any kind of goods, wares, and merchandise such as but not limited to plastics, carbon products, office stationery and supplies, hardware parts, electrical wiring devices, electrical component parts and/or complement of industrial, agricultural or commercial machineries, constructive supplies, electrical supplies and other merchandise which are or may become articles of commerce except food, drugs, and cosmetics and to carry on such business as manufacturer, distributor, dealer, indentor, factor, manufacturer’s representative capacity for domestic or foreign companies.”

11. Philips Electrical’s primary purposes

Haystacks (Berne Guerrero)

Philips Electrical also includes, among its primary purposes, “to develop, manufacture and deal in electrical products, including electronic, mechanical and other similar products.”

12. Subsequent appropriator of similar name seeks an unfair advantage

Given Standard Philips’ underlined primary purpose, nothing could prevent it from dealing in the same line of business of electrical devices, products or supplies which fall under its primary purposes. Besides, there is showing that Standard Philips not only manufactured and sold ballasts for fluorescent lamps with their corporate name printed thereon but also advertised the same as, among others, Standard Philips. Standard Philips’ choice of ‘PHILIPS’ as part of its corporate name [STANDARD PHILIPS CORPORATION] tends to show said Standard Philips’ intention to ride on the popularity and established goodwill of PEVB’s business throughout the world”. The subsequent appropriator of the name or one confusingly similar thereto usually seeks an unfair advantage, a free ride on another’s goodwill.

13. Guidelines as to proposed name containing two words different from a registered name

Under the Guidelines in the Approval of Corporate and Partnership Names formulated by the SEC, the proposed name “should not be similar to one already used by another corporation or partnership. If the proposed name contains a word already used as part of the firm name or style of a registered company, the proposed name must contain two other words different from the company already registered.” Herein, the SEC maintains that the corporate names of PHILIPS ELECTRICAL LAMPS, INC. and PHILIPS INDUSTRIAL DEVELOPMENT, INC. contain at least two words different from that of the corporate name of respondent STANDARD PHILIPS CORPORATION, which words will readily identify the corporations. However, it would be noted that Standard Philips’ name actually contains only a single word, that is, “STANDARD”, different from that of PEVB, et. al. inasmuch as the inclusion of the term “Corporation” or “Corp.” merely serves the purpose of distinguishing the corporation from partnerships and other business organizations.

14. Philips a trademark and trade name registered in 1922; PEVB et. al. has exclusive right of its use

PHILIPS is a trademark or trade name which was registered as far back as 1922. PEVB, et. al., therefore, have the exclusive right to its use which must be free from any infringement by similarity. A corporation has an exclusive right to the use of its name, which may be protected by injunction upon a principle similar to that upon which persons are protected in the use of trademarks and tradenames. Such principle proceeds upon the theory that it is a fraud on the corporation which has acquired a right to that name and perhaps carried on its business thereunder, that another should attempt to use the same name, or the same name with a slight variation in such a way as to induce persons to deal with it in the belief that they are dealing with the corporation which has given a reputation to the name.

15. Use of PHILIPS by other companies engaged in other lines of business not a defense

The fact that there are other companies engaged in other lines of business using the word “PHILIPS” as part of their corporate names is no defense and does not warrant the use by Standard Philips of such word which constitutes an essential feature of the corporate name of PEVB, et. al. previously adopted and registered and having acquired the status of a well-known mark in the Philippines and internationally, as well.

16. Undertaking of a subsequent corporation having a confusingly similar name

In support of its application for the registration of its Articles of Incorporation with the SEC, Standard Philips had submitted an undertaking “manifesting its willingness to change its corporate name in the event another person, firm or entity has acquired a prior right to the use of the said firm name or one deceptively or confusingly similar to it.” Standard Philips must now be held its undertaking.

17. Relief of a corporation having prior right to corporate name

Haystacks (Berne Guerrero)

As a general rule, parties organizing a corporation must choose a name at their peril; and the use of a name similar to one adopted by another corporation, whether a business or a nonbusiness or nonprofit organization if misleading and likely to injure it in the exercise of its corporate functions, regardless of intent, may be prevented by the corporation having the prior right, by a suit for injunction against the new corporation to prevent the use of the name.

[4]

Asari Yoko vs. Kee Boc (GR L-14086, 20 January 1961)

En Banc, Labrador (J): 11 concur

Facts: On 27 August 1953, Kee Boc, a Chinese citizen, filed a petition for the registration of the trade mark “Race” and design to be used in shirts and undershirts manufactured by him. He claims to have first used the trade mark in commerce on 17 May 1952, basing the design on a movie picture he had seen with Domingo Cabatingan, his employee. Opposition was interposed by Asari Yoko Co., Ltd., a Japanese corporation, on the ground that it is the owner of the trade mark because the same is registered in Japan and in the Philippines, registration in the latter having been made in August 1929, under the provisions of Act 666 and is valid for 30 years; that the trademark has been in continuous use in commerce in, and trade with, the Philippines since its registration until the early part of 1942, and then again after the liberation of the Philippines up to the present; that the trade mark was never abandoned by the registrant and that it will be damaged by the registration of the same. After due hearing, the Director of Patents (Celedonio Agrava) dismissed the opposition and adjudged Kee Boc the owner of the trade mark. Hence the petition for review.

The Supreme Court reversed the decision sought to be reviewed, and dismissed the application for registration of the trade mark by Kee Boc; with costs against Kee Boc.

1. “RACE BRAND” trademark applied for in the Philippines same as trademark registered in Japan

The trade mark “RACE BRAND” applied for is exactly the same as the trade mark “RACE BRAND” registered in Tokyo, Japan on 11 June 1937 by Kojiro Asari. Not only is the trade mark sought to be registered the actual trade mark, for Japanese shirts and undershirts, belonging to Kojiro Asari, but the very names printed on the boxes containing shirts and undershirts sold by Kee Boc — “Race Brand Gentlemen’s Underwear” — are exactly identical to those appearing in the boxes used by applicant for the underwear he manufactures.

2. Conclusive evidence as to identity of the trademarks

Herein, the original facsimile of the trade mark shows clearly two thin sheets of white paper pasted thereon, to the left side of the design. When these pasted sheets of white paper were removed, in the course of the hearing, it was found that said papers covered the following words, (1) “Registered Trade Mark” in big capital letters, and, (2) “Made in Occupied Japan” in small capital letters. These findings are conclusive evidence that the trade mark applied for is the very trade mark on manufactured goods made in Japan and imported into the Philippines.

3. Prior registration of trademark not established by sufficient evidence

Herein, some employees of the former Bureau of Commerce testified that they had seen similar trade marks in the office of the said bureau before the war, but they could not assert definitely that a registered certificate therefor was issued by the Director of Patents. We therefore agree with the latter that the evidence of prior registration of the trade mark in the Philippines has not been established by sufficient evidence.

4. Prior use by oppositor established conclusively

Haystacks (Berne Guerrero)

As to the prior use of the trade mark by the oppositor, the evidence is conclusive. The very facsimile of the trade mark filed by the applicant before the director in connection with his petition for registration, was taken from a mark actually used on goods imported from Japan to the Philippines, except that the former does not contain the inscriptions “REGISTERED TRADE MARK” and “Made in Occupied Japan”, because the inscriptions are covered by a thin piece of paper pasted on the inscriptions. The trade mark sought to be registered already belongs to Kojiro Asari, as shown by the certificate of registration thereof in Tokyo, Japan, on 27 February 1937 and 11 June 1937. The trade mark sought to be registered is actually used on boxes of shirts and undershirts imported to the Philippines from Japan. Shirts and undershirts bearing said trade mark appear to have been imported to the Philippines as early as 1949. Shirts and undershirts bearing said trade mark were also imported by Wan Lian Trading of Manila subsequently, as evidenced by shipping documents. Thus, the trade marks sought to be registered are registered in Tokyo, Japan on February 1937 and June 1937, and the same have been used on shirts and undershirts imported into the Philippines as early as the year 1949, and continuously up to the date of the trial.

5. No evidence that trademark was confiscated by the US

There is no evidence that the trade mark in question was confiscated by the United States in conformity with the Trading With The Enemy Act. Furthermore, as it was not found that the trade mark was registered in the Philippines by a Japanese before the war, it could not have been confiscated under the Trading With The Enemy Act.

6. Entry of goods from Occupied Japan not illegal nor an illegitimate trade

Even prior to the trade agreement between Supreme Commander for the Allied Powers (SCAP) and the Republic of the Philippines, the first of which was entered into on 3 March 1951, goods bearing the trade mark in question have already come into the Philippines, all of which bear date 1949. During that year the agreement between Occupied Japan and the Philippines had not yet been entered into. But Japan was occupied by the United States since 1945 and was therefore under its lawful control; and since this country has always had commercial relations with the United States, it can not be said that the entry of goods from Occupied Japan to the Philippines is illegal, or is not legitimate trade or commerce which can give rise to any rights to trade marks.

7. Existence of formal commercial agreement between nations not necessary for recognition of trademark

Since 1949 up to the present time, commercial relations with Japan had existed and continued, and the importation of commodities bearing the trade mark in question into the Philippines taken place. The lawful entry into the Philippines of goods bearing the trade mark since 1949 should entitle the owner of the trade mark to the right to use the same to the exclusion of others. Modern trade and commerce demands that deprivations on legitimate trade marks of non-nationals should not be countenanced. The strict condition imposed in the decision of the Director of Patents that a formal commercial agreement between two nations must exist before the trade mark of one may be recognized in the other, is inconsistent with the freedom of trade recognized in modern times.

[5]

Sterling Products International vs. Farbenfabriken Bayer Aktiengesellschaft (GR L-19906, 30 April 1969)

En Banc, Sanchez (J): 9 concur, 1 on leave

Background Facts:

[Friedr. Bayer et comp. (1863), Farbenfabriken vorm. Friedr Bayer & Co. (FFB, 1881), IG Farbenindustrie (1925)] The word BAYER was the surname of Friedrich Bayer, a German, who, on 1

Haystacks (Berne Guerrero)

August 1863, organized a drug company bearing his name — Friedr. Bayer et comp. — at Barmen, Germany. The company was at first engaged in the manufacture and sale of chemicals. At about the year 1888 it started to manufacture pharmaceutical preparations also. A change of name from Friedr. Bayer to Farbenfabriken vorm. Friedr. Bayer & Co. (FFB) effective 1 July 1881 was following in 1912 by a change of principal place of Business from Elberfeld to Leverkusen, Germany. Its products came to know outside Germany. With the discovery in 1899 of the Bayer Aspirin, the mark BAYER acquired prestige. The time was ripe to register the trademarks. The record, however, does not clearly show when the word BAYER was registered as a trademark in Germany. The BAYER CROSS IN CIRCLE trademark was registered in Germany on 6 January 1904 —65777. It was intended to be used on “medicines for human beings and animals, disinfectants, preservatives, tar dyestuffs and chemical preparations for dyes and for photographic purposes.” This registered trademark consists of the BAYER CROSS encircled by the company’s name Farbenfabriken vorm. Friedr. Bayer & Co. Elberfeld. When the company was merged with other German companies in 1925 to form the I.G. Farbenindustrie, the name of the former company was deleted from the trademark and what remained was the present BAYER CROSS IN CIRCLE. A new registration was effected on 17 June 1929 in Germany and for which it was issued a certificate with serial 404341. The trademark BAYER CROSS IN CIRCLE was registered by FFB and its subsidiaries in other parts of the world, viz, in Norway, England, Denmark, and Argentina in 1904; in Japan and the United States in 1908; in Spain in 1911; in Peru in 1913.

[Farbenfabriken of Elberfeld Co. (1895), Bayer Co. Inc. of New York (1913); Sterling Drug, and Winthrop Chemical Co.] Sometime in 1895, FFB established a subsidiary in New York, United States. It was named Farbenfabriken of Elberfeld Co. Its purpose was to sell FFB’s products in the United States and Canada. It was this subsidiary that registered the trademarks BAYER and BAYER CROSS IN CIRCLE in the United States between the years 1907-1908. Sometime in 1913, FFB organized another subsidiary — The Bayer Co., Inc. of New York. This new subsidiary was authorized by FFB to negotiate for and acquire the trademarks, goodwill, assets and property of Farbenfabriken of Elberfeld Co. By an agreement dated 12 June 1913 Bayer of New York purchased for the sum of US \$750,000.00 Farbenfabriken of Elberfeld Co.’s “right for the sale in the United States and Canada of the drugs, chemicals, pharmaceuticals and any and all other products and articles manufactured and (or) controlled by Leverkusen” (FFB) and its “trademarks, goodwill and other assets and property.” On 6 April 1917, the United States declared war on Germany. Pursuant to the provisions of the Trading with the Enemy Act, the Alien Property Custodian classified The Bayer Co., Inc. of New York as an enemy-controlled corporation. Hence, the Alien Property Custodian seized its assets about the early part of 1918. Between December 1918 and January 1919, all the assets of the Bayer Co., Inc. of New York were sold by the Alien Property Custodian to Sterling Drug, Inc. for the sum of US \$5,310,000.00. The Bayer Co., Inc. of New York then became a subsidiary of Sterling Drug, Inc. Winthrop Chemical Co., Inc. was later organized as a new subsidiary of Sterling Drug, Inc. “to manufacture and sell the physicians’ drugs which had been acquired” by the purchase of the Bayer Co., Inc. Winthrop’s operation was evidently hampered because “the Germans had kept manufacturing processes secret, so that the manufacture of physicians’ drugs on a commercial scale became an almost insoluble problem.” Sterling Drug, Inc. secured registrations of the BAYER trademarks in different countries of the world.

[IG Farbenindustrie (1925), Farbenfabriken Bayer (1945), and Farbenfabriken Bayer Aktiengesellschaft (FBA, 1951)] Came World War II., I.G. Farbenindustrie, AG. was seized by the allied powers. In 1945, after World War II, I.G. Farbenindustrie, AG. was decartelized by the Allied High Commission. The unit known as Farbenfabriken Bayer was transferred in 1953 to Farbenfabriken Bayer Aktiengesellschaft (FBA), which was organized in 1951.

[Trademark agreements between FFB, and Winthrop Chemical and Bayer New York; Anti-trust suits] In 1922, a worldwide conflict of interests occurred between Farbenfabriken vorm. Friedrich Bayer & Co. and The Bayer Co., Inc. of New York, in reference to the trademarks BAYER and BAYER CROSS IN CIRCLE as they were applied to various products. Two agreements resolved this conflict, both executed on April 9, 1923 in London, England: one, between FFB and Winthrop Chemical Co., Inc., and the other between FFB and

Haystacks (Berne Guerrero)

Bayer New York. Under the terms of the agreement with Winthrop Chemical Co., Inc., FFB stipulated, amongst others: (1) not to contest anymore Winthrop's right over the trademarks BAYER and BAYER CROSS IN CIRCLE; (2) to discontinue the use of said trademarks in the United States which was understood to include the Philippines under par. 16 of said agreement; and (3) to disclose all secrets of other processes relating to the manufacture of pharmaceuticals. In 1925, Farbenfabriken vorm. Friedrich Bayer & Co. became I.G. Farbenindustrie, AG. This necessitated a new agreement, which was signed on 15 November 1926 between I.G. Farbenindustrie and Winthrop. On 5 September 1941, in the anti-trust suits against Sterling Drug, Inc., Winthrop Chemicals Co. and The Bayer Co., Inc. of New York, two consent decrees were promulgated by the U.S. District Court for Southern New York. Said consent decrees declared the 9 April 1923 cartel agreements violative of the U.S. anti-trust laws. One reason given is that the German company, FFB (later I.G. Farbenindustrie) — FBA's predecessor — was excluded from the U.S. pharmaceutical market.

[Bayer Products in the Philippines] The trademark BAYER for medicines was known in the Philippines about the close of the 19th century. This appears on page 88 of the Revista Farmacéutica de Filipinas Año I, Numero 7, 3 de Julio de 1893. Before World War I, BAYER products entering the Philippines came from Germany.

[Sterling Products International Inc., and SPI Bayer trademark registration in the Philippines] Meanwhile, in 1935, Sterling Products International, Inc. (SPI), a Delaware corporation, a subsidiary of Sterling Drug, Inc. of New York, was issued a license to do business in the Philippines. The trademarks BAYER and BAYER CROSS IN CIRCLE were then registered in the Philippines under the old Trademark Law (Act 666) by The Bayer Co., Inc.: the BAYER CROSS IN CIRCLE trademark on 18 April 1939 for which it was issued Certificate of Registration 13081; the BAYER trademark on 22 April 1939 for which it was issued Registration Certificate 13089. These trademark rights were assigned to SPI on 30 December 1942 and the assignment was recorded in the Philippines Patent Office on 5 March 1947. With the passage of Republic Act 166 repealing the old Trademark Law (Act 666), SPI was issued by the Philippines Patent Office on 18 June 1948 two new certificates of registration: 1260-S for BAYER CROSS IN CIRCLE; 1262-S for BAYER. The registration of these trademarks was only for "Medicines."

[Allied Manufacturing & Trading Cp. (AMATCO, 1958), and FBA Bayer trademark registration in the Philippines] Sometime in 1958, Allied Manufacturing & Trading Co., Inc. (AMATCO) started selling FBA's products especially "Folidol," a chemical insecticide which bears the BAYER CROSS IN CIRCLE trademark. On 18 November 1959, FBA applied for the registration of the BAYER CROSS IN CIRCLE trademark with the Philippines Patent Office for animal and plant destroying agents. The examiner's report dated 17 December 1959 stated that the subject mark appears to be similar to SPI's registered BAYER trademarks as covered by Certificates of Registration 1260-S and 1262-S. He concluded that "registration of applicant's mark is proscribed by Section 4-d of the Statute because it would cause confusion or mistake or to deceive purchasers." The action of the Philippines Patent Office drew a reply from FBA. In its letter dated 1 February 1960 FBA, thru counsel, said that it "offers no question or objection to the assertion of the Examiner that the registrant's mark and that of the applicant are similar to each other." It emphasized the fact that it was seeking registration in the Supplemental Register. On 25 February 1960, FBA was issued a certificate of registration in the Supplemental Register, SR-304.

Case Facts: Sterling Products International Inc. (SPI) and Allied Manufacturing and Trading Co. Inc. are doing business in the Philippines. SPI markets Bayer Aspirin, Aspirin for Children and Cafiaspirina. The BAYER and BAYER CROSS IN CIRCLE are being used by SPI in the Philippines only for said products — Bayer Aspirin, Cafiaspirina and Bayer Aspirin for Children. On the containers (bottles or printed cellophane strips, which, in turn, are placed in cardboard boxes) of Bayer Aspirin, Aspirin for Children and Cafiaspirina, SPI features the trademarks BAYER and BAYER CROSS IN CIRCLE. Farbenfabriken Bayer Aktiengesellschaft (FBA_ thru Allied Manufacturing & Trading Co., Inc. distributes "Folidol" and other

Haystacks (Berne Guerrero)

industrial and agricultural chemicals. FBA's "FOLIDOL" (in steel or fiber drums or aluminum containers) displays a replica of SPI's trademark BAYER CROSS IN CIRCLE on the tin cap and label of the container.

The conflict apparent, suit followed. Sterling Products International, Inc., and Farbenfabriken Bayer Aktiengesellschaft seeks to exclude the other from use in the Philippines of the trademarks BAYER and BAYER CROSS IN CIRCLE. The trial court declared itself "in favor of the solution that favors division of the market rather than monopoly," and thus dismissed both complaint and counterclaim without costs. But to avoid confusion, and sustaining SPI's right to use the Bayer trademark for its medicines, it directed FBA and Allied "to add a distinctive word or words in their mark to indicate that their products come from Germany." Both parties appealed.

The Supreme Court affirmed the judgment under review; without costs.

1. Requisite to the acquisition of the right of ownership over a trademark

A rule widely accepted and firmly entrenched because it has come down through the years is that actual use in commerce or business is a prerequisite to the acquisition of the right of ownership over a trademark.

2. Section 2-A of the Philippine Trademark Law

This rule is spelled out in the Philippine Trademark Law (Section 2-A, Ownership of trade-marks, trade-names and service- marks: how acquired), which provides that "anyone who lawfully produces or deals in merchandise of any kind or who engages in any lawful business, or who renders any lawful service in commerce, by actual use thereof in manufacture or trade, in business, and in the service rendered, may appropriate to his exclusive use a trade-mark, a trade-name, or a service-mark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or service of others. The ownership or possession of a trade-mark, trade- name, service-mark, heretofore or hereafter appropriated, as in this Section provided, shall be recognized and protected in the same manner and to the same extent as are other property rights known to the law." (As inserted by Section 1 of Republic Act 638)

3. Adoption not equal to use; Registration does not perfect trademark right

Adoption alone of a trademark would not give exclusive right thereto. Such right "grows out of their actual use." Adoption is not use. One may make advertisements, issue circulars, give out price lists on certain goods; but these alone would not give exclusive right of use. For trademark is a creation of use. The underlying reason for all these is that purchasers have come to understand the mark as indicating the origin of the wares. Flowing from this is the trader's right to protection in the trade he has built up and the goodwill he has accumulated from use of the trademark. Registration of a trademark, of course, has value: it is an administrative act declaratory of a pre-existing right. Registration does not, however perfect a trademark right.

4. Certificate of registration state particular goods for which it is registered

Section 11 of the Trademark Law requires that the certificate of registration state "the particular goods for which it is registered." This is controlling. Under Section 11 aforesaid, likewise to be entered in the certificate of registration is "the date of the first use in commerce or business. Herein, the BAYER trademarks registered in the Philippines to which SPI may lay claim are those which cover medicines only. For, it was on said goods that the BAYER trademarks were actually used by it in the Philippines. Therefore, the certificates of registration for medicines issued by the Director of Patents upon which the protection is enjoyed are only for medicines. Nothing in those certificates recited would include chemicals or insecticides. SPI may not claim "first use" of the trademarks prior to the registrations thereof on any product other than medicines.

5. Duty of the Director of Patents to examine application and the publication of the mark in the Official Gazette

Haystacks (Berne Guerrero)

Section 7 of the Trademark Act directs that upon the filing of the application and the payment of the required fee, the “Director [of Patents] shall cause an examination of the application” — for registration of the trademark — “to be made, and, if on such examination it shall appear that the applicant is entitled to registration, the Director shall cause the mark to be published in the Official Gazette.” This examination, it would seem to us, is necessary in order that the Director of Patents may be satisfied that the application conforms to the requirement of actual use in commerce of the trademark in Section 2 and 2-A of the Trademark Law; and that the statement in said application — as to the “first use” thereof and “the goods in connection with which the mark is used” (Section 5) — is true.

6. Omnibus registration not contemplated by Trademark Law

If the certificate of registration were to be deemed as including goods not specified therein, then a situation may arise whereby an applicant may be tempted to register a trademark on any and all goods which his mind may conceive even if he had never intended to use the trademark for the said goods. We believe that such omnibus registration is not contemplated by Philippine Trademark Law.

7. Registration in the United States not registration in the Philippines

The 1927 registration in the United States of the BAYER trademark would not of itself afford SPI protection for the use by FBA and Allied in the Philippines of the same trademark for the same or different products. The United States is not the Philippines. Registration in the United States is not registration in the Philippines. At the time of the United States registration in 1927, the Philippines has its own Trademark Law, Act 666 of the Philippine Commission, which provided for registration in the Philippines of trademarks owned by persons domiciled in the United States.

8. Principle of territoriality as to unfair competition

What is to be secured from unfair competition in a given territory is the trade which one has in that particular territory. There is where his business is carried on; where the goodwill symbolized by the trademark has immediate value; where the infringer may profit by infringement. The principle of territoriality of the Trademark Law has been recognized in the Philippines, citing *Ingenohl vs. Walter E. Olsen*, 71 L. ed. 762. As Callmann puts it, the law of trademarks “rests upon the doctrine of nationality or territoriality.”

9. Basic question in the filed of trademarks and unfair competition

A question basic in the field of trademarks and unfair competition is the extent to which a registrant of a trademark covering one product may invoke the right to protection against the use by other(s) of the same trademark to identify merchandise different from those for which the trademark has been appropriated.

10. Kinds of confusion; Confusion of goods and confusion of business

Callmann notes two types of confusion. The first is the confusion of goods “in which event the ordinarily prudent purchaser would be induced to purchase one product in the belief that he was purchasing the other.” In which case, “defendant’s goods are then bought as the plaintiff’s, and the poorer quality of the former reflects adversely on the plaintiff’s reputation.” The other is the confusion of business: “Here though the goods of the parties are different, the defendant’s product is such as might reasonably be assumed to originate with the plaintiff, and the public would then be deceived either into that belief or into the belief that there is some connection between the plaintiff and defendant which, in fact, does not exist.”

11. Judicial test of scope of the rule of confusion of origin; Ang vs. Teodoro (74 Phil. 50, 14 December 1942)

In the present state of development of the law on Trade-Marks, Unfair Competition, and Unfair Trading, the test employed by the courts to determine whether noncompeting goods are or are not of the same class is confusion as to the origin of the goods of the second user. Although two noncompeting articles may be classified under two different classes by the Patent Office because they are deemed not to possess the same descriptive properties, they would, nevertheless, be held by the courts to belong to the same class if the

Haystacks (Berne Guerrero)

simultaneous use on them of identical or closely similar trademarks would be likely to cause confusion as to the origin, or personal source, of the second user's goods. They would be considered as not falling under the same class only if they are so dissimilar or so foreign to each other as to make it unlikely that the purchaser would think the first user made the second user's goods.

12. The rationale of the doctrine in Ang vs. Teodoro

The Courts have come to realize that there can be unfair competition or unfair trading even if the goods are non-competing, and that such unfair trading can cause injury or damage to the first user of a given trade mark, first, by prevention of the natural expansion of his business, and second, by having his business reputation confused with and put at the mercy of the second user.

13. Construction of the law based on equity and fair dealing

The construction of the law is induced by cogent reasons of equity and fair dealing. The courts have come to realize that there can be unfair competition or unfair trading even if the goods are noncompeting, and that such unfair trading can cause injury or damage to the first user of a given trade-mark, first, by prevention of the natural expansion of his business and second, by having his business reputation confused with and put at the mercy of the second user. When noncompetitive products are sold under the same mark, the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark created by its first user, inevitably results. The original owner is entitled to the preservation of the valuable link between him and the public that has been created by his ingenuity and the merit of his wares or services. Experience has demonstrated that when a well-known trademark is adopted by another even for a totally different class of goods, it is done to get the benefit of the reputation and advertisements of the originator of said mark, to convey to the public a false impression of some supposed connection between the manufacturer of the article sold under the original mark and the new articles being tendered to the public under the same or similar mark. As trade has developed and commercial changes have come about, the law of unfair competition has expanded to keep pace with the times and the element of strict competition in itself has ceased to be the determining factor. The owner of a trade-mark or trade-name has a property rights in which he is entitled to protection, since there is damage to him from confusion of reputation or goodwill in the mind of the public as well as from confusion of goods. The modern trend is to give emphasis to the unfairness of the acts and to classify and treat the issue as a fraud."

14. Conduct of business should conform to ethical business standards

Conduct of business should conform to ethical business standards. Unfairness is proscribed. The invocation of equity is bottomed upon the injunction that no one should "reap where he has not sown."

15. Each case must be weighted according to the conflicting interests of the litigants

Each case presents a unique problem which must be answered by weighing the conflicting interests of the litigants. The present case is not to be analogized with Ang Tibay. The factual setting is different. Herein, (1) it was not SPI's predecessor but FBA's namely Farbenfabriken or Bayer Germany that first introduced the medical products into the Philippine market and household with the Bayer mark half a century ago; (2) SPI was not the 'originator' of the Bayer mark, because the purchase of the assets of Elberfeld, defendants' previous affiliate in New York, by Bayer of New York, even if that were to be held to include purchase of the Bayer mark, did not make the purchaser Bayer of New York the originator of the mark; especially since Bayer of New York was only another subsidiary of Bayer Germany or Farbenfabriken which was the real originator; (3) the evidence establishes that among the common people of the Philippines the 'Bayer' medicines come from Germany; and that (4) the 'first user' was Bayer Germany and it was this that had built up the Bayer mark and plaintiff apparently having itself encouraged that belief even after it had acquired the Bayer mark in America, thru forced sale, of defendant's subsidiary there in 1918, Exh. 79, 80, 81, to apply the Ang Tibay rule in the manner advocated by Sterling would, the Court fears, produce the reverse result and the consequence would be not equity but injustice."

Haystacks (Berne Guerrero)

16. **Judicial notice that “Bayer” is German**

The Court has to take judicial notice of a belief of long standing common among the people in the Philippines that German products are of very high quality and it is only natural for a distributor or a retailer to take advantage of that; and as it is not debated that ‘Bayer’ is a German surname (this surname is a ‘pretty common one among members of the German race’ it is all so very easy to associate the Bayer trademark with products that come from Germany and to believe that they are of high quality. With the background of prior use in the Philippines of the word BAYER by FBA’s German predecessor and the prior representations that plaintiff’s medicines sold in the Philippines were manufactured in Germany, the facts just recited hammer on the mind of the public that the Aspirin, Cafiaspirina and Aspirin for Children being marketed for plaintiff in the Philippines come from the same source — the German source — and in use since 1900.

17. **He who comes into equity must do so with clean hands**

The Ang Tibay doctrine is not to be read as shunting aside the time-honored teaching that he who comes into equity must do so with clean hands. Herein, SPI cannot now say that the present worth of its BAYER trademarks it owes solely to its own efforts; it is not insulated from the charge that as it marketed its medicines it did so with an eye to the goodwill as to quality that FBA’s predecessor had established. SPI is not the first user thereof in the Philippines. The trademarks do not necessarily link SPI with the public. SPI must show injury; it has not. SPI, the owner in the Philippine of the trademarks BAYER for medicines, has thus forfeited its right to protection from the use of the same trademarks by FBA for products different therefrom — insecticides and other chemicals.

18. **Non-use; Vigilantibus non dormientibus equitas subvenit**

While it is conceded that FBA’s predecessors first introduced medical products with the BAYER trademarks in the Philippine market, it is equally true that, after World War I, no definite evidence there is that defendants or their predecessors traded in the Philippines in medicines with the BAYER trademarks thereafter. FBA did not seasonably voice its objections. Lack of protest thereto connoted acquiescence. And this, notwithstanding the fact that the 1923 and 1926 agreements were set aside in the anti-trust suits. FBA did use the marks, but it was much later, i.e., in 1958 — and on chemicals and insecticides — not on medicines. FBA only bestirred itself and challenged SPI’s right to the trademarks on medicines when this suit was filed. Vigilantibus non dormientibus equitas subvenit. FBA’s claim (to warrant delisting of SPI’s BAYER trademarks for medicine from the Principal Register) is stale as it suffers from the defect of non-use.

19. **Net result of the present decision as to the use of the BAYER trademarks in the Philippines**

The net result is that SPI may hold on to its BAYER trademarks for medicines, and FBA may continue using the same trademarks for insecticides and other chemicals, not medicines.

20. **Court’s requirement to use additional words to mark and indication of German source does not prejudice FBA**

The formula fashioned by the lower court, i.e. “to add a distinctive word or words in their mark to indicate that their products come from Germany” avoids the mischief of confusion of origin — FBA’s product would not be mistaken for those of SPI. It reduces friction. There is no prejudice to FBA. The order does not visit FBA with reprobation or condemnation. Rather, FBA would be enhancing the value of and would be sponsoring its own products. Anyway, a statement that its products come from Germany is but a statement of fact.

[6]

Kabushi Kaisha Isetan vs. IAC (GR 75420, 15 November 1991)

Second Division, Gutierrez Jr. (J): 3 concur

Haystacks (Berne Guerrero)

Facts: Kabushi Kaisha Isetan (also known and trading as Isetan Co. Ltd.) is a foreign corporation organized and existing under the laws of Japan with business address at 14-1 Shinjuku, 3-Chrome, Shinjuku, Tokyo, Japan. It is the owner of the trademark “Isetan” and the “Young Leaves Design”. Isetann Department Store, on the other hand, is a domestic corporation organized and existing under the laws of the Philippines with business address at 423-430 Rizal Avenue, Sta. Cruz, Manila, Philippines. On 30 May 1980 and 20 May 1980, Isetann Department Store Inc. registered “Isetann Department Store, Inc.” and Isetann and Flower Design in the Philippine Patent Office under SR. Reg. 4701 and 4714, respectively, as well as with the Bureau of Domestic Trade under Certificate of Registration 32020. On 28 November 1980, Kabushi filed with the Phil. Patent Office 2 petitions for the cancellation of Certificates of Supplemental Registration SR-4717 and SR-4701 stating among others that “except for the additional letter ‘N’ in the word “Isetan”, the mark registered by the registrant is exactly the same as the trademark ISETAN owned by the Kabushi Kaisha Isetan and that the young leaves registered by the registrant is exactly the same as the young leaves design owned by the Kabushi Kaisha Isetan.” The petition was docketed as Inter Partes Cases 1460 and 1461. On 3 October 1983, Kabushi Kaisha Isetan applied for the registration of “Isetan” and “Young Leaves Design” with the Philippine Patent Office under Permanent Serial 52422 and 52423 respectively. Meanwhile, Kabushi Kaisha Isetan also filed with the Securities and Exchange Commission (SEC) a petition to cancel the mark “ISETAN” as part of the registered corporate name of Isetann Department Store, Inc. (SEC Case 2051). On 17 May 1985, the petition was denied in a decision rendered by SEC’s Hearing Officer, Atty. Joaquin C. Garaygay. On appeal, the Commission reversed the decision of the Hearing Officer on 25 February 1986. It directed Isetann Department Store to amend its Articles of Incorporation within 30 days from finality of the decision. On 15 April 1986, however, Isetann Department Store filed a motion for reconsideration. On 10 September 1987, the Commission reversed its earlier decision dated 25 February 1986 thereby affirming the decision rendered by the Hearing Officer on 17 May 1985. The SEC decision which denied and dismissed the petition to cancel was submitted to the Director of Patents as part of the evidence for Isetann Department Store. On 24 January 1986, the Director of Patents after notice and hearing rendered a joint decision in Inter Partes Cases 1460 and 1461, dismissing said cases as Kabushi Kaisha has not successfully made out a case of cancellation; ordered that Certificate of Supplemental Registration 4717 of 20 May 1980 (Isetann Department Store and Flower Design) to remain in full force and effect for the duration of their term unless sooner or later terminated by law; and gave due course to the corresponding application for registration in the Principal Register of the Trademark and of the tradename. On 21 February 1986, Kabushi Kaisha Isetan moved for the reconsideration of said decision but the motion was denied on 2 April 1986.

From the adverse decision of the Director of Patents, Kabushi Kaisha Isetan appealed to the Intermediate Appellate Court (now Court of Appeals). On 2 June 1986, the IAC dismissed the appeal on the ground that it was filed out of time. Its motion for reconsideration was likewise denied in a resolution dated 11 July 1986. Hence, the petition for review on certiorari.

The Supreme Court dismissed the petition.

1. Rationale of Isetan (Kabushi Kaisha Isetan)

Kabushi Kaisha Isetan first used the trademark Isetan on 5 November 1936. It states that the trademark is a combination of “Ise” taken from “Iseya” the first name of the rice dealer in Kondo, Tokyo in which the establishment was first located and “Tan” which was taken from “Tanji Kosuge the First”. It claims to have expanded its line of business internationally from 1936 to 1974. The trademark “Isetan” and “Young Leaves Design” were registered in Japan covering more than 34 classes of goods.

2. Rationale for Isetann (Isetann Department Store)

Isetann Department Store claims that it used the word “Isetann” as part of its corporated name and on its products particularly on shirts in Joymart Department Store sometime in January 1979. The suffix “Tann” means an alter, the place of offering in Chinese and this was adopted to harmonize the corporate name and the

Haystacks (Berne Guerrero)

corporate logo of two hands in cup that symbolizes the act of offering to the Supreme Being for business blessing.

3. No compelling equitable considerations to allow liberal application of technical rules

Perfection of an appeal within the time provided by law is jurisdictional, and failure to observe the period is fatal. There are no compelling equitable considerations which call for the application of the rule enunciated in *Serrano v. Court of Appeals* (139 SCRA 179 [1985]) and *Orata v. Intermediate Appellate Court, et al.* (185 SCRA 148 [1990]) that considerations of substantial justice manifest in the petition may relax the stringent application of technical rules so as not to defeat an exceptionally meritorious petition. Herein, there is no dispute and *Kabushi Kaisha Isetan* does not question the fact that the appeal was filed out of time. Not only was the appeal filed late in the Court of Appeals, the petition for review was also filed late with the Supreme Court. In common parlance, *Kabushi Kaisha Isetan's* case is "twice dead" and may no longer be reviewed.

4. Appeal governed by Section 2, RA 5434

The decision sought to be appealed in the present is one rendered by the Philippine Patent Office, a quasi-judicial body. Consequently, under Section 23(c) of the Interim Rules of Court, the appeal shall be governed by the provisions of Republic Act 5434. Section 2 which states that in case a motion for reconsideration is filed, an appeal should be filed within 10 days from notice of the resolution denying the motion for reconsideration.

5. Section 2, RA 5435; Appeals to Court of Appeals

Section 2 (Appeals to Court of Appeals) of RA 5434 provides that "Appeals to the Court of Appeals shall be filed within 15 days from notice of the ruling, award, order, decision or judgment or from the date of its last publication, if publication is required by law for its effectivity; or in case a motion for reconsideration is filed within that period of 15 days, then within 10 days from notice or publication, when required by law, of the resolution denying the motion for reconsideration. No more than one motion for reconsideration shall be allowed any party. If no appeal is filed within the periods here fixed, the ruling, award, order, decision or judgment shall become final and may be executed as provided by existing law."

6. Actual use a prerequisite to the acquisition of ownership of trademark or tradename

A fundamental principle of Philippine Trademarks Law is that actual use in commerce in the Philippines is a pre-requisite to the acquisition of ownership over a trademark or a tradename. The mere origination or adoption of a particular tradename without actual use thereof in the market is insufficient to give any exclusive right to its use, even though such adoption is publicly declared, such as by use of the name in advertisements, circulars, price lists, and on signs and stationery.

7. Section 2, RA 166 (Trademark Law); What are registrable

Section 2 (What are registrable) of RA 166 provides that "Trademarks, tradenames and service marks owned by persons, corporation, partnerships or associations domiciled in the Philippines and by persons, corporations, partnerships or associations domiciled in any foreign country may be registered in accordance with the provisions of this Act: Provided, That said trademarks, tradenames, or service marks are actually in use in commerce and services not less than two months in the Philippines before the time the applications for registration are filed: And provided, further, That the country of which the applicant for registration is a citizen grants by law substantially similar privileges to citizens of the Philippines, and such fact is officially certified, with a certified true copy of the foreign law translated into the English language, by the government of the foreign country to the Government of the Republic of the Philippines. (As amended by RA 865)."

8. Section 2-A, RA 166; Ownership of trademarks, tradenames and service marks; how acquired

Section 2-A (Ownership of trademarks, tradenames and service marks; how acquired) provides that "Anyone who lawfully produces or deals in merchandise of any kind or who engages in any lawful business,

Haystacks (Berne Guerrero)

or who renders any lawful service in commerce, by actual use thereof in manufacture or trade, in business, and in the service rendered, may appropriate to his exclusive use a trademark, a tradename, or a service mark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or service of others. The ownership or possession of a trademark, tradename, service mark, heretofore or hereafter appropriated, as in this section provided, shall be recognized and protected in the same manner and to the same extent as are other property rights known to this law. (As amended by RA 638)”

9. Actual use, not adoption, give exclusive right to a trademark; Sterling Products International, Inc. v. Farbenfabriken Bayer Actiengesellschaft

Adoption alone of a trademark would not give exclusive right thereto. Such right grows out of their actual use. Adoption is not use. One may make advertisements, issue circulars, give out price lists on certain goods; but these alone would not give exclusive right of use. For trademark is a creation of use. The underlying reason for all these is that purchasers have come to understand the mark as indicating the origin of the wares. Flowing from this is the trader’s right to protection in the trade he has built up and the goodwill he has accumulated from use of the trademark. (Sterling Products International, Inc. v. Farbenfabriken Bayer Actiengesellschaft, 27 SCRA 1214 [1969]) In fact, a prior registrant cannot claim exclusive use of the trademark unless it uses it in commerce.

10. Samples not evidence of actual use; Pagasa Industrial Corporation v. Court of Appeals

The Trademark law requires actual commercial use of the mark prior to its registration. The first registrant failed to fully substantiate its claim that it used in trade or business in the Philippines the subject mark; it did not present proof to invest it with exclusive, continuous adoption of the trademark which should consist among others, of considerable sales since its first use. The evidence must be clear, definite and free from inconsistencies. (Sy Ching v. Gaw Lui, 44 SCRA 148-149) Samples are not for sale (of no commercial value) and therefore, the fact of exporting them; to the Philippines cannot be considered to be equivalent to the use contemplated by the law. Income cannot be expected from such samples. There were no receipts to establish sale, and no proof were presented to show that they were subsequently sold in the Philippines. (Pagasa Industrial Corp. v. Court of Appeals, 118 SCRA 526 [1982])

11. Kabushi Kaisha Isetan has no right to remedy it seeks

Herein, Kabushi Kaisha Isetan has never conducted any business in the Philippines. It has never promoted its tradename or trademark in the Philippines. It has absolutely no business goodwill in the Philippines. It is unknown to Filipinos except the very few who may have noticed it while travelling abroad. It has never paid a single centavo of tax to the Philippine government. Under the law, it has no right to the remedy it seeks.

12. Kabushi Kaisha Isetan has never used its tradename or trademark, nor undertook promotional activities, in the Philippines

Herein, Kabushi Kaisha Isetan’s witnesses, Mr. Mayumi Takayama and Mr. Hieoya Murakami, admitted that (1) Kabushi Kaisha Isetan’s company is not licensed to do business in the Philippines; (2) Its trademark is not registered under Philippine law; and (3) Its trademark is not being used on products in trade, manufacture, or business in the Philippines. Further, Kabushi Kaisha Isetan has never engaged in promotional activities in the Philippines to popularize its trademark because not being engaged in business in the Philippines, there is no need for advertising. The claim of the petitioner that millions of dollars have been spent in advertising the petitioner’s products, refers to advertising in Japan or other foreign places. No promotional activities have been undertaken in the Philippines.

13. Case involves trade name, not trademark; Distinguished with other cases involving products

What is involved in this case is not so much a trademark as a tradename. Isetann Department Store, Inc. is the name of a store and not of products sold in various parts of the country. This case must be differentiated from cases involving products bearing such familiar names as “Colgate”, “Singer”, “Toyota”, or

Haystacks (Berne Guerrero)

“Sony” where the products are marketed widely in the Philippines. There is no product with the name “Isetann” popularized with that brand name in the Philippines. Unless one goes to the store called Isetann in Manila, he would never know what the name means. Similarly, until a Filipino buyer steps inside a store called “Isetan” in Tokyo or Hongkong, that name would be completely alien to him. The records show that among Filipinos, the name cannot claim to be internationally well-known.

14. Finding of facts by quasi-judicial body conclusive upon the Supreme Court

The findings of facts of the Director of Patents are conclusive on the Supreme Court, provided they are supported by substantial evidence. (Chua Che v. Phil. Patent Office, 13 SCRA 67 [1965]; Chung Te v. Ng Kian Giab, 18 SCRA 747 [1966]; Marvex Commercial Co., Inc. v. Petra Hawpia & Co., 18 SCRA 1178 [1966]; Lim Kiah v. Kaynee, Co. 25 SCRA 485 [1968]; Kee Boc v. Dir. of Patents, 34 SCRA 570 [1970].

15. Doctrine of nationality or territoriality in the law of trademarks

What is to be secured from unfair competition in a given territory is the trade which one has in that particular territory. There is where his business is carried on where the goodwill symbolized by the trademark has immediate value; where the infringer may profit by infringement. The principle of territoriality of the Trademark law has been recognized in the Philippines (citing Ingenohl v. Walter E. Olsen, 71 L. ed. 762). The law of trademarks ‘rests upon the doctrine of nationality or territoriality. (2 Callmann, Unfair Competition and Trademarks, 1945, ed., p. 1006; Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft, 27 SCRA 1214 [1969])

16. Paris Convention does not exclude all countries from using tradename used in one country

The Paris Convention for the Protection of Industrial Property does not automatically exclude all countries of the world have signed it from using a tradename which happens to be used in one country. To illustrate — If a taxicab or bus company in a town in the United Kingdom or India happens to use the tradename “Rapid Transportation”, it does not necessarily follow that “Rapid” can no longer be registered in Uganda, Fiji, or the Philippines.

17. Requisites for the recognition of foreign trademark under treaty

The Philippines is a signatory to this Treaty and, hence, must honor our obligation thereunder on matters concerning internationally known or well known marks. However, this Treaty provision clearly indicated the conditions which must exist before any trademark owner can claim and be afforded rights and those conditions are that: (a) the mark must be internationally known or well known; (b) the subject of the right must be a trademark, not a patent or copyright or anything else; (c) the mark must be for use in the same or similar kinds of goods, and (d) the person claiming must be the owner of the mark (The Parties Convention Commentary on the Paris Convention. Article by Dr. Bogach, Director General of the World Intellectual Property Organization, Geneva, Switzerland, 1985).

18. Isetann Department Store entitled to use its trademark in the Philippines

Isetann Department Store registered its trademark in 1979. It has continuously used that name in commerce. It has established a goodwill through extensive advertising. The people who buy at Isetann Store do so because of Isetann’s efforts. There is no showing that the Japanese firm’s registration in Japan or Hongkong has any influence whatsoever on the Filipino buying public.

[7]

Emerald Garment Manufacturing Corp. vs. CA (GR 100098, 29 December 1995)

First Division, Kapunan (J): 2 concur, 1 dissents

Facts: HD Lee Co. Inc. , a foreign corporation organized under the laws of Delaware, U.S.A., obtained several registration certificates for its various trademarks “LEE,” “LEE RIDERS,” and “LEESURES” in both

Haystacks (Berne Guerrero)

the supplemental and principal registers, as early as 1969 to 1973. On 18 September 1981, HD Lee filed with the Bureau of Patents, Trademarks & Technology Transfer (BPTTT) a Petition for Cancellation of Registration SR 5054 (Supplemental Register) for the trademark “STYLISTIC MR. LEE” used on skirts, jeans, blouses, socks, briefs, jackets, jogging suits, dresses, shorts, shirts and lingerie under Class 25, issued on 27 October 1980 in the name of Emerald Garment Manufacturing Corporation, a domestic corporation organized and existing under Philippine laws. The petition was docketed as Inter Partes Case 1558. On 20 February 1984, Emerald Garments caused the publication of its application for registration of the trademark “STYLISTIC MR. LEE” in the Principal Register.” On 27 July 1984, HD Lee Co. filed a notice of opposition to Emerald Garment’s application for registration also on grounds that the latter’s trademark was confusingly similar to its “LEE” trademark. The case was docketed as Inter Partes Case 1860. On 21 June 1985, the Director of Patents consolidated Inter Partes Cases 1558 and 1860, and on 19 July 1988, the Director of Patents rendered a decision granting HD Lee Co.’s petition for cancellation and opposition to registration, holding that HD Lee Co. to be the prior registrant of the trademark “LEE” in the Philippines and that it had been using said mark in the Philippines.

On 3 August 1988, Emerald Garments appealed to the Court of Appeals and on 8 August 1988, it filed with the BPTTT a Motion to Stay Execution of the 19 July 1988 decision of the Director of Patents on grounds that the same would cause it great and irreparable damage and injury. HD Lee submitted its opposition on 22 August 1988. On 23 September 1988, the BPTTT issued Resolution 88-33 granting Emerald Garments’ motion to stay execution subject to the following terms and conditions: (1) that under the resolution, Emerald Garments is authorized only to dispose of its current stock using the mark “STYLISTIC MR. LEE”; (2) that it is strictly prohibited from further production, regardless of mode and source, of the mark in question (STYLISTIC MR. LEE) in addition to its current stock; and (3) that the relief Order shall automatically cease upon resolution of the Appeal by the Court of Appeals and, if the Emerald Garments’ appeal loses, all goods bearing the mark “STYLISTIC MR. LEE” shall be removed from the market, otherwise such goods shall be seized in accordance with the law. On 29 November 1990, the Court of Appeals promulgated its decision affirming the decision of the Director of Patents dated 19 July 1988 in all respects. On 19 December 1990, Emerald Garments filed a motion for reconsideration of the decision of the Court of Appeals. On 17 May 1991, the Court of Appeals issued a resolution rejecting Emerald Garments’ motion for reconsideration. Hence, the petition for review on certiorari.

The Supreme Court reversed and set aside the questioned decision and resolution.

1. Equitable principle of laches; Section 9-A, RA 166

The equitable principle of laches appears in Section 9-A (Equitable principles to govern proceedings) of RA 166, otherwise known as the Law on Trade-marks, Trade-names and Unfair Competition, which provides that “In opposition proceedings and in all other inter partes proceedings in the patent office under this act, equitable principles of laches, estoppel, and acquiescence, where applicable, may be considered and applied.”

2. Marks and tradenames in supplemental register

Emerald Garment’s trademark is registered in the supplemental register. The Trademark Law (R.A. No. 166) provides that “marks and tradenames for the supplemental register shall not be published for or be subject to opposition, but shall be published on registration in the Official Gazette.” The reckoning point, therefore, should not be 1 May 1975, the date of alleged use by Emerald Garments of its assailed trademark but 27 October 1980, the date the certificate of registration SR 5054 was published in the Official Gazette and issued to Emerald Garments. It was only on the date of publication and issuance of the registration certificate that HD Lee Co. may be considered “officially” put on notice that petitioner has appropriated or is using said mark, which, after all, is the function and purpose of registration in the supplemental register.

3. HD Lee not in estoppel nor barred in laches

Haystacks (Berne Guerrero)

The record is bereft of evidence that HD Lee was aware of Emerald Garment's trademark before the date of said publication and issuance. Hence, when it instituted cancellation proceedings on 18 September 1981, less than a year had passed. It could hardly be then accused of inexcusable delay in filing its notice of opposition to Emerald Garment's application for registration in the principal register since said application was published only on 20 February 1984. From the time of publication to the time of filing the opposition on 27 July 1984 barely 5 months had elapsed. To be barred from bringing suit on grounds of estoppel and laches, the delay must be lengthy.

4. Section 22, RA 166; Infringement, what constitutes

Section 22 (Infringement, what constitutes) of RA 166 (Trademark Law) provides that "Any person who shall use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or trade-name in connection with the sale, offering for sale, or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services, or identity of such business; or reproduce, counterfeit, copy or colorably imitable any such mark or trade-name and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services, shall be liable to a civil action by the registrant for any or all of the remedies herein provided."

5. No set rules can be deduced as to practical application of Section 22; Each case must be decided on its own merits

Practical application, however, of Section 22 of the Trademark Law is easier said than done. In the history of trademark cases in the Philippines, particularly in ascertaining whether one trademark is confusingly similar to or is a colorable imitation of another, no set rules can be deduced. Each case must be decided on its own merits. In *Esso Standard Eastern, Inc. v. Court of Appeals*, it was held that "but likelihood of confusion is a relative concept; to be determined only according to the particular, and sometimes peculiar, circumstances of each case. It is unquestionably true that, as stated in *Coburn vs. Puritan Mills, Inc.*: "In trademark cases, even more than in other litigation, precedent must be studied in the light of the facts of the particular case." It has also been observed that "in determining whether a particular name or mark is a "colorable imitation" of another, no all-embracing rule seems possible in view of the great number of factors which must necessarily be considered in resolving this question of fact, such as the class of product or business to which the article belongs; the product's quality, quantity, or size, including its wrapper or container; the dominant color, style, size, form, meaning of letters, words, designs and emblems used; the nature of the package, wrapper or container; the character of the product's purchasers; location of the business; the likelihood of deception or the mark or name's tendency to confuse; etc."

6. Colorable imitation, an essential element of infringement; Nature

The essential element of infringement is colorable imitation. This term has been defined as "such a close or ingenious imitation as to be calculated to deceive ordinary purchasers, or such resemblance of the infringing mark to the original as to deceive an ordinary purchaser giving such attention as a purchaser usually gives, and to cause him to purchase the one supposing it to be the other." Colorable imitation does not mean such similitude as amounts to identity. Nor does it require that all the details be literally copied. Colorable imitation refers to such similarity in form, content, words, sound, meaning, special arrangement, or general appearance of the trademark or tradename with that of the other mark or tradename in their over-all presentation or in their essential, substantive and distinctive parts as would likely mislead or confuse persons in the ordinary course of purchasing the genuine article.

7. Tests in determination of existence of colorable imitation

In determining whether colorable imitation exists, jurisprudence has developed two kinds of tests — the Dominancy Test applied in *Asia Brewery, Inc. v. Court of Appeals* and other cases and the Holistic Test developed in *Del Monte Corporation v. Court of Appeals* 30 and its proponent cases.

Haystacks (Berne Guerrero)

8. Test of dominancy

The test of dominancy focuses on the similarity of the prevalent features of the competing trademarks which might cause confusion or deception and thus constitutes infringement. If the competing trademark contains the main or essential or dominant features of another, and confusion and deception is likely to result, infringement takes place. Duplication or imitation is not necessary; nor it is necessary that the infringing label should suggest an effort to imitate. The question at issue in cases of infringement of trademarks is whether the use of the marks involved would be likely to cause confusion or mistakes in the mind of the public or deceive purchasers.

9. Holistic test

The holistic test mandates that the entirety of the marks in question must be considered in determining confusing similarity. In determining whether the trademarks are confusingly similar, a comparison of the words is not the only determinant factor. The trademarks in their entirety as they appear in their respective labels or hang tags must also be considered in relation to the goods to which they are attached. The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing in both labels in order that he may draw his conclusion whether one is confusingly similar to the other.

10. Jeans not ordinary household items; Casual buyer presumed to be more cautious and discriminating

The products involved are various kinds of jeans. These are not ordinary household items like catsup, soy sauce or soap which are of minimal cost. Maong pants or jeans are not inexpensive. Accordingly, the casual buyer is predisposed to be more cautious and discriminating in and would prefer to mull over his purchase. Confusion and deception, then, is less likely.

11. Cost of goods determines attitudes of the purchaser; Del Monte Corporation vs. CA

What essentially determines the attitudes of the purchaser, specifically his inclination to be cautious, is the cost of the goods. To be sure, a person who buys a box of candies will not exercise as much care as one who buys an expensive watch. As a general rule, an ordinary buyer does not exercise as much prudence in buying an article for which he pays a few centavos as he does in purchasing a more valuable thing. Expensive and valuable items are normally bought only after deliberate, comparative and analytical investigation. But mass products, low priced articles in wide use, and matters of everyday purchase requiring frequent replacement are bought by the casual consumer without great care.

12. Jeans, like beer, are bought by brand

Like his beer, the average Filipino consumer generally buys his jeans by brand. He does not ask the sales clerk for generic jeans but for, say, a Levis, Guess, Wrangler or even an Armani. He is, therefore, more or less knowledgeable and familiar with his preference and will not easily be distracted.

13. “Ordinary purchaser” and “ordinary intelligent buyer” not “completely unwary consumer”

More credit should be given to the “ordinary purchaser.” Cast in this particular controversy, the ordinary purchaser is not the “completely unwary consumer” but is the “ordinarily intelligent buyer” considering the type of product involved.

14. “Ordinary purchaser” defined, Test of Fraudulent Sumulation; Dy Buncio v. Tan Tiao Bok

The “ordinary purchaser” was defined as one “accustomed to buy, and therefore to some extent familiar with, the goods in question. The test of fraudulent simulation is to be found in the likelihood of the deception of some persons in some measure acquainted with an established design and desirous of purchasing the commodity with which that design has been associated. The test is not found in the deception, or the possibility of deception, of the person who knows nothing about the design which has been counterfeited, and

Haystacks (Berne Guerrero)

who must be indifferent between that and the other. The simulation, in order to be objectionable, must be such as appears likely to mislead the ordinary intelligent buyer who has a need to supply and is familiar with the article that he seeks to purchase.”

15. Stylistic Mr. Lee not a variation of the Lee mark

There is no cause for the apprehension that Emerald Garment’s products might be mistaken as “another variation or line of garments under HD Lee’s ‘LEE’ trademark”. As one would readily observe, HD Lee’s variation follows a standard format “LEERIDERS,” “LEESURES” and “LEELEENS.” It is; therefore, improbable that the public would immediately and naturally conclude that Emerald Garment’s “STYLISTIC MR. LEE” is but another variation under HD Lee’s “LEE” mark.

16. Present trademarks in present case not confusingly similar

Taking into account the factual circumstances of the case, the trademarks involved as a whole and rule that Emerald Garment’s “STYLISTIC MR. LEE” is not confusingly similar to HD Lee’s “LEE” trademark. Emerald Garment’s trademark is the whole “STYLISTIC MR. LEE.” Although on its label the word “LEE” is prominent, the trademark should be considered as a whole and not piecemeal. The dissimilarities between the two marks become conspicuous, noticeable and substantial enough to matter especially in the light of variables that must be factored in. Taking into account these unique factors, the similarities in the trademarks in question are not sufficient as to likely cause deception and confusion tantamount to infringement.

17. Section 4 (e), RA 166; Registration of trade-marks, trade-names and service-marks on the principal register

Chapter II-A (The Principal Register, Inserted by Sec. 2, RA 638), Section 4 (Registration of trade-marks, trade-names and service-marks on the principal register) provides that “there is hereby established a register of trade-marks, trade-names and service-marks which shall be known as the principal register. The owner of a trade-mark, trade-name or service-mark used to distinguish his goods, business or services from the goods, business or services of others shall have the right to register the same on the principal register, unless it: xxx (e) Consists of a mark or trade-name which, when applied to or used in connection with the goods, business or services of the applicant is merely descriptive or deceptively misdescriptive of them, or when applied to or used in connection with the goods, business or services of the applicant is primarily geographically descriptive or deceptively misdescriptive of them, or is primarily merely a surname.”

18. “Lee” primarily a surname; Personal name cannot be monopolized as trademark or tradename as against others

“LEE” is primarily a surname. HD Lee cannot, therefore, acquire exclusive ownership over and singular use of said term. It has been held that a personal name or surname may not be monopolized as a trademark or tradename as against others of the same name or surname. For in the absence of contract, fraud, or estoppel, any man may use his name or surname in all legitimate ways. Thus, “Wellington” is a surname, and its first user has no cause of action against the junior user of “Wellington” as it is incapable of exclusive appropriation.

19. Actual use in commerce in the Philippines is an essential prerequisite for the acquisition of ownership over a trademark

Actual use in commerce in the Philippines is an essential prerequisite for the acquisition of ownership over a trademark pursuant to Sections 2 and 2-A of the Philippine Trademark Law (RA 166). HD Lee failed to prove prior actual commercial use of its “LEE” trademark in the Philippines before filing its application for registration with the BPTTT and hence, has not acquired ownership over said mark.

20. Section 2, RA 166; Registration of Marks and Trade-names, What are registrable

Haystacks (Berne Guerrero)

Section 2 (What are registrable) provides that “trade-marks, trade-names, and service marks owned by persons, corporations, partnerships or associations domiciled in the Philippines and by persons, corporations, partnerships, or associations domiciled in any foreign country may be registered in accordance with the provisions of this act: Provided, That said trade-marks, trade-names, or service marks are actually in use in commerce and services not less than two months in the Philippines before the time the applications for registration are filed: And Provided, further, That the country of which the applicant for registration is a citizen grants by law substantially similar privileges to citizens of the Philippines, and such fact is officially certified, with a certified true copy of the foreign law translated into the English language, by the government of the foreign country to the Government of the Republic of the Philippines. “

21. Section 2-A, RA 166; Ownership of trade-marks, trade-names and service-marks; how acquired

Section 2-A (Ownership of trade-marks, trade-names and service-marks; how acquired) provides that “anyone who lawfully produces or deals in merchandise of any kind or who engages in lawful business, or who renders any lawful service in commerce, by actual use hereof in manufacture or trade, in business and in the service rendered; may appropriate to his exclusive use a trade-mark, a trade-name, or a service-mark not so appropriated by another, to distinguish his merchandise, business or services from others. The ownership or possession of trade-mark, trade-name, service-mark, heretofore or hereafter appropriated, as in this section provided, shall be recognized and protected in the same manner and to the same extent as are other property rights to the law.”

22. Doctrine of incorporation; Philip Morris Inc. vs. CA

Following universal acquiescence and comity, Philippine municipal law on trademarks regarding the requirement of actual use in the Philippines must subordinate an international agreement (e.g. 1965 Paris Convention for the Protection of Industrial Property) inasmuch as the apparent clash is being decided by a municipal tribunal. Withal, the fact that international law has been made part of the law of the land does not by any means imply the primacy of international law over national law in the municipal sphere. Under the doctrine of incorporation as applied in most countries, rules of international law are given a standing equal, not superior, to national legislative enactments.

23. Lack of license to do business in the Philippines vis-à-vis actual use of trademark in commerce

A foreign corporation may have the capacity to sue for infringement irrespective of lack of business activity in the Philippines on account of Section 21-A of the Trademark Law but the question of whether they have an exclusive right over their symbol as to justify issuance of the controversial writ will depend on actual use of their trademarks in the Philippines in line with Sections 2 and 2-A of the same law. It is thus incongruous to claim that when a foreign corporation not licensed to do business in the Philippines files a complaint for .infringement, the entity need not be actually using its trademark in commerce in the Philippines. Such a foreign corporation may have the personality to file a suit for infringement but it may not necessarily be entitled to protection due to absence of actual use of the emblem in the local market.

24. Registration does not perfect a trademark right; Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft

Actual use in commerce or business is a prerequisite in the acquisition of the right of ownership over a trademark. Adoption alone of a trademark would not give exclusive right thereto. Such right “grows out of their actual use.” Adoption is not use. One may make advertisements, issue circulars, give out price lists on certain goods; but these alone would not give exclusive right of use. For trademark is a creation of use. The underlying reason for all these is that purchasers have come to understand the mark as indicating the origin of the wares. Flowing from this is the trader’s right to protection in the trade he has built up and the goodwill he has accumulated from use of the trademark. Registration of a trademark, of course, has value: it is an administrative act declaratory of a pre-existing right. Registration does not, however, perfect a trademark right.

Haystacks (Berne Guerrero)

25. Section 20 of the Trademark Law; Certificate of registration prima facie evidence of validity

Section 20 of the Trademark Law provides that “a certificate of registration of a mark or tradename shall be a 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, subject to any conditions and limitations stated therein.”

26. Section 20, Trademark Law, construed

The credibility placed on a certificate of registration of one’s trademark, or its weight as evidence of validity, ownership and exclusive use, is qualified. A registration certificate serves merely as prima facie evidence. It is not conclusive but can and may be rebutted by controverting evidence. Moreover, Section 20 of the Trademark Law applies only to registrations in the principal register. Registrations in the supplemental register do not enjoy a similar privilege. A supplemental register was created precisely for the registration of marks which are not registrable on the principal register due to some defects.

27. Determination of prior user of trademark; Finding of facts of Director of Patents conclusive upon the Supreme Court

The determination as to who is the prior user of the trademark is a question of fact and it is this Court’s working principle not to disturb the findings of the Director of Patents on this issue in the absence of any showing of grave abuse of discretion. The findings of facts of the Director of Patents are conclusive upon the Supreme Court provided they are supported by substantial evidence.

28. Samples not equivalent to “use”; Pagasa Industrial Corp. v. Court of Appeals, and Converse Rubber Corp. v. Universal Rubber Products, Inc.

The Trademark Law requires actual commercial use of the mark prior to its registration. There is no dispute that respondent corporation was the first registrant, yet it failed to fully substantiate its claim that it used in trade or business in the Philippines the subject mark; it did not present proof to invest it with exclusive, continuous adoption of the trademark which should consist among others, of considerable sales since its first use. The evidence must be clear, definite and free from inconsistencies. “Samples” are not for sale and therefore, the fact of exporting them to the Philippines cannot be considered to be equivalent to the “use” contemplated by law. Respondent did not expect income from such “samples.” There were no receipts to establish sale, and no proof were presented to show that they were subsequently sold in the Philippines.

29. Sales Invoices provide best proof for actual sales of products

The sales invoices provide the best proof that there were actual sales of Emerald Garment’s product in the country and that there was actual use for a protracted period of petitioner’s trademark or part thereof through these sales. The Court gave little weight to the numerous vouchers representing various advertising expenses in the Philippines for “LEE” products, as these expenses were incurred only in 1981 and 1982 by LEE (Phils.), Inc. after it entered into a licensing agreement with HD Lee Co. on 11 May 1981 (which do not prove whether “LEE” mark first reached the Philippines in the 1960’s through local sales by the Post Exchanges of the U.S. Military Bases in the Philippines). On the other hand, petitioner has sufficiently shown that it has been in the business of selling jeans and other garments adopting its “STYLISTIC MR. LEE” trademark since 1975 as evidenced by appropriate sales invoices to various stores and retailers.

[8]

Converse Rubber Corp. vs. Universal Rubber Products (GR L-27906, 8 January 1987)

Second Division, Fernan (J): 4 concur

Facts: Universal Rubber Products, Inc. filed an application with the Philippine Patent office for registration of the trademark “UNIVERSAL CONVERSE AND DEVICE” used on rubber shoes and rubber slippers. Converse Rubber Corporation filed its opposition to the application for registration on grounds that (a) the

Haystacks (Berne Guerrero)

trademark sought to be registered is confusingly similar to the word “CONVERSE” which is part of petitioner’s corporate name “CONVERSE RUBBER CORPORATION” as to likely deceive purchasers of products on which it is to be used to an extent that said products may be mistaken by the unwary public to be manufactured by the petitioner; and, (b) the registration of respondent’s trademark will cause great and irreparable injury to the business reputation and goodwill of petitioner in the Philippines and would cause damage to said petitioner within the meaning of Section 8, RA 166, as amended. Eventually, the Director of Patents (Tiburcio Evalle) dismissed the opposition of Converse Rubber and gave due course to Universal Rubber’s application. Its motion for reconsideration having been denied by the Director of Patents, Converse Rubber instituted the instant petition for review.

The Supreme Court set aside the decision of the Director of Patents, and entered a new one denying Universal Rubber’s application for registration of the trademark “UNIVERSAL CONVERSE AND DEVICE” on its rubber shoes and slippers.

1. Tradename; Definition, nature

A trade name is any individual name or surname, firm name, device or word used by manufacturers, industrialists, merchants and others to identify their businesses, vocations or occupations. As the trade name refers to the business and its goodwill, the trademark refers to the goods. The ownership of a trademark or tradename is a property right which the owner is entitled to protect since there is damage to him from confusion or reputation or goodwill in the mind of the public as well as from confusion of goods. The modern trend is to give emphasis to the unfairness of the acts and to classify and treat the issue as fraud.

2. Universal Rubber has no right to appropriate “Converse”

A corporation is entitled to the cancellation of a mark that is confusingly similar to its corporate name. Appropriation by another of the dominant part of a corporate name is an infringement. From a cursory appreciation of the corporate name of “CONVERSE RUBBER CORPORATION,” it is evident that the word “CONVERSE” is the dominant word which identifies Converse Rubber from other corporations engaged in similar business. Universal Rubber admitted Converse Rubber’s existence since 1946 as a duly organized foreign corporation engaged in the manufacture of rubber shoes. This admission necessarily betrays its knowledge of the reputation and business of petitioner even before it applied for registration of the trademark in question. Knowing, therefore, that the word “CONVERSE” belongs to and is being used by Converse Rubber, and is in fact the dominant word in Converse Rubber’s corporate name, Universal Rubber has no right to appropriate the same for use on its products which are similar to those being produced by Converse Rubber.

3. Lack of explanation for adoption of dominant word in another’s trademark opens suspicion to fraudulent motive

A boundless choice of words, phrases and symbols is available to one who wishes a trademark sufficient unto itself to distinguish his product from those of others. When, however, there is no reasonable explanation for the defendant’s choice of such a mark though the field for his selection was so broad, the inference is inevitable that it was chosen deliberately to deceive. Herein, there was reasonable explanation why Universal Rubber chose “UNIVERSAL CONVERSE” as trademark and the record discloses no reasonable explanation for Universal Rubber’s use of the word “CONVERSE” in its trademark. Such unexplained use of the dominant word of Converse Rubber’s corporate name lends itself open to the suspicion of fraudulent motive to trade upon Converse Rubber’s reputation.

4. Converse has earned business reputation and goodwill in the Philippines; Converse acquired second meaning

Converse Rubber has earned a business reputation and goodwill in the Philippines. Sales invoices show that it is the word “CONVERSE” that mainly identifies petitioner’s products, i.e. “CONVERSE CHUCK TAYLOR,” “CONVERSE ALL STAR,” “ALL STAR CONVERSE CHUCK TAYLOR,” or

Haystacks (Berne Guerrero)

“CONVERSE SHOES CHUCK and TAYLOR.” Thus, contrary to the determination of the Director of Patents, the word “CONVERSE” has grown to be identified with Converse Rubber’s products, and in this sense, has acquired a second meaning within the context of trademark and tradename laws.

5. Best evidence of actual sales of trademark’s owner in the Philippines

Sales invoices provide the best proof that there were actual sales of the manufacturer’s products in the country and that there was actual use for a protracted period of its trademark or part thereof through these sales. The most convincing proof of use of a mark in commerce is testimony of such witnesses as customers, or the orders of buyers during a certain period.” Herein, Converse Rubber’s witness, having affirmed her lack of business connections with Converse Rubber, has testified as such customer, supporting strongly petitioner’s move for trademark pre-emption.

6. Quantity of sales not considered insignificant, considering the price

The sales of 12 to 20 pairs a month of Converse Rubber’s rubber shoes cannot be considered insignificant, considering that they appear to be of high expensive quality, which not too many basketball players can afford to buy.

7. Actual sale of goods in local market establishes trademark use as basis for any action aimed at trademark pre-emption

Any sale made by a legitimate trader from his store is a commercial act establishing trademark rights since such sales are made in due course of business to the general public, not only to limited individuals. It is a matter of public knowledge that all brands of goods filter into the market, indiscriminately sold by jobbers, dealers and merchants not necessarily with the knowledge or consent of the manufacturer. Such actual sale of goods in the local market establishes trademark use which serves as the basis for any action aimed at trademark pre-emption. Herein, it is a corollary logical deduction that while Converse Rubber Corporation is not licensed to do business in the country and is not actually doing business here, it does not mean that its goods are not being sold here or that it has not earned a reputation or goodwill as regards its products.

8. Trademarks confusingly similar

There is confusing similarity between its trademark “UNIVERSAL CONVERSE AND DEVICE” and Converse Rubber’s corporate name and/or its trademarks “CHUCK TAYLOR” and “ALL STAR DEVICE” which could confuse the purchasing public to the prejudice of Converse Rubber. The trademark of “UNIVERSAL CONVERSE and DEVICE” is imprinted in a circular manner on the side of its rubber shoes. In the same manner, the trademark of Converse Rubber which reads “CONVERSE CHUCK TAYLOR” is imprinted on a circular base attached to the side of its rubber shoes.

9. Test to determine if marks are confusingly similar

The determinative factor in ascertaining whether or not marks are confusingly similar to each other “is not whether the challenged mark would actually cause commission or deception of the purchasers but whether the use of such mark would likely cause confusion or mistake on the part of the buying public. It would be sufficient, for purposes of the law, that the similarity between the two labels is such that there is a possibility or likelihood of the purchaser of the older brand mistaking the new brand for it.” Even if not all the details just mentioned were identical, with the general appearance alone of the two products, any ordinary, or even perhaps even [sic] a not too perceptive and discriminating customer could be deceived.”

10. “Purchaser” construed

When the law speaks of “purchaser,” the reference is to ordinary average purchasers. It is not necessary in either case that the resemblance be sufficient to deceive experts, dealers, or other persons specially familiar with the trademark or goods involved.

11. Confusion due to general appearance vis-à-vis confusing arising from source

Haystacks (Berne Guerrero)

The similarity in the general appearance of the trademarks would evidently create a likelihood of confusion among the purchasing public. But even assuming, *arguendo*, that the trademark sought to be registered is distinctively dissimilar to the one already registered, the likelihood of confusion would still subsist, not on the purchaser's perception of the goods but on the origins thereof. Herein, by appropriating the word "CONVERSE," Universal Rubber's products are likely to be mistaken as having been produced by Converse Rubber. The risk of damage is not limited to a possible confusion of goods but also includes confusion of reputation if the public could reasonably assume that the goods of the parties originated from the same source.

12. Foreign corporation not licensed to do business and not actually doing business has right to maintain action in the Philippines

It cannot be said that a corporation is not licensed to do business in the country and is actually not doing business on its own in the Philippines, it has no name to protect in the forum and, as in herein case, it is futile for Converse Rubber to establish that "CONVERSE" as part of its corporate name identifies its rubber shoes. That a foreign corporation has a right to maintain an action in the forum even if it is not licensed to do business and is not actually doing business on its own therein has been enunciated many times by the Supreme Court.

13. Known foreign corporation has right of action to restrain inhabitants from organizing corporation with same name as the known foreign corporation

In *La Chemise Lacoste, S.A. vs. Fernandez*, 129 SCRA 373, the Supreme Court, reiterating *Western Equipment and Supply Co. vs. Reyes*, 51 Phil. 115, stated that "a foreign corporation which has never done any business in the Philippines and which is unlicensed and unregistered to do business here, but is widely and favorably known in the Philippines through the use therein of its products bearing its corporate and tradename, has a legal right to maintain an action in the Philippines to restrain the residents and inhabitants thereof from organizing a corporation therein bearing the same name as the foreign corporation, when it appears that they have personal knowledge of the existence of such a foreign corporation, and it is apparent that the purpose of the proposed domestic corporation is to deal and trade in the same goods as those of the foreign corporation."

14. Trademark acknowledges no territorial boundaries; Right of action involving enforcement of trademark, unlike scenario in enforcing legal or control rights arising of business

"The company is not here seeking to enforce any legal or control rights arising from, or growing out of, any business which it has transacted in the Philippine Islands. The sole purpose of the action "is to protect its reputation, its corporate name, its goodwill, whenever that reputation, corporate name or goodwill have, through the natural development of its trade, established themselves." Its rights to the use of its corporate and trade name is a property right, a right in rem, which it may assert and protect against all the world, in any of the courts of the world — even in jurisdictions where it does not transact business — just the same as it may protect its tangible property, real or personal against trespass, or conversion (Citing sec. 10, *Nims on Unfair Competition and Trademarks* and cases cited; secs. 21-22, *Hopkins on Trademarks, Trade Names and Unfair Competition* and cases cited.) That point is sustained by the authorities (e.g. *Hanover Star Mining Co. vs. Allen and Wheeler Co.* [208 Fed., 513]), to the effect that "sSince it is the trade and not the mark that is to be protected, a trademark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader's goods have become known and identified by the use of the mark."

15. Article 8 of Convention of the Union of Paris for the Protection of Industrial Property

Article 8 of the Convention of the Union of Paris for the Protection of Industrial Property, to which the Philippines became a party on 27 September 1965, provides that "a trade name [corporate name] shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of the trademark." The object of the Convention is to accord a national of a member nation

Haystacks (Berne Guerrero)

extensive protection “against infringement and other types of unfair competition” [Vanitary Fair Mills, Inc. vs. T. Eaton Co., 234 F. 2d 633]

16. Convention implemented in Section 37 of RA 166

The mandate of the aforementioned Convention finds implementation in Section 37 (Rights of Foreign Registrants) of RA 166, otherwise known as the Trademark Law, which provides that “persons who are nationals of, domiciled in, or have a bona fide or effective business or commercial establishment in any foreign country, which is a party to an international convention or treaty relating to marks or tradenames on the repression of unfair competition to which the Philippines may be a party, shall be entitled to the benefits and subject to the provisions of this Act. Tradenames of persons described in the first paragraph of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks.”

[9]

Pagasa Industrial vs. CA (GR L-54158, 31 August 1984)

En Banc, Aquino (J): 8 concur, 5 took no part

Facts: The Director of Patents issued to Yoshida Kogyo Kabushiki Kaisha on 9 November 1961 Certificate of Registration 9331 for the trademark YKK for slide fasteners and zippers in class 41. It claimed to have used the trademark since 1 September 1950. Notwithstanding that prior registration, the Director on 4 April 1968, or more than 6 years later, issued to Pagasa Certificate of Registration 13756 for the same trademark for its zippers, based on alleged use of the trademark since 1 March 1966. On 23 January 1975, Yoshida asked the Director (Tiburcio S. Evalle) to cancel the registration in favor of Pagasa. The trademark, used for the same product by two different entities, has caused confusion, mistake and deception. The Director explained that the duplicitous registration was attributable to the fact that his examiner “miserably overlooked” the anterior registration by Yoshida. Had it not been for such costly oversight, Pagasa’s application would have been rejected. In his decision of 5 May 1977, the Director cancelled Pagasa’s certificate of registration in accordance with section 4 (d) and chapter IV of RA 166.

Pagasa appealed to the Court of Appeals which in its decision dated 6 February 1980 affirmed the cancellation. It found that prior to 1968 Pagasa knew that Yoshida was the registered owner and user of the YKK trademark which is an acronym of its corporate name.

Pagasa appealed to the Supreme Court. The Second Division in a decision dated 19 November 1982, reversed the decision of the Appellate Court (118 SCRA 526). Yoshida filed a motion for reconsideration which was denied in the resolution of 12 January 1983. It was granted leave to file a second motion for reconsideration over Pagasa’s opposition. The case was transferred to the Banc. The Supreme Court affirmed the decisions of the Director of Patents and the Court of Appeals; with costs against Pagasa.

1. Prior relationship of Yoshida and Pagasa

Tadao Yoshida, the president of Yoshida, and Tsutomu Isaka, the export manager, visited in 1960 (1965) Pagasa’s factory which was manufacturing zippers under the Royal brand. Anacleto Chi, Pagasa’s president visited in turn Yoshida’s factory in Toyoma, Japan.

2. Appeal should have not been given due course

The Director of Patents sensibly and correctly cancelled the registration in favor of Pagasa which has not shown any semblance of justification for usurping the trademark YKK. The registration in favor of Pagasa was admitted by the Director to be a mistake. He said that Pagasa’s application should have been denied outright.

3. He who comes into equity must come with clean hands

Haystacks (Berne Guerrero)

Pagasa's knowledge that Yoshida was using the YKK trademark precludes the application of the equitable principle of laches, estoppel and acquiescence. Pagasa acted in bad faith. Pagasa's registration of YKK as its own trademark was an act of ingratitude. Pagasa, thus, cannot rely on equity because he who comes into equity must come with clean hands. Equity refuses to lend its aid in any manner to one seeking its active interposition who has been guilty of unlawful or inequitable conduct in the matter with relation to which he seeks relief.

4. Registration as prima facie proof of required acts being duly performed

Registration is sufficient prima-facie proof that all acts necessary to entitle the mark to registration were duly performed (87 C.J.S. 421). Herein, Yoshida's prior registration is superior and must prevail.

[10]

La Chemise Lacoste vs. Fernandez (GR 63796-97, 21 May 1984)

Gobindram Hemandas Sujanani vs. Ongpin (GR 95659)

First Division, Gutierrez Jr. (J): 5 concur

Facts: La Chemise Lacoste SA is a foreign corporation, organized and existing under the laws of France and not doing business in the Philippines. It is undeniable from the records that it is the actual owner of the trademarks "LACOSTE," "CHEMISE LACOSTE," "CROCODILE DEVICE" and a composite mark consisting of the word "LACOSTE" and a representation of a crocodile/alligator, used on clothings and other goods specifically sporting apparels sold in many parts of the world and which have been marketed in the Philippines since 1964. In 1975, Hemandas & Co., a duly licensed domestic firm applied for and was issued Reg. SR-2225 (SR stands for Supplemental Register) for the trademark "CHEMISE LACOSTE & CROCODILE DEVICE" by the Philippine Patent Office for use on T-shirts, sportswear and other garment products of the company. Two years later, it applied for the registration of the same trademark under the Principal Register. The Patent Office eventually issued an order dated 3 March 1977 allowing the application and holding the registrant to be presumed the owner of the mark until after the registration is declared cancelled. Thereafter, Hemandas & Co. assigned to Gobindram Hemandas all rights, title, and interest in the trademark "CHEMISE LACOSTE & DEVICE". On 21 November 1980, La Chemise Lacoste SA filed its application for registration of the trademark "Crocodile Device" (Application Serial 43242) and "Lacoste" (Application Serial 43241). The former was approved for publication while the latter was opposed by Games and Garments in Inter Partes Case 1658. In 1982, La Chemise Lacoste SA filed a Petition for the Cancellation of Reg. SR-2225 docketed as Inter Partes Case 1689.

On 21 March 1983, La Chemise Lacoste SA filed with the National Bureau of Investigation (NBI) a letter-complaint alleging therein the acts of unfair competition being committed by Hemandas and requesting their assistance in his apprehension and prosecution. The NBI conducted an investigation and subsequently filed with the trial court (RTC Manila, Branch XLIX, National Capital Judicial Region) two applications for the issuance of search warrants which would authorize the search of the premises used and occupied by the Lacoste Sports Center and Games and Garments both owned and operated by Hemandas. The court issued Search Warrant 83-128 and 83-129 for violation of Article 189 of the Revised Penal Code. The NBI agents executed the two search warrants and as a result of the search found and seized various goods and articles described in the warrants. Hemandas filed a motion to quash the search warrants alleging that the trademark used by him was different from La Chemise Lacoste's trademark and that pending the resolution of IPC 1658 before the Patent Office, any criminal or civil action on the same subject matter and between the same parties would be premature. La Chemise Lacoste filed its opposition. The State Prosecutor likewise filed his opposition. The court was, however, convinced that there was no probable cause to justify the issuance of the search warrants. Thus, in its order dated 22 March 1983, the search warrants were recalled and set aside and the NBI agents or officers in custody of the seized items were ordered to return the same to Hemandas

Haystacks (Berne Guerrero)

The Supreme Court granted the petition in GR 63797-97, reversing and setting the order dated 22 April 1983 of the RTC, and made permanent the Temporary Restraining Order dated 29 April 1983. The Court, on the other hand, denied due course to the petition in GR 65659 for lack of merit, and thus lifting and setting aside the Temporary Restraining Order dated 5 December 1983.

1. Leviton Industries vs. Salvador (114 SCRA 420); does not apply in the present case

The Leviton case involved a complaint for unfair competition under Section 21-A of Republic Act 166. It was not enough for Leviton, a foreign corporation organized and existing under the laws of the State of New York, USA, to merely allege that it is a foreign corporation. Compliance with the requirements imposed by the provision was necessary because Section 21-A of RA 166 having explicitly laid down certain conditions in a specific proviso, the same must be expressly averred before a successful prosecution may ensue. It is therefore, necessary for the foreign corporation to comply with these requirements or aver why it should be exempted from them, if such was the case. The foreign corporation may have the right to sue before Philippine courts, but Philippine rules on pleadings require that the qualifying circumstances necessary for the assertion of such right should first be affirmatively pleaded. In contradistinction, the present case involves a complaint for violation of Article 189 of the Revised Penal Code. The Leviton case is not applicable.

2. Section 21-A of RA 166

Section 21-A provides that “any foreign corporation or juristic person to which a mark or tradename has been registered or assigned under this Act may bring an action hereunder for infringement, for unfair competition, or false designation of origin and false description, whether or not it has been licensed to do business in the Philippines under Act numbered Fourteen Hundred and Fifty-Nine, as amended, otherwise known as the Corporation Law, at the time it brings the complaint; Provided, That the country of which the said foreign corporation or juristic person is a citizen, or in which it is domiciled, by treaty, convention or law, grants a similar privilege to corporate or juristic persons of the Philippines.”

3. Mentholatum Co. Inc. vs. Mangaliman likewise not applicable

In the case of *Mentholatum Co., Inc. v. Mangaliman*; (72 Phil. 524) where Mentholatum Co. Inc., a foreign corporation and Philippine-American Drug Co., the former’s exclusive distributing agent in the Philippines filed a complaint for infringement of trademark and unfair competition against the Mangalimans. Therein, the Philippine-American Drug Co., Inc., was admittedly selling products of its principal, Mentholatum Co., Inc., in the latter’s name or for the latter’s account. Thus, it was held that “whatever transactions the Philippine-American Drug Co., Inc. had executed in view of the law, the Mentholatum Co., Inc., did it itself. And, the Mentholatum Co., Inc., being a foreign corporation doing business in the Philippines without the license required by Section 68 of the Corporation Law, it may not prosecute this action for violation of trademark and unfair competition.” In the present case, however, La Chemise Lacoste is a foreign corporation not doing business in the Philippines. The marketing of its products in the Philippines is done through an exclusive distributor, Rustan Commercial Corporation. The latter is an independent entity which buys and then markets not only products of La Chemise Lacoste but also many other products bearing equally well-known and established trademarks and tradenames. In other words, Rustan is not a mere agent or conduit of La Chemise Lacoste. Clearly, the Mentholatum case is distinct from and inapplicable to the case at bar.

4. “Doing business” defined; La Chemise Lacoste not doing business in the Philippines, Rustan a middleman

Rule I, Sec 1 (g) of the rules and regulations promulgated by the Board of Investments pursuant to its rule-making power under Presidential Decree 1789 defines “doing business” as one which includes, inter alia: (1) A foreign firm which does business through middlemen acting on their own names, such as indentors, commercial brokers or commission merchants, shall not be deemed doing business in the Philippines. But such indentors, commercial brokers or commission merchants shall be the ones deemed to be doing business in the Philippines. (2) Appointing a representative or distributor who is domiciled in the Philippines, unless

Haystacks (Berne Guerrero)

said representative or distributor has an independent status, i.e., it transacts business in its name and for its account, and not in the name or for the account of a principal. Thus, where a foreign firm is represented by a person or local company which does not act in its name but in the name of the foreign firm, the latter is doing business in the Philippines.” Applying the above provisions to the case, La Chemise Lacoste is not doing business in the Philippines. Rustan is actually a middleman acting and transacting business in its own name and or its own account and not in the name or for the account of La chemise Lacoste.

5. Foreign corporation not doing business in the Philippines needs no license to sue for infringement of trademark and unfair competition

As early as 1927, it was held that a foreign corporation not doing business in the Philippines needs no license to sue before Philippine courts for infringement of trademark and unfair competition. In *Western Equipment and Supply Co. v. Reyes* (51 Phil. 115), it was held that a foreign corporation which has never done any business in the Philippines and which is unlicensed and unregistered to do business, but is widely and favorably known in the Philippines through the use therein of its products bearing its corporate and tradename, has a legal right to maintain an action in the Philippines to restrain the residents and inhabitants thereof from organizing a corporation therein bearing the same name as the foreign corporation, when it appears that they have personal knowledge of the existence of such a foreign corporation, and it is apparent that the purpose of the proposed domestic corporation is to deal and trade in the same goods as those of the foreign corporation.

6. Enforcement of rights on trademark, not legal or control rights arising from business, acknowledges no territorial boundaries

Rights to the use of its corporate and trade name is a property right, a right in rem, which it may assert and protect against all the world, in any of the courts of the world — even in jurisdictions where it does not transact business — just the same as it may protect its tangible property, real or personal, against trespass, or conversion (Citing sec. 10, *Nims on Unfair Competition and TradeMarks* and cases cited; secs. 21-22, *Hopkins on TradeMarks, Trade Names and Unfair Competition* and cases cited.) ‘Since it is the trade and not the mark that is to be protected, a trade-mark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader’s goods have become known and identified by the use of the mark *Hanover Star Mining Co. v. Allen and Wheeler Co.* [208 Fed., 513]).

7. Capacity to sue of a foreign corporation not doing business in the Philippines; Illustrative cases

Philippine jurisprudence is replete with cases illustrating instances when foreign corporations not doing business in the Philippines may nonetheless sue in our courts. In *East Board Navigation Ltd, v. Ysmael and Co., Inc.* (102 Phil. 1), we recognized a right of foreign corporation to sue on isolated transactions. In *General Garments Corp. v. Director of Patents* (41 SCRA 50), we sustained the right of *Puritan Sportswear Corp.*, a foreign corporation not licensed to do and not doing business in the Philippines, to file a petition for cancellation of a trademark before the Patent Office.

8. Possible violator of criminal statute cannot escape prosecution on the ground that the aggrieved party has no standing to sue; Criminal offense is an act against the State

What preceded the petition for certiorari was a letter-complaint filed before the NBI charging *Hemandas* with a criminal offense, i.e., violation of Article 189 of the Revised Penal Code. If prosecution follows after the completion of the preliminary investigation being conducted by the Special Prosecutor the information shall be in the name of the People of the Philippines and no longer *La Chemise Lacoste* which is only an aggrieved party since a criminal offense is essentially an act against the State. It is the latter which is principally the injured party although there is a private right violated. *La Chemise Lacoste’s* capacity to sue would become, therefore, of not much significance in the main case. A possible violator of Philippine criminal statutes cannot be allowed to escape prosecution upon a far-fetched contention that the aggrieved party or victim of a crime has no standing to sue.

9. Recognition of duties of the country as signatory of the Paris Convention for the Protection of Industrial Property

In upholding the right of La Chemise Lacoste to maintain the present suit before Philippine courts for unfair competition or infringement of trademarks of a foreign corporation, the Court recognizing duties of the Philippines and the rights of foreign states under the Paris Convention for the Protection of Industrial Property to which the Philippines and France are parties. The Court is simply interpreting and enforcing a solemn international commitment of the Philippines embodied in a multilateral treaty to which we are a party and which we entered into because it is in Philippine national interest to do so.

10. Article 1 (1, 2), Paris Convention

Article 1 provides that “(1) The countries to which the present Convention applies constitute themselves into a Union for the protection of industrial property. (2) The protection of industrial property is concerned with patents, utility models, industrial designs, trademarks service marks trade names, and indications of source or appellations of origin and the repression of unfair competition. xxx”

11. Article 2 (2), Paris Convention

Article 2 provides that “xxx (2) Nationals of each of the countries of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals, without prejudice to the rights specially provided by the present Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided they observe the conditions and formalities imposed upon nationals. xxx”

12. Article 6bis (1), Paris Convention

Article 6bis provides that “(1) The countries of the Union undertake, either administratively if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration and to prohibit the use of a trademark which constitutes a reproduction, imitation or translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of the present Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith. xxx”

13. Article 8, Paris Convention

Article 8 provides that “A trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark. xxx”

14. Article 10bis (1), Paris Convention

Article 10bis provides that “(1) The countries of the Union are bound to assure to persons entitled to the benefits of the Union effective protection against unfair competition. xxx”

15. Article 10ter (1, 2), Paris Convention

Article 10ter provides that “ (1) The countries of the Union undertake to assure to nationals of the other countries of the Union appropriate legal remedies to repress effectively all the acts referred to in Articles 9, 10 and 10bis. (2) They undertake, further, to provide measures to permit syndicates and associations which represent the industrialists, producers or traders concerned and the existence of which is not contrary to the laws of their countries, to take action in the Courts or before the administrative authorities, with a view to the repression of the acts referred to in Articles 9,10 and 10bis, in so far as the law of the country in which protection is claimed allows such action by the syndicates and associations of that country. xxx”

16. Article 17, Paris Convention

Haystacks (Berne Guerrero)

Article 17 provides that “Every country party to this Convention undertakes to adopt, in accordance with its constitution, the measures necessary to ensure the application of this Convention. It is understood that at the time an instrument of ratification or accession is deposited on behalf of a country; such country will be in a position under its domestic law to give effect to the provisions of this Convention.”

17. Extraterritorial application of the Paris Convention; Vanity Mills Inc. vs. Eaton Co. (234 F. 2d 633)

In *Vanity Fair Mills, Inc. v. T. Eaton Co.* (234 F. 2d 633) the United States Circuit Court of Appeals had occasion to comment on the extraterritorial application of the Paris Convention. It said that: “[11] The International Convention is essentially a compact between the various member countries to accord in their own countries to citizens of the other contracting parties trademark and other rights comparable to those accorded their own citizens by their domestic law. The underlying principle is that foreign nationals should be given the same treatment in each of the member countries as that country makes available to its own citizens. In addition, the Convention sought to create uniformity in certain respects by obligating each member nation ‘to assure to nationals of countries of the Union an effective protection against unfair competition.’ [12] The Convention is not premised upon the idea that the trade- mark and related laws of each member nation shall be given extra-territorial application, but on exactly the converse principle that each nation’s law shall have only territorial application. Thus a foreign national of a member nation using his trademark in commerce in the United States is accorded extensive protection here against infringement and other types of unfair competition by virtue of United States membership in the Convention. But that protection has its source in, and is subject to the limitations of, American law, not the law of the foreign national’s own country.”

18. Principle of comity to applied in present case

Herein, *La Chemise Lacoste* should be given the same treatment in the Philippines as what is made available to its own citizens. The Philippines is obligated to assure to nationals of “countries of the Union” an effective protection against unfair competition in the same way that they are obligated to similarly protect Filipino citizens and firms.

19. Pacta Sunt Servanda; 20 November 1980 memorandum of the Ministry of Trade to the Director of the Patents Office not a personal policy

Pursuant to the international obligation of the Philippines, on 20 November 1980, the Ministry of Trade issued a memorandum addressed to the Director of the Patents Office directing the latter to reject all pending applications for Philippine registration of signature and other world famous trademarks by applicants other than its original owners or users. The conflicting claims over internationally known trademarks involve such name brands as Lacoste, Jordache, Gloria Vanderbilt, Sasson, Fila, Pierre Cardin, Gucci, Christian Dior, Oscar de la Renta, Calvin Klein, Givenchy, Ralph Lauren, Geoffrey Beene, Lanvin and Ted Lapidus. It is further directed that, in cases where warranted, Philippine registrants of such trademarks should be asked to surrender their certificates of registration, if any, to avoid suits for damages and other legal action by the trademarks’ foreign or local owners or original users.” The memorandum is a clear manifestation of Philippine avowed adherence to a policy of cooperation and amity with all nations. It is not a personal policy of Minister Luis Villafuerte which expires once he leaves the Ministry of Trade. For a treaty or convention is not a mere moral obligation to be enforced or not at the whims of an incumbent head of a Ministry. It creates a legally binding obligation on the parties founded on the generally accepted principle of international law of *pacta sunt servanda* which has been adopted as part of the law of our land. The memorandum reminds the Director of Patents of his legal duty to obey both law and treaty. It must also be obeyed.

20. Determination of probable cause mandatory for the issuance of a valid search warrant; Probable cause defined

As a mandatory requirement for the issuance of a valid search warrant, the Constitution requires in no uncertain terms the determination of probable cause by the judge after examination under oath or affirmation of the complainant and the witnesses he may produce (Constitution, Art IV, Sec. 3). Probable cause has

Haystacks (Berne Guerrero)

traditionally meant such facts and circumstances antecedent to the issuance of the warrant that are in themselves sufficient to induce a cautious man to rely upon them and act in pursuance thereof (People v. Sy Juco, 64 Phil. 667).

21. Determination of probable cause; No general formula or fixed rule

The concept of probable cause was amplified and modified by our ruling in Stonehill v. Diokno, (20 SCRA 383) that probable cause “presupposes the introduction of competent proof that the party against whom it is sought has performed particular acts, or committed specific omissions, violating a given provision of our criminal laws.” The question of whether or not probable cause exists is one which must be decided in the light of the conditions obtaining in given situations (Central Bank v. Morfe, 20 SCRA 507). There is no general formula or fixed rule for the determination of the existence of probable cause since the existence depends to a large degree upon the finding or opinion of the judge conducting the examination (Luna v. Plaza, 26 SCRA 310). However, the findings of the judge should not disregard the facts before him nor run counter to the clear dictates of reason, More so it is plain that our country’s ability to abide by international commitments is at stake.

22. Correction of errors must be based on sound and valid grounds

Herein, the court complied with the constitutional and statutory requirements for the issuance of a valid search warrant when at that point in time, it was fully convinced that there existed probable cause. But after hearing the motion to quash and the oppositions thereto, the court executed a complete turnabout and declared that there was no probable cause to justify its earlier issuance of the warrants. Although the lower court should be given the opportunity to correct its errors, if there be any, but the rectification must be based on sound and valid grounds. The allegation that vital facts were deliberately suppressed or concealed by La Chemise Lacoste should have been assessed more carefully because the object of the quashal was the return of items already seized and easily examined by the court. The items were alleged to be fake and quite obviously would be needed as evidence in the criminal prosecution.

23. Application for a search warrant is heard ex parte

An application for a search warrant is heard ex parte. It is neither a trial nor a part of the trial. Action on these applications must be expedited for time is of the essence. Great reliance has to be accorded by the judge to the testimonies under oath of the complainant and the witnesses. Herein, the allegation of Hemandas that the applicant withheld information from the court was clearly no basis to order the return of the seized items.

24. Certificate of registration in the Supplemental Register not prima facie evidence of validity of registration

A certificate of registration in the Supplemental Register is not prima facie evidence of the validity of registration, of the registrant’s exclusive right to use the same in connection with the goods, business, or services specified in the certificate. Such a certificate of registration cannot be filed, with effect, with the Bureau of Customs in order to exclude from the Philippines, foreign goods bearing infringement marks or trade names (Rule 124, Revised Rules of Practice Before the Phil. Pat. Off. in Trademark Cases; Martin, Philippine Commercial Laws, 1981, Vol. 2, pp. 513-515).

25. Section 19-A, RA 166

Section 19-A of Republic Act 166, as amended, not only provides for the keeping of the supplemental register in addition to the principal register but specifically directs that “the certificates of registration for marks and trade names registered on the supplemental register shall be conspicuously different from certificates issued for marks and trade names registered on the principal register.”

26. Rationale of Section 19-A

Haystacks (Berne Guerrero)

The registration of a mark upon the supplemental register is not, as in the case of the principal register, prima facie evidence of (1) the validity of registration; (2) registrant's ownership of the mark; and (3) registrant's exclusive right to use the mark. It is not subject to opposition, although it may be cancelled after its issuance. Neither may it be the subject of interference proceedings. Registration on the supplemental register is not constructive notice of registrant's claim of ownership. A supplemental register is provided for the registration of marks which are not registrable on the principal register because of some defects (conversely, defects which make a mark unregistrable on the principal register, yet do not bar them from the supplemental register.)' (Agbayani, II Commercial Laws of the Philippines, 1978, p. 514, citing *Uy Hong Mo v. Titay & Co., et al.*, Dec. No. 254 of Director of Patents, Apr. 30, 1963)"

27. Registration in the Supplemental Register merely serves as notice

Registration in the Supplemental Register, therefore, serves as notice that the registrant is using or has appropriated the trademark. By the very fact that the trademark cannot as yet be entered in the Principal Register, all who deal with it should be on guard that there are certain defects, some obstacles which the user must still overcome before he can claim legal ownership of the mark or ask the courts to vindicate his claims of an exclusive right to the use of the same. It would be deceptive for a party with nothing more than a registration in the Supplemental Register to posture before courts of justice as if the registration is in the Principal Register.

28. One may be an unfair competitor even if his competing trademark is registered

The reliance of Hemandas on the last sentence of the Patent office action on application Serial 30954 that "registrant is presumed to be the owner of the mark until after the registration is declared cancelled" is misplaced and grounded on shaky foundation. The supposed presumption not only runs counter to the precept embodied in Rule 124 of the Revised Rules of Practice before the Philippine Patent Office in Trademark Cases but considering all the facts ventilated in the petitions, it is devoid of factual basis. And even in cases where presumption and precept may factually be reconciled, we have held that the presumption is rebuttable, not conclusive. One may be declared an unfair competitor even if his competing trademark is registered.

29. Proceedings before Patent Office do not partake nature of prejudicial question; Section 5, Rule 111

The proceedings pending before the Patent Office (involving IPC 1658) do not partake of the nature of a prejudicial question which must first be definitely resolved. Section 5 of Rule 111 of the Rules of Court provides that "a petition for the suspension of the criminal action based upon the pendency of a pre-judicial question in a civil case, may only be presented by any party before or during the trial of the criminal action." The case which suspends the criminal prosecution must be a civil case which is determinative of the innocence or, subject to the availability of other defenses, the guilt of the accused. The pending case before the Patent Office is an administrative proceeding and not a civil case. The decision of the Patent Office cannot be finally determinative of the private respondent's innocence of the charges against him. Even assuming that there could be an administrative proceeding with exceptional or special circumstances which render a criminal prosecution premature pending the promulgation of the administrative decision, no such peculiar circumstances are present in the present case.

30. CA case La Chemise Lacoste vs. Sadhwani

The same 20 November 1980 memorandum of the Minister of Trade was involved in the appellate court's decision in *La Chemise Lacoste S. A. v. Ram Sadhwani* (AC-GR SP-13356, 17 June 1983). The Minister of Trade as the "implementing authority" under Article 6bis of the Paris Convention for the protection of Industrial Property instructed the Director of Patents to reject applications for Philippine registration of signature and other world famous trademarks by applicants other than its original owners or users. The brand "Lacoste" was specifically cited together with Jordache, Gloria Vanderbilt, Sasson, Fila, Pierre Cardin, Gucci, Christian Dior, Oscar dela Renta, Calvin Klein, Givenchy, Ralph Laurence, Geoffrey Beene, Lanvin, and Ted Lapidus. The Director of Patents was likewise ordered to require Philippine

Haystacks (Berne Guerrero)

registrants of such trademarks to surrender their certificates of registration. Compliance by the Director of Patents was challenged. The Intermediate Appellate Court, in the *La Chemise Lacoste S.A. v. Sadhwani* decision sustained the power of the Minister of Trade to issue the implementing memorandum and, after going over the evidence in the records, affirmed the decision of the Director of Patents declaring *La Chemise Lacoste S.A.* the owner of the disputed trademark and crocodile or alligator device.

31. Due process vis-à-vis the Minister's determination in his memorandum; Section 9 of RA 166 not applicable to situations covered by the Paris Convention

Due process is a rule of reason. The order of the Patent Office is based not only on the undisputed fact of ownership of the trademark but on a prior determination by the Minister of Trade, as the competent authority under the Paris Convention, that the trademark and device sought to be registered are well-known marks which the Philippines, as party to the Convention, is bound to protect in favor of its owners. It would be to exalt form over substance to say that under the circumstances, due process requires that a hearing should be held before the application is acted upon. Section 9 of RA 166, which requires notice and hearing whenever an opposition to the registration of a trademark is made, does not apply to situations covered by the Paris Convention, where the appropriate authorities have determined that a well-known trademark is already that of another person. In such cases, the countries signatories to the Convention are obliged to refuse or to cancel the registration of the mark by any other person or authority. In this case, it is not disputed that the trademark *Lacoste* is such a well-known mark that a hearing, such as that provided in RA 166, would be superfluous.

32. Difference in trademark to be resolved in criminal proceedings not in preliminary matter in an administrative proceedings

The issue of whether or not the trademark used by the private respondent is different from the petitioner's trademark is a matter of defense and will be better resolved in the criminal proceedings before a court of justice instead of raising it as a preliminary matter in an administrative proceeding.

33. Purpose of the law protecting a trademark

The purpose of the law protecting a trademark cannot be overemphasized. They are to point out distinctly the origin or ownership of the article to which it is affixed, to secure to him, who has been instrumental in bringing into market a superior article of merchandise, the fruit of his industry and skill, and to prevent fraud and imposition (*Etepha v. Director of Patents*, 16 SCRA 495).

34. Purpose of enactment of trademark laws

The legislature has enacted laws to regulate the use of trademarks and provide for the protection thereof. Modern trade and commerce demands that deprecations on legitimate trade marks of non-nationals including those who have not shown prior registration thereof should not be countenanced. The law against such deprecations is not only for the protection of the owner of the trademark but also, and more importantly, for the protection of purchasers from confusion, mistake, or deception as to the goods they are buying. (*Asari Yoko Co., Ltd. v. Kee Boc*, 1 SCRA 1; *General Garments Corporation v. Director of Patents*, 41 SCRA 50).

35. Basis of law on trademarks and tradenames

The law on trademarks and tradenames is based on the principle of business integrity and common justice. This law, both in letter and spirit, is laid upon the premise that, while it encourages fair trade in every way and aims to foster, and not to hamper, competition, no one, especially a trader, is justified in damaging or jeopardizing another's business by fraud, deceit, trickery or unfair methods of any sort. This necessarily precludes the trading by one dealer upon the good name and reputation built up by another (*Baltimore v. Moses*, 182 Md 229, 34 A (2d) 338).

36. Ruling in favor of first registrant in the Supplemental Register will render the essence of trademark laws nugatory

Haystacks (Berne Guerrero)

The records show that the goodwill and reputation of La Chemise Lacoste's products bearing the trademark LACOSTE date back even before 1964 when LACOSTE clothing apparels were first marketed in the Philippines. To allow Hemandas to continue using the trademark Lacoste for the simple reason that he was the first registrant in the Supplemental Register of a trademark used in international commerce and not belonging to him is to render nugatory the very essence of the law on trademarks and tradenames.

37. The Court's order to the Director of Patents

In complying with the order to decide without delay the cases specified in the memorandum, the Director of Patents shall limit himself to the ascertainment of facts in issues not resolved by this decision and apply the law as expounded by the Court to those facts.

38. Real victims of counterfeit consumer items

The Court stresses its concern at the seeming inability of law enforcement officials to stem the tide of fake and counterfeit consumer items flooding the Philippine market or exported abroad from the Philippines. The greater victim is not so much the manufacturer whose product is being faked but the Filipino consuming public and in the case of exportations, our image abroad. No less than the President, in issuing Executive Order 913 dated 7 October 1983 to strengthen the powers of the Minister of Trade and Industry for the protection of consumers, stated that, among other acts, the dumping of substandard, imitated, hazardous, and cheap goods, the infringement of internationally known tradenames and trademarks, and the unfair trade practices of business firms has reached such proportions as to constitute economic sabotage. Filipinos pay good money relying on the brand name as guarantee of its quality and genuine nature only to explode in bitter frustration and helpless anger because the purchased item turns out to be a shoddy imitation, albeit a clever looking counterfeit, of the quality product.

39. Court processes should not be used as instrument to tie the hands of the law

Judges all over the country are well advised to remember that court processes should not be used as instruments to, unwittingly or otherwise, aid counterfeiters and intellectual pirates, tie the hands of the law as it seeks to protect the Filipino consuming public and frustrate executive and administrative implementation of solemn commitments pursuant to international conventions and treaties.

[11]

Fruit of the Loom vs. CA (GR L-32747, 29 November 1984)

Second Division, Makasiar (J): 5 concur

Facts: Fruit of the Loom Inc., a corporation duly organized and existing under the laws of the State of Rhode Island, USA, is the registrant of a trademark, FRUIT OF THE LOOM, in the Philippines Patent Office and was issued two Certificates of Registration 6227 and 6680, on 29 November 1957 and 26 July 1958, respectively. The classes of merchandise covered by Registration Certificate 6227 are, among others, men's, women's and children's underwear, which includes women's panties and which fall under class 40 in the Philippine Patent Office's classification of goods. Registration Certificate 6680 covers knitted, netted and textile fabrics. General Garments Corporation, on the other hand, is a domestic corporation and is the registrant of a trademark FRUIT FOR EVE in the Philippine Patent Office and was issued a Certificate of Registration 10160, on 10 January 1963 covering garments similar to petitioner's products like women's panties and pajamas.

On 31 March 1965, Fruit of the Loom filed before the lower court, a complaint for infringement of trademark and unfair competition against General Garments. Fruit of the Loom principally alleged in the complaint that private respondent's trademark FRUIT FOR EVE is confusingly similar to its trademark FRUIT OF THE LOOM used also on women's panties and other textile products. Furthermore, it was also alleged therein that the color get-up and general appearance of General Garment's hang tag consisting of a big red apple is a

Haystacks (Berne Guerrero)

colorable imitation to the hang tag of Fruit of the Loom. After trial, judgment was rendered by the lower court in favor of Fruit of the Loom, ordering the Bureau of Patents to cancel the registration of the Trademark "Fruit for Eve," permanently enjoining General Garments from using the trademark "Fruit for Eve," ordering General Garments to pay Fruit of the Loom the sum of P10,000.00 as attorney's fees and to pay the costs. Both parties appealed to the former Court of Appeals.

On 8 October 1970, the former Court of Appeals rendered its decision reversing the judgment of the lower court and dismissing Fruit of the Loom's complaint. Fruit of the Loom's motion for reconsideration was likewise denied. Hence, the petition for review on certiorari.

The Supreme Court affirmed the appealed decision, with costs against Fruit of the Loom.

1. Infringement of trademark

There is infringement of trademark when the use of the mark involved would be likely to cause confusion or mistake in the mind of the public or to deceive purchasers as to the origin or source of the commodity.

2. Best evidence for claim for confusing similarity of trademarks in present case

In cases of infringement of trademark, there can be no better evidence as to whether there is a confusing similarity in the contesting trademarks than the labels or hang tags themselves. A visual presentation of the labels or hang tags is the best argument for one or the other.

3. Totality test

The dominant features of both trademarks is the word FRUIT. In determining whether the trademarks are confusingly similar, a comparison of the words is not the only determinant factor. The trademarks in their entirety as they appear in their respective labels or hang tags must also be considered in relation to the goods to which they are attached. The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing in both labels in order that he may draw his conclusion whether one is confusingly similar to the other.

4. No confusion arising from the pronouncing the two marks

In the trademarks FRUIT OF THE LOOM and FRUIT FOR EVE, the lone similar word is FRUIT. By mere pronouncing the two marks, it could hardly be said that it will provoke a confusion, as to mistake one for the other. Standing by itself, FRUIT OF THE LOOM is wholly different from FRUIT FOR EVE. WE do not agree with petitioner that the dominant feature of both trademarks is the word FRUIT for even in the printing of the trademark in both hang tags, the word FRUIT is not at all made dominant over the other words.

5. Differences in the design and coloring scheme of the hang tags

As to the design and coloring scheme of the hang tags, while there are similarities in the two marks like the red apple at the center of each mark, there are differences or dissimilarities which are glaring and striking to the eye such as: (1) the shape of Fruit of the Loom's hang tag is round with a base that looks like a paper rolled a few inches in both ends; while that of General Garments is plain rectangle without any base; (2) The designs differ. Fruit of the Loom's trademark is written in almost semi-circle while that of General Garments is written in straight line in bigger letters than Fruit of the Loom's. General Garment's tag has only an apple in its center but that of Fruit of the Loom has also clusters of grapes that surround the apple in the center; (3) The colors of the hang tag are also very distinct from each other. Fruit of the Loom's hang tag is light brown while that of General Garment is pink with a white colored centerpiece. The apples which are the only similarities in the hang tag are differently colored. Fruit of the Loom's apple is colored dark red, while that of General Garments is light red. The similarities of the competing trademarks are completely lost in the substantial differences in the design and general appearance of their respective hang tags.

Haystacks (Berne Guerrero)

6. Trademarks do not resemble each other to confuse or deceive an ordinary purchaser. The trademarks FRUIT OF THE LOOM and FRUIT FOR EVE do not resemble each other as to confuse or deceive an ordinary purchaser. The ordinary purchaser must be thought of as having, and credited with, at least a modicum of intelligence to be able to see the obvious differences between the two trademarks in question. A person who buys Fruit of the Loom products and starts to have a liking for it, will not get confused and reach out for General Garment's products when she goes to a garment store.

[12]

Del Monte Corp. vs. CA (GR 78325, 25 January 1990)

First Division, Cruz (J): 4 concur

Facts: Del Monte Corporation is a foreign company organized under the laws of the United States and not engaged in business in the Philippines. Both the Philippines and the United States are signatories to the Convention of Paris of 27 September 1965, which grants to the nationals of the parties rights and advantages which their own nationals enjoy for the repression of acts of infringement and unfair competition. Philippine Packing Corporation (Philpack) is a domestic corporation duly organized under the laws of the Philippines. On 11 April 1969, Del Monte granted Philpack the right to manufacture, distribute and sell in the Philippines various agricultural products, including catsup, under the Del Monte trademark and logo. On 27 October 1965, Del Monte authorized Philpack to register with the Philippine Patent Office the Del Monte catsup bottle configuration, for which it was granted Certificate of Trademark Registration SR-913 by the Philippine Patent Office under the Supplemental Register. On 20 November 1972, Del Monte also obtained two registration certificates for its trademark "DEL MONTE" and its logo. On the other hand, Sunshine Sauce Manufacturing Industries was issued a Certificate of Registration by the Bureau of Domestic Trade on 17 April 1980, to engage in the manufacture, packing, distribution and sale of various kinds of sauce, identified by the logo Sunshine Fruit Catsup. This logo was registered in the Supplemental Register on 20 September 1983. The product itself was contained in various kinds of bottles, including the Del Monte bottle, which Sunshine Sauce bought from the junk shops for recycling. Having received reports that Sunshine Sauce was using its exclusively designed bottles and a logo confusingly similar to Del Monte's, Philpack warned it to desist from doing so on pain of legal action.

Thereafter, claiming that the demand had been ignored, Philpack and Del Monte filed a complaint against Sunshine Sauce for infringement of trademark and unfair competition, with a prayer for damages and the issuance of a writ of preliminary injunction. After trial, the RTC of Makati dismissed the complaint, holding that there were substantial differences between the logos or trademarks of the parties; that Sunshine Sauce had ceased using Del Monte's bottles; and that in any case Sunshine Sauce became the owner of the said bottles upon its purchase thereof from the junk yards.; besides the fact that Philpack and Del Monte had failed to establish the defendant's malice or bad faith, which was an essential element of infringement of trademark or unfair competition. This decision was affirmed in toto by the Court of Appeals on 27 April 1986. Del Monte's motion for reconsideration was denied in a resolution by the appellate court on 27 April 1987. Hence, the petition for certiorari under Rule 45 of the Rules of Court.

The Supreme Court granted the petition, reversed and set aside the decision of the Court of Appeals dated 24 December 1986 and the Resolution dated 27 April 1987, and rendered a new judgment (1) canceling Sunshine Sauce's Certificate of Registration SR-6310 and permanently enjoining it from using a label similar to that of Del Monte; (2) Prohibiting Sunshine Sauce from using the empty bottles of Del Monte as containers for its own products; and (3) Ordering Sunshine Sauec to pay Del Monte nominal damages in the amount of P1,000.00, and the costs of the suit.

1. Section 22, RA 166 (Trademark Law); Infringement, what constitutes

Haystacks (Berne Guerrero)

Section 22 (Infringement, what constitutes) of RA 166, otherwise known as the Trademark Law, provides in part “any person who shall use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or trade-name in connection with the sale, offering for sale, or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services or identity of such business; or reproduce, counterfeit, copy or colorably imitate any such mark or trade name and apply such reproduction, counterfeit copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services, shall be liable to a civil action by the registrant for any at all of the remedies herein provided.”

2. Section 29, RA 166 (Trademark Law); Unfair Competition, rights and remedies

Section 29 (Unfair competition, rights and remedies) of RA 166 states that “A person who has identified in the mind of the public the goods he manufactures or deals in, his business or services from those of others, whether or not a mark or trade-name is employed, has a property right in the goodwill of the said goods, business or services so identified, which will be protected in the same manner as other property rights. Such a person shall have the remedies provided in section twenty-three, Chapter V hereof. Any person who shall employ deception or any other means contrary to good faith by which he shall pass off the goods manufactured by him or in which he deals, or his business, or services for those of the one having established such goodwill, or who shall commit any acts calculated to produce said result, shall be guilty of unfair competition, and shall be subject to an action therefor. In particular, and without in any way limiting the scope of unfair competition, the following shall be deemed guilty of unfair competition: (a) Any person, who in selling his goods shall give them the general appearance of goods of another manufacturer or dealer, either as to the goods themselves or in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance, which would likely influence purchasers to believe that the goods offered are those of a manufacturer or dealer other than the actual manufacturer or dealer, or who otherwise clothes the goods with such appearance as shall deceive the public and defraud another of his legitimate trade, or any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose; (b) Any person who by any artifice, or device, or who employs any other means calculated to induce the false belief that such person is offering the services of another who has identified such services in the mind of the public; or (c) Any person who shall make any false statement in the course of trade or who shall commit any other act contrary to good faith of a nature calculated to discredit the goods, business or services of another.

3. Distinctions between infringement of trademark and unfair competition

The distinctions between infringement of trademark and unfair competition are: (1) Infringement of trademark is the unauthorized use of a trademark, whereas unfair competition is the passing off of one’s goods as those of another; (2) In infringement of trademark fraudulent intent is unnecessary, whereas in unfair competition fraudulent intent is essential; and (3) In infringement of trademark the prior registration of the trademark is a prerequisite to the action, whereas in unfair competition registration is not necessary.

4. Holistic test

In determining whether two trademarks are confusingly similar, the two marks in their entirety as they appear in the respective labels must be considered in relation to the goods to which they are attached; the discerning eye of the observer must focus not only on the predominant words but also on the other features appearing on both labels. Whether a trademark has been infringed, the mark must be considered as a whole and not as dissected. If the buyer is deceived, it is attributable to the marks as a totality, not usually to any part of it.

5. Comparison of the product, according to the trial court

Haystacks (Berne Guerrero)

1. As to the shape of label or make: (a) Del Monte: Semi-rectangular, with a crown or tomato shape design on top of the rectangle. (b) Sunshine: Regular rectangle. 2. As to brand printed on label: (a) Del Monte: Tomato catsup mark. (b) Sunshine: Fruit catsup. 3. As to the words or lettering on label or mark: (a) Del Monte: Clearly indicated words packed by Sysu International, Inc., Q.C., Philippines. (b) Sunshine: Sunshine fruit catsup is clearly indicated "made in the Philippines by Sunshine Sauce Manufacturing Industries" No. 1 Del Monte Avenue, Malabon, Metro Manila. 4. As to color of logo: (a) Del Monte: Combination of yellow and dark red, with words "Del Monte Quality" in white. (b) Sunshine: White, light green and light red, with words "Sunshine Brand" in yellow. 5. As to shape of logo: (a) Del Monte: In the shape of a tomato. (b) Sunshine: Entirely different in shape. 6. As to label below the cap: (a) Del Monte: Seal covering the cap down to the neck of the bottle, with picture of tomatoes with words "made from real tomatoes. (b) Sunshine: There is a label below the cap which says "Sunshine Brand." 7. As to the color of the products: (a) Del Monte: Darker red. (b) Sunshine: Lighter than Del Monte.

6. Side-by-side comparison not the final test of similarity, but general confusion upon the eye of the casual purchaser

Side-by-side comparison is not the final test of similarity. Such comparison requires a careful scrutiny to determine in what points the labels of the products differ. The question is not whether the two articles are distinguishable by their label when set side by side but whether the general confusion made by the article upon the eye of the casual purchaser who is unsuspecting and off his guard, is such as to likely result in his confounding it with the original. The ordinary buyer does not usually make such scrutiny nor does he usually have the time to do so. The average shopper is usually in a hurry and does not inspect every product on the shelf as if he were browsing in a library. Where the housewife has to return home as soon as possible to her baby or the working woman has to make quick purchases during her off hours, she is apt to be confused by similar labels even if they do have minute differences. The male shopper is worse as he usually does not bother about such distinctions. The general impression of the ordinary purchaser, buying under the normally prevalent conditions in trade and giving the attention such purchasers usually give in buying that class of goods is the touchstone. In making purchases, the consumer must depend upon his recollection of the appearance of the product which he intends to purchase. The buyer having in mind the mark/label of the respondent must rely upon his memory of the petitioner's mark. Unlike the judge who has ample time to minutely examine the labels in question in the comfort of his sala, the ordinary shopper does not enjoy the same opportunity.

7. Guidelines for the court to determine similarity

The court should be guided by its first impression, for a buyer acts quickly and is governed by a casual glance, the value of which may be dissipated as soon as the court assumes to analyze carefully the respective features of the mark. It is not the function of the court in cases of infringement and unfair competition to educate purchasers but rather to take their carelessness for granted, and to be ever conscious of the fact that marks need not be identical. A confusing similarity will justify the intervention of equity. The judge must also be aware of the fact that usually a defendant in cases of infringement does not normally copy but makes only colorable changes. The most successful form of copying is to employ enough points of similarity to confuse the public with enough points of difference to confuse the courts.

8. Other factors affecting conclusion as to confusing similarity

Several factors should have been considered to arrive in its conclusion, to wit: age, training and education of the usual purchaser, the nature and cost of the article, whether the article is bought for immediate consumption and also the conditions under which it is usually purchased. Among these, what essentially determines the attitude of the purchaser, specifically his inclination to be cautious, is the cost of the goods. To be sure, a person who buys a box of candies will not exercise as much care as one who buys an expensive watch. As a general rule, an ordinary buyer does not exercise as much prudence in buying an article for which he pays a few centavos as he does in purchasing a more valuable thing. Expensive and valuable items are normally bought only after deliberate, comparative and analytical investigation. But mass products, low

Haystacks (Berne Guerrero)

priced articles in wide use, and matters of everyday purchase requiring frequent replacement are bought by the casual consumer without great care. In this latter category is catsup.

9. Sunshine label is a colorable imitation of the Del Monte trademark; Intent to deceive

The predominant colors used in the Del Monte label are green and red-orange, the same with Sunshine. The word “catsup” in both bottles is printed in white and the style of the print/letter is the same. Although the logo of Sunshine is not a tomato, the figure nevertheless approximates that of a tomato. The person who infringes a trade mark does not normally copy out but only makes colorable changes, employing enough points of similarity to confuse the public with enough points of differences to confuse the courts. When a manufacturer prepares to package his product, he has before him a boundless choice of words, phrases, colors and symbols sufficient to distinguish his product from the others. When as in this case, Sunshine chose, without a reasonable explanation, to use the same colors and letters as those used by Del Monte though the field of its selection was so broad, the inevitable conclusion is that it was done deliberately to deceive.

10. In case of doubt, issue on confusion resolved against newcomer

The ultimate ratio in cases of grave doubt is the rule that as between a newcomer who by the confusion has nothing to lose and everything to gain and one who by honest dealing has already achieved favor with the public, any doubt should be resolved against the newcomer inasmuch as the field from which he can select a desirable trademark to indicate the origin of his product is obviously a large one.

11. Registration in the Principal Register; Lorenzana vs. Macagba

In the case of Lorenzana v. Macagba, it was declared that: (1) Registration in the Principal Register gives rise to a presumption of the validity of the registration, the registrant’s ownership of the mark and his right to the exclusive use thereof. There is no such presumption in the registration in the Supplemental Register; (2) Registration in the Principal Register is limited to the actual owner of the trademark and proceedings therein on the issue of ownership which may be contested through opposition or interference proceedings or, after registration, in a petition for cancellation. Registration in the Principal Register is constructive notice of the registrant’s claim of ownership, while registration in the Supplemental Register is merely proof of actual use of the trademark and notice that the registrant has used or appropriated it. It is not subject to opposition although it may be cancelled after the issuance. Corollarily, registration in the Principal Register is a basis for an action for infringement while registration in the Supplemental Register is not. (3) In applications for registration in the Principal Register, publication of the application is necessary. This is not so in applications for registrations in the Supplemental Register.

12. No Infringement in the use of Del Monte bottle as it was not registered in the Principal Register

Herein, Sunshine Saude is not guilty of infringement for having used the Del Monte bottle. The reason is that the configuration of the said bottle was merely registered in the Supplemental Register. Although Del Monte has actual use of the bottle’s configuration, Del Monte cannot claim exclusive use thereof because it has not been registered in the Principal Register.

13. Use of Del Monte bottle for same product shows bad faith and intent to capitalize the other’s reputation

Sunshine, despite the many choices available to it and notwithstanding that the caution “Del Monte Corporation, Not to be Refilled” was embossed on the bottle, still opted to use Del Monte’s bottle to market a product which Philpack also produces. This clearly shows Sunshine Sauce’s bad faith and its intention to capitalize on the latter’s reputation and goodwill and pass off its own product as that of Del Monte.

14. Reasons of the trial court in resolving case untenable

The reasons given by the trial court in resolving the case in favor of Sunshine are untenable. First, it declared that the registration of the Sunshine label belied the company’s malicious intent to imitate

Haystacks (Berne Guerrero)

petitioner's product. Second, it held that the Sunshine label was not improper because the Bureau of Patent presumably considered other trademarks before approving it. Third, it cited the case of *Shell Co. v. Insular Petroleum*, where the Court declared that selling oil in containers of another with markings erased, without intent to deceive, was not unfair competition. (1) Regarding the fact of registration, it is to be noted that the sunshine label was registered not in the Principal Register but only in the Supplemental Register where the presumption of the validity of the trademark, the registrant's ownership of the mark and his right to its exclusive use are all absent. (2) Anent the assumption that the Bureau of Patent had considered other existing patents, it is reiterated that since registration was only in the Supplemental Register, this did not vest the registrant with the exclusive right to use the label nor did it give rise to the presumption of the validity of the registration. (3) On the argument that no unfair competition was committed, the Shell Case is not on all fours with the case at bar because: (a) In Shell, the absence of intent to deceive was supported by the fact that the respondent therein, before marketing its product, totally obliterated and erased the brands/mark of the different companies stenciled on the containers thereof, except for a single isolated transaction. The respondent in the present case made no similar effort. (b) In Shell, what was involved was a single isolated transaction. Of the many drums used, there was only one container where the Shell label was not erased, while in the case at hand, the respondent admitted that it made use of several Del Monte bottles and without obliterating the embossed warning. (c) In Shell, the product of respondent was sold to dealers, not to ultimate consumers. As a general rule, dealers are well acquainted with the manufacturer from whom they make their purchases and since they are more experienced, they cannot be so easily deceived like the inexperienced public. There may well be similarities and imitations which deceive all, but generally the interests of the dealers are not regarded with the same solicitude as are the interests of the ordinary consumer. For it is the form in which the wares come to the final buyer that is of significance.

15. Effect of present finding of trademark infringement and unfair competition

As Sunshine's label is an infringement of the Del Monte's trademark, law and equity call for the cancellation of the Sunshine's registration and withdrawal of all its products bearing the questioned label from the market. With regard to the use of Del Monte's bottle, the same constitutes unfair competition; hence, Sunshine should be permanently enjoined from the use of such bottles.

16. Damages not granted; Section 23, RA 166

Section 23 (Actions and damages and injunction for infringement) of RA 166 provides that "any person entitled to the exclusive use of a registered mark or trade name may recover damages in a civil action from any person who infringes his rights, and the measure of the damages suffered shall be either the reasonable profit which the complaining party would have made, had the defendant not infringed his said rights or the profit which the defendant actually made out of the infringement, or in the event such measure of damages cannot be readily ascertained with reasonable certainty the court may award as damages reasonable percentage based upon the amount of gross sales of the defendant or the value of the services in connection with which the mark or trade name was used in the infringement of the rights of the complaining party. In cases where actual intent to mislead the public or to defraud the complaining party shall be shown, in the discretion of the court, the damages may be doubled. The complaining party, upon proper showing may also be granted injunction." Herein, the damage prayed for cannot be granted because Del Monte has not presented evidence to prove the amount thereof.

17. Nominal Damages; Article 2222 NCC

Article 2222 of the Civil Code provides that "the court may award nominal damages in every obligation arising from any source enumerated in Article 1157, or in every case where any property right has been invaded." Herein, the Court can only award nominal damages in the amount of P1,000.00.

[13]

246 Corporation vs. Daway (GR 157216, 20 November 2003)

Haystacks (Berne Guerrero)

First Division, Ynares-Santiago (J): 4 concur

Facts: On 26 November 1998, Montres Rolex S.A. and Rolex Centre Phil., Limited, owners/proprietors of Rolex and Crown Device, filed against 246 Corporation (doing business under the name and style of Rolex Music Lounge) a suit for trademark infringement and damages with prayer for the issuance of a restraining order or writ of preliminary injunction before the RTC Quezon City, Branch 90. Montres Rolex and Rolex Centre Phil. alleged that sometime in July 1996, 246 Corp. adopted and, since then, has been using without authority the mark “Rolex” in its business name “Rolex Music Lounge” as well as in its newspaper advertisements as – “Rolex Music Lounge, KTV, Disco & Party Club.” On 21 July 2000, 246 Corp. filed a motion for preliminary hearing on its affirmative defenses. Subsequently, on motion of 246 Corp., the trial court issued a subpoena ad testificandum requiring Atty. Alonzo Ancheta to appear at the preliminary hearing. Montres Rolex and Rolex Centre Phil., in the meantime, filed a Comment and Opposition to the motion for preliminary hearing and a motion to quash the subpoena ad testificandum. In an Order dated 27 October 2000, the trial court quashed the subpoena ad testificandum and denied 245 Corp.’s motion for preliminary hearing on affirmative defenses with motion to dismiss. With the denial of the motion for reconsideration on 16 March 2001, 245 Corp. filed a petition for certiorari with the Court of Appeals contending that the trial court gravely abused its discretion in issuing its orders (CA-GR SP 64660).

On 28 November 2002, the Court of Appeals dismissed the petition. The motion for reconsideration filed by 246 Corp. was denied. Hence, the petition for review on certiorari.

The Supreme Court denied the petition for review on certiorari, and affirmed the 28 November 2002 Decision and the 13 February 2003 Resolution of the Court of Appeals.

1. Both motion for preliminary hearing and motion to dismiss denied in 27 October 2000 order of the trial court

What was denied in the order dated 27 October 2000 was not only the motion for preliminary hearing but the motion to dismiss as well. A reading of the dispositive portion of said order shows that the trial court neither qualified its denial nor held in abeyance the ruling on 246 Corp.’s motion to dismiss, when it held that “IN VIEW OF THE FOREGOING, the aforementioned Motion To Quash Subpoena Ad Testificandum is granted; and the aforementioned Motion For Preliminary Hearing On Defendant’s Affirmative Defenses With Motion To dismiss The Instant Complaint Based On Said Affirmative Defenses is denied.” In issuing the assailed order, the trial court ruled on the merits of 246 Corp.’s Motion to Dismiss vis-à-vis Montres Rolex and Rolex Centre Phil.’s Comment and Opposition which clearly traversed the affirmative defenses raised by 246 Corp.

2. Presumption that court a quo discharged its tasked properly

It is presumed that all matters within an issue raised in a case were passed upon by the court. In the absence of evidence to the contrary, the presumption is that the court a quo discharged its task properly.

3. Preliminary hearing not mandatory

As held in Municipality of Biñan Laguna v. Court of Appeals, decided under the old Rules of Civil Procedure, a preliminary hearing permitted under Rule 16, Section 5, is not mandatory even when the same is prayed for. It rests largely on the sound discretion of the trial court.

4. Section 5, Rule 16, Rules of Court

Section 5 (Pleading grounds as affirmative defenses) provides that “any of the grounds for dismissal provided for in this Rule, except improper venue, may be pleaded as an affirmative defense, and a preliminary hearing may be had thereon as if a motion to dismiss had been filed.”

5. “May” construed

Haystacks (Berne Guerrero)

The use of the word “may” in Section 5, Rule 16, shows that such a hearing is not a matter of right demandable from the trial court; it is not mandatory but discretionary. “May” is an auxiliary verb indicating liberty, opportunity, permission and possibility. Such interpretation is specifically stated under the 1997 Rules of Civil Procedure. Rule 16, Section 6, now provides that a grant of a preliminary hearing rests on the sound discretion of the court.

6. Section 6, Rule 16, 1997 Rules of Civil Procedure

Section 6 (Pleading grounds as affirmative defenses) provides that “if no motion to dismiss has been filed, any of the grounds for dismissal provided for in this Rule may be pleaded as an affirmative defense in the answer and, in the discretion of the court, a preliminary hearing may be had thereon as if a motion to dismiss had been filed.”

7. Rule of junior use of a registered mark on entirely different goods; Effect of enactment of RA 8293

Under the old Trademark Law where the goods for which the identical marks are used are unrelated, there can be no likelihood of confusion and there is therefore no infringement in the use by the junior user of the registered mark on the entirely different goods. This ruling, however, has been to some extent, modified by Section 123.1(f) of the Intellectual Property Code (RA 8293), which took effect on 1 January 1998.

8. Section 123.1(f), RA 8293

Section 123.1(f) of the Intellectual Property Code, as to Registrability, reads “a mark cannot be registered if it: xxx (f) Is identical with, or confusingly similar to, or constitutes a translation of a mark considered well-known in accordance with the preceding paragraph, which is registered in the Philippines with respect to goods or services which are not similar to those with respect to which registration is applied for: Provided, That use of the mark in relation to those goods or services would indicate a connection between those goods or services, and the owner of the registered mark: Provided, further, That the interest of the owner of the registered mark are likely to be damaged by such use.”

9. Junior user of well-known mark on unrelated goods and services precluded; Requisites in determining well-known mark

A junior user of a well-known mark on goods or services which are not similar to the goods or services, and are therefore unrelated, to those specified in the certificate of registration of the well-known mark is precluded from using the same on the entirely unrelated goods or services, subject to the following requisites, to wit: (1) The mark is well-known internationally and in the Philippines. Under Rule 102 of the Rules and Regulations on Trademarks, Service Marks, Trade Names and Marked or Stamped Containers, in determining whether a mark is well known, the following criteria or any combination thereof may be taken into account: (a) the duration, extent and geographical area of any use of the mark, in particular, the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;(b) the market share in the Philippines and in other countries, of the goods and/or services to which the mark applies; (c) the degree of the inherent or acquired distinction of the mark; (d) the quality-image or reputation acquired by the mark; (e) the extent to which the mark has been registered in the world; (f) the exclusivity of the registration attained by the mark in the world; (g) the extent to which the mark has been used in the world; (h) the exclusivity of use attained by the mark in the world; (i) the commercial value attributed to the mark in the world; (j) the record of successful protection of the rights in the mark; (k) the outcome of litigations dealing with the issue of whether the mark is a well-known mark; and (l) the presence of absence of identical or similar marks validly registered for or used on identical or similar goods or services and owned by persons other than the person claiming that his mark is a well-known mark; (2) The use of the well-known mark on the entirely unrelated goods or services would indicate a connection between such unrelated goods or services and those goods or services specified in the certificate of registration in the well known mark. This requirement refers to the likelihood of confusion of origin or business or some business connection or

Haystacks (Berne Guerrero)

relationship between the registrant and the user of the mark; and (3) The interests of the owner of the well-known mark are likely to be damaged. For instance, if the registrant will be precluded from expanding its business to those unrelated good or services, or if the interests of the registrant of the well-known mark will be damaged because of the inferior quality of the good or services of the user.

10. The issue of whether or not a trademark infringement exists, is a question of fact that could best be determined by the trial court

Section 123.1(f) is clearly in point because the Music Lounge of 246 Corp. is entirely unrelated to Montres Rolex and Rolex Centre Phil.'s business involving watches, clocks, bracelets, etc. However, the Court cannot yet resolve the merits of the present controversy considering that the requisites for the application of Section 123.1(f) clearly require determination facts of which need to be resolved at the trial court. The existence or absence of these requisites should be addressed in a full blown hearing and not on a mere preliminary hearing. Montres Rolex and Rolex Centre Phil. must be given ample opportunity to prove its claim, and 246 Corp. to debunk the same.

11. Implication of "Grave abuse of discretion"; Not present in instant case

Grave abuse of discretion implies such capricious and whimsical exercise of judgment as equivalent to lack of jurisdiction, or, in other words, where the power is exercised in an arbitrary or despotic manner by reason of passion or personal hostility, and it must be so patent and gross as to amount to an evasion of positive duty or to a virtual refusal to perform the duty enjoined or to act at all in contemplation of law.

[14]

Pearl and Dean (Phil.) Inc. vs. Shoemart Inc. (GR 148222, 15 August 2003)

Third Division, Corona (J): 4 concur

Facts: Pearl and Dean (Phil.), Inc. is a corporation engaged in the manufacture of advertising display units simply referred to as light boxes. These units utilize specially printed posters sandwiched between plastic sheets and illuminated with back lights. Pearl and Dean was able to secure a Certificate of Copyright Registration dated 20 January 1981 over these illuminated display units. The advertising light boxes were marketed under the trademark "Poster Ads". The application for registration of the trademark was filed with the Bureau of Patents, Trademarks and Technology Transfer on 20 June 1983, but was approved only on September 12, 1988, per Registration 41165. From 1981 to about 1988, Pearl and Dean employed the services of Metro Industrial Services to manufacture its advertising displays. Sometime in 1985, Pearl and Dean negotiated with Shoemart, Inc. (SMI) for the lease and installation of the light boxes in SM City North Edsa. Since SM City North Edsa was under construction at that time, SMI offered as an alternative, SM Makati and SM Cubao, to which Pearl and Dean agreed. On 11 September 1985, Pearl and Dean's General Manager, Rodolfo Vergara, submitted for signature the contracts covering SM Cubao and SM Makati to SMI's Advertising Promotions and Publicity Division Manager, Ramonlito Abano. Only the contract for SM Makati, however, was returned signed. On 4 October 1985, Vergara wrote Abano inquiring about the other contract and reminding him that their agreement for installation of light boxes was not only for its SM Makati branch, but also for SM Cubao. SMI did not bother to reply. Instead, in a letter dated 14 January 1986, SMI's house counsel informed Pearl and Dean that it was rescinding the contract for SM Makati due to non-performance of the terms thereof. In his reply dated 17 February 1986, Vergara protested the unilateral action of SMI, saying it was without basis. In the same letter, he pushed for the signing of the contract for SM Cubao. Two years later, Metro Industrial Services, the company formerly contracted by Pearl and Dean to fabricate its display units, offered to construct light boxes for Shoemart's chain of stores. SMI approved the proposal and 10 light boxes were subsequently fabricated by Metro Industrial for SMI. After its contract with Metro Industrial was terminated, SMI engaged the services of EYD Rainbow Advertising Corporation to make the light boxes. Some 300 units were fabricated in 1991. These were delivered on a staggered basis and installed at SM Megamall and SM City. Sometime in 1989, Pearl and Dean, received reports that exact

Haystacks (Berne Guerrero)

copies of its light boxes were installed at SM City and in the fastfood section of SM Cubao. Upon investigation, Pearl and Dean found out that aside from the 2 reported SM branches, light boxes similar to those it manufactures were also installed in 2 other SM stores. It further discovered that North Edsa Marketing Inc. (NEMI), through its marketing arm, Prime Spots Marketing Services, was set up primarily to sell advertising space in lighted display units located in SMI's different branches. Pearl and Dean noted that NEMI is a sister company of SMI. In the light of its discoveries, Pearl and Dean sent a letter dated 11 December 1991 to both SMI and NEMI enjoining them to cease using the subject light boxes and to remove the same from SMI's establishments. It also demanded the discontinued use of the trademark "Poster Ads," and the payment to Pearl and Dean of compensatory damages in the amount of P20,000,000.00. Upon receipt of the demand letter, SMI suspended the leasing of 224 light boxes and NEMI took down its advertisements for "Poster Ads" from the lighted display units in SMI's stores.

Claiming that both SMI and NEMI failed to meet all its demands, Pearl and Dean filed the case for infringement of trademark and copyright, unfair competition and damages. On 31 October 1996, the RTC of Makati City decided in favor of P & D, holding that SMI and NEMI are found jointly and severally liable for infringement of copyright under Section 2 of PD 49, as amended, and infringement of trademark under Section 22 of RA 166, as amended, and are hereby penalized under Section 28 of PD 49, as amended, and Sections 23 and 24 of RA 166, as amended; and thus directed SMI and NEMI (1) to pay P & D (a) actual damages for P16,600,000.00, representing profits derived by defendants as a result of infringement of plaintiff's copyright from 1991 to 1992; (b) moral damages for P1,000,000.00; (c) exemplary damages for P1,000,000.00; (d) attorney's fees for P1,000,000.00 plus (e) costs of suit; (2) to deliver, under oath, for impounding in the National Library, all light boxes of SMI which were fabricated by Metro Industrial Services and EYD Rainbow Advertising Corporation; (3) to deliver, under oath, to the National Library, all filler-posters using the trademark "Poster Ads", for destruction; and (4) to permanently refrain from infringing the copyright on plaintiff's light boxes and its trademark "Poster Ads".

On appeal, and on 22 May 2001, however, the Court of Appeals reversed the trial court. Hence, the petition for review on certiorari.

The Supreme Court denied the petition, and affirmed the decision of the Court of Appeals dated 22 May 2001 in toto.

1. Issues in the present case

(1) If the engineering or technical drawings of an advertising display unit (light box) are granted copyright protection (copyright certificate of registration) by the National Library, is the light box depicted in such engineering drawings ipso facto also protected by such copyright? (2) or should the light box be registered separately and protected by a patent issued by the Bureau of Patents Trademarks and Technology Transfer (now Intellectual Property Office) — in addition to the copyright of the engineering drawings? (3) can the owner of a registered trademark legally prevent others from using such trademark if it is a mere abbreviation of a term descriptive of his goods, services or business?

2. Section 2 (O), RA 166

Section 2 expressly enumerated the works subject to copyright. Section 2 (o) provides that "the rights granted by this Decree shall, from the moment of creation, subsist with respect to any of the following works: xxx (O) Prints, pictorial illustrations, advertising copies, labels, tags, and box wraps; x x x.

3. Copyright is purely a statutory right; Covers only works within the enumeration or description

Copyright, in the strict sense of the term, is purely a statutory right. Being a mere statutory grant, the rights are limited to what the statute confers. It may be obtained and enjoyed only with respect to the subjects and by the persons, and on terms and conditions specified in the statute. Accordingly, it can cover only the works falling within the statutory enumeration or description.

Haystacks (Berne Guerrero)

4. P&D's Copyright protection extends only to technical drawings, not to the light boxes themselves

P & D secured its copyright under the classification class "O" work. This being so, P&D's copyright protection extended only to the technical drawings and not to the light box itself because the latter was not at all in the category of "prints, pictorial illustrations, advertising copies, labels, tags and box wraps." Even if P & D indeed owned a valid copyright, the same could have referred only to the technical drawings within the category of "pictorial illustrations." It could not have possibly stretched out to include the underlying light box. The strict application of the law's enumeration in Section 2 prevents leeway, that is, even if its copyright certificate was entitled "Advertising Display Units." What the law does not include, it excludes, and for the good reason: the light box was not a literary or artistic piece which could be copyrighted under the copyright law. And no less clearly, neither could the lack of statutory authority to make the light box copyrightable be remedied by the simplistic act of entitling the copyright certificate issued by the National Library as "Advertising Display Units." In fine, since the light boxes cannot, by any stretch of the imagination, be considered as either prints, pictorial illustrations, advertising copies, labels, tags or box wraps, to be properly classified as a copyrightable class "O" work, what was copyrighted were the technical drawings only, and not the light boxes themselves. When a drawing is technical and depicts a utilitarian object, a copyright over the drawings will not extend to the actual object.

5. Baker vs. Selden; Actual forms not extended by a copyright

In *Baker vs. Selden* (101 U.S. 841 (1879)), Selden had obtained a copyright protection for a book entitled "Selden's Condensed Ledger or Bookkeeping Simplified" which purported to explain a new system of bookkeeping. Included as part of the book were blank forms and illustrations consisting of ruled lines and headings, specially designed for use in connection with the system explained in the work. These forms showed the entire operation of a day or a week or a month on a single page, or on two pages following each other. Baker then produced forms which were similar to the forms illustrated in Selden's copyrighted books. The Court held that exclusivity to the actual forms is not extended by a copyright. The reason was that "to grant a monopoly in the underlying art when no examination of its novelty has ever been made would be a surprise and a fraud upon the public; that is the province of letters patent, not of copyright." Herein, P & D's original design would never pass the rigorous examination of a patent application, and fought to foist a fraudulent monopoly on the public by conveniently resorting to a copyright registration which merely employs a recordal system without the benefit of an in-depth examination of novelty.

6. Muller vs. Triborough Bridge Authority; Law does not prevent one from using drawings to construct the portrayed object

The principle in *Baker vs. Selden* was likewise applied in *Muller vs. Triborough Bridge Authority* [43 F. Supp. 298 (S.D.N.Y. 1942)]. In said case, Muller had obtained a copyright over an unpublished drawing entitled "Bridge Approach – the drawing showed a novel bridge approach to unsnarl traffic congestion". The Triborough Bridge Authority constructed a bridge approach which was alleged to be an infringement of the new design illustrated in Muller's drawings. It was held that protection of the drawing does not extend to the unauthorized duplication of the object drawn because copyright extends only to the description or expression of the object and not to the object itself. It does not prevent one from using the drawings to construct the object portrayed in the drawing.

7. Imperial Homes Corp. vs. Lamont, and Scholtz Homes vs. Maddox; No copyright infringement when one uses a copyrighted architectural plan to construct a structure

In *Imperial Homes Corp. v. Lamont* [458 F. 2d 895] and *Scholtz Homes, Inc. v. Maddox* [379 F. 2d 84], it was held that there is no copyright infringement when one who, without being authorized, uses a copyrighted architectural plan to construct a structure. This is because the copyright does not extend to the structures themselves.

Haystacks (Berne Guerrero)

8. Rights pertaining to copyrights, patents and trademarks distinct; Kho vs. CA

In the leading case of Kho vs. Court of Appeals, it was ruled that the three legal rights in copyrights, patents and trademarks are completely distinct and separate from one another, and the protection afforded by one cannot be used interchangeably to cover items or works that exclusively pertain to the others. Trademark, copyright and patents are different intellectual property rights that cannot be interchanged with one another. A trademark is any visible sign capable of distinguishing the goods (trademark) or services (service mark) of an enterprise and shall include a stamped or marked container of goods. In relation thereto, a trade name means the name or designation identifying or distinguishing an enterprise. Meanwhile, the scope of a copyright is confined to literary and artistic works which are original intellectual creations in the literary and artistic domain protected from the moment of their creation. Patentable inventions, on the other hand, refer to any technical solution of a problem in any field of human activity which is new, involves an inventive step and is industrially applicable.

9. No patent infringement until a patent is issued

In Creser Precision Systems, Inc. vs. Court of Appeals, it was held that “there can be no infringement of a patent until a patent has been issued, since whatever right one has to the invention covered by the patent arises alone from the grant of patent. x x x (A)n inventor has no common law right to a monopoly of his invention. He has the right to make use of and vend his invention, but if he voluntarily discloses it, such as by offering it for sale, the world is free to copy and use it with impunity. A patent, however, gives the inventor the right to exclude all others. As a patentee, he has the exclusive right of making, selling or using the invention.

10. Goal of patent system

To be able to effectively and legally preclude others from copying and profiting from the invention, a patent is a primordial requirement. No patent, no protection. The ultimate goal of a patent system is to bring new designs and technologies into the public domain through disclosure. Ideas, once disclosed to the public without the protection of a valid patent, are subject to appropriation without significant restraint. Herein, on the assumption that P &D’s advertising units were patentable inventions, P&D revealed them fully to the public by submitting the engineering drawings thereof to the National Library. For some reason or another, P &D never secured a patent for the light boxes. It therefore acquired no patent rights which could have protected its invention, if in fact it really was. And because it had no patent, P & D could not legally prevent anyone from manufacturing or commercially using the contraption.

11. Interests in a patent system

On one side of the coin is the public which will benefit from new ideas; on the other are the inventors who must be protected. As held in Bauer & Cie vs. O’Donnel, “the act secured to the inventor the exclusive right to make use, and vend the thing patented, and consequently to prevent others from exercising like privileges without the consent of the patentee. It was passed for the purpose of encouraging useful invention and promoting new and useful inventions by the protection and stimulation given to inventive genius, and was intended to secure to the public, after the lapse of the exclusive privileges granted the benefit of such inventions and improvements.”

12. Attempt of the law to strike a balance between the two interests in the patent system

The law attempts to strike an ideal balance between the two interests. The patent system embodies a carefully crafted bargain for encouraging the creation and disclosure of new useful and non-obvious advances in technology and design, in return for the exclusive right to practice the invention for a number of years. The inventor may keep his invention secret and reap its fruits indefinitely. In consideration of its disclosure and the consequent benefit to the community, the patent is granted. An exclusive enjoyment is guaranteed him for 17 years, but upon the expiration of that period, the knowledge of the invention inures to the people, who are thus enabled to practice it and profit by its use.

Haystacks (Berne Guerrero)

13. Three-fold purpose of the patent law

The patent law has a three-fold purpose: “first, patent law seeks to foster and reward invention; second, it promotes disclosures of inventions to stimulate further innovation and to permit the public to practice the invention once the patent expires; third, the stringent requirements for patent protection seek to ensure that ideas in the public domain remain there for the free use of the public.”

14. In-depth investigation required in granting patent application

It is only after an exhaustive examination by the patent office that a patent is issued. Such an in-depth investigation is required because “in rewarding a useful invention, the rights and welfare of the community must be fairly dealt with and effectively guarded. To that end, the prerequisites to obtaining a patent are strictly observed and when a patent is issued, the limitations on its exercise are equally strictly enforced. To begin with, a genuine invention or discovery must be demonstrated lest in the constant demand for new appliances, the heavy hand of tribute be laid on each slight technological advance in art.”

15. No in-depth investigation in case of copyrights; Copyright from the moment of creation

There is no such scrutiny in the case of copyrights nor any notice published before its grant to the effect that a person is claiming the creation of a work. The law confers the copyright from the moment of creation and the copyright certificate is issued upon registration with the National Library of a sworn ex-parte claim of creation.

16. Desired outcome of P&D not the intention of the law

Not having gone through the arduous examination for patents, P&D cannot exclude others from the manufacture, sale or commercial use of the light boxes on the sole basis of its copyright certificate over the technical drawings. What P&D seeks is exclusivity without any opportunity for the patent office (IPO) to scrutinize the light box’s eligibility as a patentable invention. The irony here is that, had P&D secured a patent instead, its exclusivity would have been for 17 years only. But through the simplified procedure of copyright-registration with the National Library — without undergoing the rigor of defending the patentability of its invention before the IPO and the public — the P&D would be protected for 50 years. This situation could not have been the intention of the law.

17. Protection extends only to goods used by first user; Faberge vs. IAC

As held in *Faberge, Incorporated vs. Intermediate Appellate Court*, the protective mantle of the Trademark Law extends only to the goods used by the first user as specified in the certificate of registration, following the clear mandate conveyed by Section 20 of Republic Act 166, as amended, otherwise known as the Trademark Law. One who has adopted and used a trademark on his goods does not prevent the adoption and use of the same trademark by others for products which are of a different description. The doctrine in the *Faberge, Inc.* case, in fact, was recently reiterated in *Canon Kabushiki Kaisha vs. Court of Appeals*.

18. Section 20, RA 166

Section 20 (Certification of registration prima facie evidence of validity) of RA 166 provides that “a certificate of registration of a mark or trade-name shall be 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, subject to any conditions and limitations stated therein.”

19. Section 20 of the Trademark Law construed

Jurisprudence has interpreted Section 20 of the Trademark Law as “an implicit permission to a manufacturer to venture into the production of goods and allow that producer to appropriate the brand name of the senior registrant on goods other than those stated in the certificate of registration.” If the certificate of registration were to be deemed as including goods not specified therein, then a situation may arise whereby an applicant may be tempted to register a trademark on any and all goods which his mind may conceive even if

Haystacks (Berne Guerrero)

he had never intended to use the trademark for the said goods. Such omnibus registration is not contemplated by Philippine Trademark Law.

20. “Poster Ads” registered to cover stationeries

The records show that on 20 June 1983, Pearl and Dean applied for the registration of the trademark “Poster Ads” with the Bureau of Patents, Trademarks, and Technology Transfer. Said trademark was recorded in the Principal Register on 12 September 1988 under Registration 41165 covering stationeries such as letterheads, envelopes and calling cards and newsletters. Why Pearl and Dean limited the use of its trademark to stationeries is simply beyond us. But, having already done so, it must stand by the consequence of the registration which it had caused. In the absence of any convincing proof that “Poster Ads” has acquired a secondary meaning in Philippine jurisdiction, Pearl and Dean’s exclusive right to the use of “Poster Ads” is limited to what is written in its certificate of registration, namely, stationeries. It would appear that the words “Poster Ads” are a simple contraction of the generic term poster advertising. SMI and NEMI cannot thus be held liable for infringement of the trademark “Poster Ads”.

21. Trademark infringement requires registration

Assuming arguendo that “Poster Ads” could validly qualify as a trademark, the failure of P & D to secure a trademark registration for specific use on the light boxes meant that there could not have been any trademark infringement since registration was an essential element thereof.

22. No unfair competition under the law on copyrights

By the nature of things, there can be no unfair competition under the law on copyrights although it is applicable to disputes over the use of trademarks.

23. Generic words in trademark; No evidence that P&D’s use of “Poster Ads” was distinctive or well-known

Even a name or phrase incapable of appropriation as a trademark or tradename may, by long and exclusive use by a business (such that the name or phrase becomes associated with the business or product in the mind of the purchasing public), be entitled to protection against unfair competition. In this case, there was no evidence that P & D’s use of “Poster Ads” was distinctive or well-known. “Poster Ads” was too generic a name, that it was difficult to identify it with any company. In the mind of the public, the goods and services carrying the trademark “Poster Ads” could not be distinguished from the goods and services of other entities.

24. Doctrine of secondary meaning

“Secondary meaning” means that a word or phrase originally incapable of exclusive appropriation with reference to an article in the market (because it is geographically or otherwise descriptive) might nevertheless have been used for so long and so exclusively by one producer with reference to his article that, in the trade and to that branch of the purchasing public, the word or phrase has come to mean that the article was his property. Herein, “Poster Ads” was generic and incapable of being used as a trademark because it was used in the field of poster advertising, the very business engaged in by P&D.