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I. Intellectual Property Code

A. Intellectual Property Rights in General

1. Differences between Copyrights, Trademarks and Patent

- Pearl & Dean (Philippines), Inc. vs. Shoemart, Inc., G.R. No. 148222, August 15, 2003

PEARL & DEAN (PHIL.), INCORPORATED, PETITIONER, -VERSUS- SHOEMART, INCORPORATED, AND NORTH EDSA MARKETING, INCORPORATED, RESPONDENTS. G.R. No. 148222, THIRD DIVISION, August 15, 2003, CORONA, J.

Petitioner P & D alleged that SMI infringed on its copyright over the light boxes when SMI had the units manufactured by Metro and EYD Rainbow Advertising for its own account. SMI denied the charges and maintained that it independently developed its poster panels using commonly known techniques and available technology, without notice of or reference to Pearl and Dean's copyright.

The Supreme Court held that P & D secured its copyright under the classification class "O" work. This being so, petitioner'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." Stated otherwise, even as we find that 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 us from giving petitioner even a little 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."

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.

FACTS

Plaintiff-appellant 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 January 20, 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 June 20, 1983, but was approved only on September 12, 1988, per
Registration No. 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 defendant-appellant 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. However, SMI did not sign the contract for SM Cubao and rescinded the contract for SM Makati due to non-performance of the terms thereof. 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 SMI's chain of stores. SMI approved the proposal and ten (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 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 two (2) reported SM branches, light boxes similar to those it manufactures were also installed in two (2) other SM stores. It further discovered that defendant-appellant 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.

Pearl and Dean sent a letter 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 this instant case for infringement of trademark and copyright, unfair competition and damages.

SMI denied the charges and maintained that it independently developed its poster panels using commonly known techniques and available technology, without notice of or reference to Pearl and Dean's copyright. SMI noted that the registration of the mark "Poster Ads" was only for stationeries such as letterheads, envelopes, and the like. Besides, according to SMI, the word "Poster Ads" is a generic term which cannot be appropriated as a trademark, and, as such, registration of such mark is invalid. NEMI, for its part, denied having manufactured, installed or used any advertising display units, nor having engaged in the business of advertising.

The RTC of Makati City decided in favor of P & D and found defendants SMI and NEMI jointly and severally liable for infringement of copyright and was directed to pay for damages.

However, the Court of Appeals reversed the trial court and ruled that “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, we have to agree with SMI when it posited that what was copyrighted were the technical drawings only, and not the light boxes themselves”.

Dissatisfied with the above decision, petitioner P & D filed this instant petition.

ISSUES

1. Whether or not SMI and NEMI should be held liable for copyright infringement? (NO)
2. Whether or not there was patent infringement? (NO)

RULING

1. ON THE ISSUE OF COPYRIGHT INFRINGEMENT

Petitioner P & D’s complaint was that SMI infringed on its copyright over the light boxes when SMI had the units manufactured by Metro and EYD Rainbow Advertising for its own account. Obviously, petitioner’s position was premised on its belief that its copyright over the engineering drawings extended ipso facto to the light boxes depicted or illustrated in said drawings. In ruling that there was no copyright infringement, the Court of Appeals held that the copyright was limited to the drawings alone and not to the light box itself. We agree with the appellate court.

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.

P & D secured its copyright under the classification class "O" work. This being so, petitioner’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." Stated otherwise, even as we find that 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 us from giving petitioner even a little 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, if SMI and NEMI reprinted P & D’s technical drawings for sale to the public without license from P & D, then no doubt they would have been guilty of copyright infringement. But this was not the case. SMI’s and NEMI’s acts complained of by P & D were to have units similar or identical to the light box illustrated in the technical drawings manufactured by Metro and EYD Rainbow Advertising, for leasing out to different advertisers. Was this an infringement of petitioner’s copyright over the technical drawings? We do not think so.
During the trial, the president of P & D himself admitted that the light box was neither a literary not an artistic work but an "engineering or marketing invention." Obviously, there appeared to be some confusion regarding what ought or ought not to be the proper subjects of copyrights, patents and trademarks. In the leading case of Kho vs. Court of Appeals, we ruled that these three legal rights 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.

2. ON THE ISSUE OF PATENT INFRINGEMENT

For some reason or another, petitioner 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, petitioner could not legally prevent anyone from manufacturing or commercially using the contraption. In Creser Precision Systems, Inc. vs. Court of Appeals, we 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. 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. On the assumption that petitioner's advertising units were patentable inventions, petitioner revealed them fully to the public by submitting the engineering drawings thereof to the National Library.

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.

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'Donnell"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."

The law attempts to strike an ideal balance between the two interests:
"The patent system thus 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."

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.”

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." 

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.

Therefore, not having gone through the arduous examination for patents, the petitioner 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.

Stated otherwise, what petitioner 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 petitioner 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 petitioner would be protected for 50 years. This situation could not have been the intention of the law.

The difference between the two things, letters patent and copyright, may be illustrated by reference to the subjects just enumerated. Take the case of medicines. Certain mixtures are found to be of great value in the healing art. If the discoverer writes and publishes a book on the subject (as regular physicians generally do), he gains no exclusive right to the manufacture and sale of the medicine; he gives that to the public. If he desires to acquire such exclusive right, he must obtain a patent for the mixture as a new art, manufacture or composition of matter. He may copyright his book, if he pleases; but that only secures to him the exclusive right of printing and publishing his book. So of all other inventions or discoveries.

The copyright of a book on perspective, no matter how many drawings and illustrations it may contain, gives no exclusive right to the modes of drawing described, though they may never have
been known or used before. By publishing the book without getting a patent for the art, the latter is given to the public.

Now, whilst no one has a right to print or publish his book, or any material part thereof, as a book intended to convey instruction in the art, any person may practice and use the art itself which he has described and illustrated therein. **The use of the art is a totally different thing from a publication of the book explaining it.** The copyright of a book on bookkeeping cannot secure the exclusive right to make, sell and use account books prepared upon the plan set forth in such book. Whether the art might or might not have been patented, is a question, which is not before us. It was not patented, and is open and free to the use of the public. And, of course, in using the art, the ruled lines and headings of accounts must necessarily be used as incident to it.

The plausibility of the claim put forward by the complainant in this case arises from a confusion of ideas produced by the peculiar nature of the art described in the books, which have been made the subject of copyright. In describing the art, the illustrations and diagrams employed happened to correspond more closely than usual with the actual work performed by the operator who uses the art. **The description of the art in a book, though entitled to the benefit of copyright, lays no foundation for an exclusive claim to the art itself.** The object of the one is explanation; the object of the other is use. The former may be secured by copyright. The latter can only be secured, if it can be secured at all, by letters patent."

**B. Patents**

**6. Patenable Inventions**

- Jessie Ching vs. William Salinas, et al., G.R. No. 161295, June 29, 2005

**JESSIE G. CHING, PETITIONER, -versus- WILLIAM M. SALINAS, SR., WILLIAM M. SALINAS, JR., JOSEPHINE L. SALINAS, JENNIFER Y. SALINAS, ALONTO SOLAIMAN SALLE, JOHN ERIC I. SALINAS, NOEL M. YABUT (BOARD OF DIRECTORS AND OFFICERS OF WILWARE PRODUCT CORPORATION), RESPONDENTS. G.R. NO. 161295, SECOND DIVISION, June 29, 2005, CALLEJO, SR., J.**

The Petitioner was issued by the National Library Certificates of Copyright Registration and Deposit of the said work described therein as "Leaf Spring Eye Bushing for Automobile." Ching requested the National Bureau of Investigation (NBI) for police/investigative assistance for the apprehension and prosecution of illegal manufacturers, producers and/or distributors of the works. The respondents filed a motion to quash the search warrants and alleged that the copyright registrations were issued in violation of the Intellectual Property Code on the ground that the subject matter of the registrations are not artistic or literary and that the subject matter of the registrations are spare parts of automobiles meaning - there are original parts that they are designed to replace.

The Supreme Court held that the petitioner’s models are not works of applied art, nor artistic works. They are utility models, useful articles, albeit with no artistic design or value. A utility model is a technical solution to a problem in any field of human activity which is new and industrially applicable. It may be, or may relate to, a product, or process, or an improvement of any of the aforesaid. Essentially, a utility model refers to an invention in the mechanical field. This is the reason why its object is sometimes described as a device or useful object. A utility model varies from an invention, for which a
A patent for invention is, likewise, available, on at least three aspects: first, the requisite of "inventive step" in a patent for invention is not required; second, the maximum term of protection is only seven years compared to a patent which is twenty years, both reckoned from the date of the application; and third, the provisions on utility model dispense with its substantive examination and prefer for a less complicated system.

Being plain automotive spare parts that must conform to the original structural design of the components they seek to replace, the Leaf Spring Eye Bushing and Vehicle Bearing Cushion are not ornamental. They lack the decorative quality or value that must characterize authentic works of applied art. They are not even artistic creations with incidental utilitarian functions or works incorporated in a useful article. In actuality, the personal properties described in the search warrants are mechanical works, the principal function of which is utility sans any aesthetic embellishment.

Neither are we to regard the Leaf Spring Eye Bushing and Vehicle Bearing Cushion as included in the catch-all phrase "other literary, scholarly, scientific and artistic works" in Section 172.1(a) of R.A. No. 8293.

No copyright granted by law can be said to arise in favor of the petitioner despite the issuance of the certificates of copyright registration and the deposit of the Leaf Spring Eye Bushing and Vehicle Bearing Cushion.

FACTS

Jessie G. Ching is the owner and general manager of Jeshicris Manufacturing Co., the maker and manufacturer of a Utility Model, described as "Leaf Spring Eye Bushing for Automobile" made up of plastic. On September 4, 2001, Ching and Joseph Yu were issued by the National Library Certificates of Copyright Registration and Deposit of the said work described therein as "Leaf Spring Eye Bushing for Automobile." Ching requested the National Bureau of Investigation (NBI) for police/investigative assistance for the apprehension and prosecution of illegal manufacturers, producers and/or distributors of the works.

After due investigation, the NBI filed applications for search warrants in the RTC of Manila against William Salinas, Sr. and the officers and members of the Board of Directors of Wilaware Product Corporation. It was alleged that the respondents therein reproduced and distributed the said models penalized under Sections 177.1 and 177.3 of Republic Act (R.A.) No. 8293. The RTC granted the application and issued a Search Warrant for the seizure of the aforesaid articles.

The respondents filed a motion to quash the search warrants and alleged that the copyright registrations were issued in violation of the Intellectual Property Code on the ground that the subject matter of the registrations are not artistic or literary and that the subject matter of the registrations are spare parts of automobiles meaning - there are original parts that they are designed to replace. Hence, they are not original.

The respondents averred that the works covered by the certificates issued by the National Library are not artistic in nature; they are considered automotive spare parts and pertain to technology. They aver that the models are not original, and as such are the proper subject of a patent, not copyright.
In opposing the motion, the petitioner averred that the court which issued the search warrants was not the proper forum in which to articulate the issue of the validity of the copyrights issued to him. Until his copyright was nullified in a proper proceeding, he enjoys rights of a registered owner/holder thereof.

The trial court issued an Order granting the motion, and quashed the search warrant on its finding that there was no probable cause for its issuance. The court ruled that the work covered by the certificates issued to the petitioner pertained to solutions to technical problems, not literary and artistic. The petitioner filed a Petition for Certiorari in the CA, contending that the RTC had no jurisdiction to delve into and resolve the validity of the copyright certificates issued to him by the National Library. The petitioner averred that the copyright certificates are prima facie evidence of its validity, citing the ruling of the United States Court of Appeals in *Wildlife Express Corporation v. Carol Wright Sales, Inc.* The petitioner asserted that the respondents failed to adduce evidence to support their motion to quash the search warrants. The petitioner noted that respondent William Salinas, Jr. was not being honest, as he was able to secure a similar copyright registration of a similar product from the National Library on January 14, 2002.

The CA rendered judgment dismissing the petition on its finding that the RTC did not commit any grave abuse of its discretion in issuing the assailed order.

The petitioner’s motion for reconsideration of the said decision suffered the same fate. The petitioner forthwith filed the present Petition for Review on Certiorari

**ISSUE:**

Whether the petitioner’s utility models are copyrightable and, if so, whether he is the owner of a copyright over the said models? (NO)

**RULING**

The RTC had jurisdiction to delve into and resolve the issue. It bears stressing that upon the filing of the application for search warrant, the RTC was duty-bound to determine whether probable cause existed.

For the RTC to determine whether the crime for infringement under R.A. No. 8293 as alleged in an application is committed the petitioner-applicant was burdened to prove that (a) respondents Jessie Ching and Joseph Yu were the owners of copyrighted material; and (b) the copyrighted material was being copied and distributed by the respondents. Thus, the ownership of a valid copyright is essential.

Ownership of copyrighted material is shown by proof of originality and copyrightability. By originality is meant that the material was not copied, and evidences at least minimal creativity; that it was independently created by the author and that it possesses at least same minimal degree of creativity. Copying is shown by proof of access to copyrighted material and substantial similarity between the two works. The applicant must thus demonstrate the existence and the validity of his copyright because in the absence of copyright protection, even original creation may be freely copied.

By requesting the NBI to investigate and, if feasible, file an application for a search warrant for infringement under R.A. No. 8293 against the respondents, the petitioner thereby authorized the RTC
(in resolving the application), to delve into and determine the validity of the copyright which he claimed he had over the utility models. The petitioner cannot seek relief from the RTC based on his claim that he was the copyright owner over the utility models and, at the same time, repudiate the court's jurisdiction to ascertain the validity of his claim without running afoul to the doctrine of estoppel.

To discharge his burden, the applicant may present the certificate of registration covering the work or, in its absence, other evidence. A copyright certificate provides prima facie evidence of originality which is one element of copyright validity. It constitutes prima facie evidence of both validity and ownership and the validity of the facts stated in the certificate. The presumption of validity to a certificate of copyright registration merely orders the burden of proof. The applicant should not ordinarily be forced, in the first instance, to prove all the multiple facts that underlie the validity of the copyright unless the respondent, effectively challenging them, shifts the burden of doing so to the applicant.

To discharge his burden of probable cause for the issuance of a search warrant for violation of R.A. No. 8293, the petitioner-applicant submitted to the RTC Certificate of Copyright Registration Nos. 2001-197 and 2001-204 dated September 3, 2001 and September 4, 2001, respectively, issued by the National Library covering work identified as Leaf Spring Eye Bushing for Automobile and Vehicle Bearing Cushion both classified under Section 172.1(h) of R.A. No. 8293. Related to the provision is Section 171.10, which provides that a "work of applied art" is an artistic creation with utilitarian functions or incorporated in a useful article, whether made by hand or produced on an industrial scale. But, as gleaned from the specifications appended to the application for a copyright certificate filed by the petitioner, the said Leaf Spring Eye Bushing for Automobile is merely a utility model described as comprising a generally cylindrical body having a co-axial bore that is centrally located and provided with a perpendicular flange on one of its ends and a cylindrical metal jacket surrounding the peripheral walls of said body, with the bushing made of plastic that is either polyvinyl chloride or polypropylene. Likewise, the Vehicle Bearing Cushion is illustrated as a bearing cushion comprising a generally semi-circular body having a central hole to secure a conventional bearing and a plurality of ridges provided therefore, with said cushion bearing being made of the same plastic materials. Plainly, these are not literary or artistic works. They are not intellectual creations in the literary and artistic domain, or works of applied art. They are certainly not ornamental designs or one having decorative quality or value.

It bears stressing that the focus of copyright is the usefulness of the artistic design, and not its marketability. The central inquiry is whether the article is a work of art. Works for applied art include all original pictorials, graphics, and sculptural works that are intended to be or have been embodied in useful article regardless of factors such as mass production, commercial exploitation, and the potential availability of design patent protection.

As gleaned from the description of the models and their objectives, these articles are useful articles which are defined as one having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. Indeed, while works of applied art, original intellectual, literary and artistic works are copyrightable, useful articles and works of industrial design are not. A useful article may be copyrightable only if and only to the extent that such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of the utilitarian aspects of the article.
We agree with the contention of the petitioner that the author's intellectual creation, regardless of whether it is a creation with utilitarian functions or incorporated in a useful article produced on an industrial scale, is protected by copyright law. However, the law refers to a "work of applied art which is an artistic creation." It bears stressing that there is no copyright protection for works of applied art or industrial design which has aesthetic or artistic features that cannot be identified separately from the utilitarian aspects of the article. Functional components of useful articles, no matter how artistically designed, have generally been denied copyright protection unless they are separable from the useful article.

In this case, the petitioner’s models are not works of applied art, nor artistic works. They are utility models, useful articles, albeit with no artistic design or value.

A utility model is a technical solution to a problem in any field of human activity which is new and industrially applicable. It may be, or may relate to, a product, or process, or an improvement of any of the aforesaid. Essentially, a utility model refers to an invention in the mechanical field. This is the reason why its object is sometimes described as a device or useful object. A utility model varies from an invention, for which a patent for invention is, likewise, available, on at least three aspects: first, the requisite of "inventive step" in a patent for invention is not required; second, the maximum term of protection is only seven years compared to a patent which is twenty years, both reckoned from the date of the application; and third, the provisions on utility model dispense with its substantive examination and prefer for a less complicated system.

Being plain automotive spare parts that must conform to the original structural design of the components they seek to replace, the Leaf Spring Eye Bushing and Vehicle Bearing Cushion are not ornamental. They lack the decorative quality or value that must characterize authentic works of applied art. They are not even artistic creations with incidental utilitarian functions or works incorporated in a useful article. In actuality, the personal properties described in the search warrants are mechanical works, the principal function of which is utility sans any aesthetic embellishment.

Neither are we to regard the Leaf Spring Eye Bushing and Vehicle Bearing Cushion as included in the catch-all phrase "other literary, scholarly, scientific and artistic works" in Section 172.1(a) of R.A. No. 8293.

No copyright granted by law can be said to arise in favor of the petitioner despite the issuance of the certificates of copyright registration and the deposit of the Leaf Spring Eye Bushing and Vehicle Bearing Cushion. Indeed, in Joaquin, Jr. v. Drilon and Pearl & Dean (Phil.), Incorporated v. Shoemart, Incorporated, the Court ruled that:

> Copyright, in the strict sense of the term, is purely a statutory right. It is a new or independent right granted by the statute, and not simply a pre-existing right regulated by it. Being a statutory grant, the rights are only such as the statute confers, and 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.

That the works of the petitioner may be the proper subject of a patent does not entitle him to the issuance of a search warrant for violation of copyright laws. The Court already held that "these copyright and patent rights 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.

### 7. Ownership of a Patent

#### 1. Right to a Patent

- Pearl & Dean (Philippines), Inc. vs. Shoemart, Inc., G.R. No. 148222, ibid
- E.I. DUPONT DE NEMOURS AND CO. v. DIRECTOR EMMA C. FRANCISCO, GR. No. 174379, August 31, 2016


*It is the Rules of Court, not the 1962 Revised Rules of Practice, which governs the Court of Appeals' proceedings in appeals from the decisions of the Director-General of the Intellectual Property Office regarding the revival of patent applications. Rule 19 of the Rules of Court provides that a court has the discretion to determine whether to give due course to an intervention. If an administrative agency's procedural rules expressly prohibit an intervention by third parties, the prohibition is limited only to the proceedings before the administrative agency. Once the matter is brought before the Court of Appeals in a petition for review, any prior prohibition on intervention does not apply since the only question to be determined is whether the intervenor has established a right to intervene under the Rules of Court. In this case, respondent Therapharma, Inc. filed its Motion for Leave to Intervene before the Court of Appeals, not before the Intellectual Property Office and therefore, the intervention of Therapharma, Inc.is not prohibited.*

*Rule 930 of the Rules and Regulations on Inventions, and Rule 929 of the Revised Implementing Rules and Regulations for Patents, Utility Models and Industrial Design provide for a period of four (4) months from the date of abandonment of a patent application to revive the same. Section 133.4 of the Intellectual Property Code even provides for a shorter period of three (3) months within which to file for revival. In this case, petition for revival of the patent application should be denied. The rules do not provide any exception that could extend this four (4)-month period to 13 years.*

*The right of priority given to a patent applicant is only relevant when there are two or more conflicting patent applications on the same invention. Because a right of priority does not automatically grant*
letters patent to an applicant, possession of a right of priority does not confer any property rights on the applicant in the absence of an actual patent. A patent is granted to provide rights and protection to the inventor after an invention is disclosed to the public. It also seeks to restrain and prevent unauthorized persons from unjustly profiting from a protected invention. However, ideas not covered by a patent are free for the public to use and exploit. Thus, there are procedural rules on the application and grant of patents established to protect against any infringement. To balance the public interests involved, failure to comply with strict procedural rules will result in the failure to obtain a patent.

When a patent application is filed and the applicant failed to respond to the Notice of Action sent by the patent examiner, can a petition for revival be filed beyond the period under the patent rules on the ground that the applicant only learned that its application was deemed abandoned years later? No. According to the records of the Bureau of Patents, Trademarks, and Technology Transfer Chemical Examining Division, petitioner filed Philippine Patent Application No. 35526 on July 10, 1987. It was assigned to an examiner on June 7, 1988. An Office Action was mailed to petitioner’s agent, Atty. Mapili, on July 19, 1988. Because petitioner failed to respond within the allowable period, the application was deemed abandoned on September 20, 1988. Under Section 113 [of the Revised Rules of Practice], petitioner had until January 20, 1989 to file for a revival of the patent application. Its Petition for Revival, however, was filed on May 30, 2002. 13 years after the date of abandonment.

Section 113 has since been superseded by Section 133.4 of the Intellectual Property Code, Rule 930 of the Rules and Regulations on Inventions, and Rule 929 of the Revised Implementing Rules and Regulations for Patents, Utility Models and Industrial Design. The period of four (4) months from the date of abandonment, however, remains unchanged. The Intellectual Property Code even provides for a shorter period of three (3) months within which to file for revival.

The four (4)-month period in Section 111 of the 1962 Revised Rules of Practice is not counted from actual notice of abandonment but from mailing of the notice. Since it appears from the Intellectual Property Office’s records that a notice of abandonment was mailed to petitioner’s resident agent on July 19, 1988, the time for taking action is counted from this period. Petitioner’s patent application cannot be revived simply because the period for revival has already lapsed and no extension of this period is provided for by the 1962 Revised Rules of Practice.

Can petitioner argue, in support of its petition to revive its patent application that it has a right of priority under the Paris Convention? No. Petitioner argues that its patent application was filed on July 10, 1987, within 12 months from the prior filing of a U.S. patent application on July 11, 1986. It argues that it is protected from becoming part of the public domain because of convention priority under the Paris Convention for the Protection of Industrial Property and Section 9 of Republic Act No. 165. However, this right of priority does not immediately entitle a patent applicant the grant of a patent. A right of priority is not equivalent to a patent. Otherwise, a patent holder of any member-state of the Paris Convention need not apply for patents in other countries where it wishes to exercise its patent. It was, therefore, inaccurate for petitioner to argue that its prior patent application in the United States removed the invention from the public domain in the Philippines. This argument is only relevant if respondent Therapharma, Inc. had a conflicting patent application with the Intellectual Property Office. A right of priority has no bearing in a case for revival of an abandoned patent application.

FACTS
E.I. Dupont Nemours and Company (E.I. Dupont Nemours) is an American corporation organized under the laws of the State of Delaware. It is the assignee of inventors Carini, Duncia, and Wong, all citizens of the United States of America. On July 10, 1987, E.I. Dupont Nemours filed Philippine Patent Application No. 35526 before the Bureau of Patents, Trademarks, and Technology Transfer. The application was for Angiotensin II Receptor Blocking Imidazole (losartan), an invention related to the treatment of hypertension and congestive heart failure. The product was produced and marketed by Merck, Sharpe, and Dohme Corporation (Merck). The patent application was handled by Atty. Nicanor D. Mapili (Atty. Mapili), a local resident agent.


Patent Examiner Precila O. Bulihan of the Intellectual Property Office sent an office action marked Paper No. 2 on January 30, 2002 stating that the Philippine Patent Application No. 35526 was already deemed abandoned as of September 20, 1988 for applicant’s failure to respond to the first Office Action mailed on July 19, 1988 within the period as prescribed under Rule 112.

E.I. Dupont Nemours filed a Petition for Revival with Cost of Philippine Patent Application No. 35526. It argued that its former counsel, Atty. Mapili, did not inform it about the abandonment of the application, and it was not aware that Atty. Mapili had already died. It argued that it only had actual notice of the abandonment on January 30, 2002, the date of Paper No. 2. Thus, it argued that its Petition for Revival was properly filed under Section 113 of the 1962 Revised Rules of Practice before the Philippines Patent Office in Patent Cases (1962 Revised Rules of Practice).

The Intellectual Property Office denied the revival of the patent application. Petitioner filed before the Court of Appeals a Petition for Review seeking to set aside the Intellectual Property Office.

On August 31, 2004, the Court of Appeals granted the Petition for Review. In the interim, Therapharma, Inc. moved for leave to intervene and admit the Attached Motion for Reconsideration and argued that the Court of Appeals’ August 31, 2004 Decision directly affects its "vested" rights to sell its own product. Therapharma, Inc. alleged that on January 4, 2003, it filed before the Bureau of Food and Drugs its own application for a losartan product "Lifezar," a medication for hypertension, which the Bureau granted. It argued that it had made a search of existing patent applications for similar products before its application, and that no existing patent registration was found since E.I. Dupont Nemours’ application for its losartan product was considered abandoned by the Bureau of Patents, Trademarks, and Technology Transfer. It alleged that sometime in 2003 to 2004, there was an exchange of correspondence between Therapharma, Inc. and Merck. In this exchange, Merck informed Therapharma, Inc. that it was pursuing a patent on the losartan products in the Philippines and that it would pursue any legal action necessary to protect its product. On August 30, 2006, Court of Appeals issued the Resolution granting the Motion for Leave to Intervene.

In resolving the motion for reconsideration, the CA issued an amended decision denying the revival of the patent application of the petitioner.

**ISSUE**

1. Whether or not the CA correctly allowed the intervention of Therapharma, Inc. on appeal?
2. Whether or not the CA correctly denied the revival of the patent application by the petitioner.
3. Whether or not petitioner’s right of priority as a result of its earlier patent application in US removed its invention from being part of the public domain in the Philippines?

RULING

1. The CA correctly allowed the intervention of Therapharma, Inc. even if it was made on appeal.

Petitioner argues that intervention should not have been allowed on appeal since the revival of a patent application is ex parte and is "strictly a contest between the examiner and the applicant" under Sections 78 and 79 of the 1962 Revised Rules of Practice. It argues that the disallowance of any intervention is to ensure the confidentiality of the proceedings.

In the 1962 Revised Rules of Practice, final decisions of the Director of Patents are appealed to this Court and governed by Republic Act No. 165. Republic Act No. 165 has since been amended by Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines (Intellectual Property Code), in 1997. This is the applicable law with regard to the revival of petitioner’s patent application. Section 7(7.1) (a) of the Intellectual Property Code states:

xxx The decisions of the Director General in the exercise of his appellate jurisdiction in respect of the decisions of the Director of Patents, and the Director of Trademarks shall be appealable to the Court of Appeals in accordance with the Rules of Court; xxx

Thus, it is the Rules of Court, not the 1962 Revised Rules of Practice, which governs the Court of Appeals’ proceedings in appeals from the decisions of the Director-General of the Intellectual Property Office regarding the revival of patent applications. Rule 19 of the Rules of Court provides that a court has the discretion to determine whether to give due course to an intervention. If an administrative agency's procedural rules expressly prohibit an intervention by third parties, the prohibition is limited only to the proceedings before the administrative agency. Once the matter is brought before the Court of Appeals in a petition for review, any prior prohibition on intervention does not apply since the only question to be determined is whether the intervenor has established a right to intervene under the Rules of Court. In this case, respondent Therapharma, Inc. filed its Motion for Leave to Intervene before the Court of Appeals, not before the Intellectual Property Office and therefore, the intervention of Therapharma, Inc.is not prohibited.

Respondent Therapharma, Inc. was able to show that it had legal interest to intervene in the appeal of petitioner’s revival of its patent application. While its intervention may have been premature as no patent has been granted yet, petitioner’s own actions gave rise to respondent Therapharma, Inc.’s right to protect its losartan product. Petitioner through Merck was sending communications threatening legal action if respondent Therapharma, Inc. continued to develop and market losartan in the Philippines. Petitioner had no pending patent application for its losartan product when it threatened respondent Therapharma, Inc. with legal action. The threat of legal action against respondent Therapharma, Inc. was real and imminent. If respondent Therapharma, Inc. waited until petitioner was granted a patent application so it could file a petition for compulsory licensing and petition for cancellation of patent under Section 240 and Section 247 of the 1962 Revised Rules of Practice, its continued marketing of Lifezar would be considered as an infringement of petitioner’s patent.
The petitioner cannot likewise argue the intervention should not have been allowed because there should be absolute confidentiality in patent proceedings.


2. The denial of revival of the patent application of the petitioner is proper.
Under Section 113 of the 1962 Revised Rules of Practices, an abandoned patent application may only be revived within four (4) months from the date of abandonment. No extension of this period is provided under the same provision.

Under Chapter VII, Section 111(a) of the 1962 Revised Rules of Practice, a patent application is deemed abandoned if the applicant fails to prosecute the application within four months from the date of the mailing of the notice of the last action by the Bureau of Patents, Trademarks, and Technology Transfer, and not from applicant’s actual notice.

According to the records of the Bureau of Patents, Trademarks, and Technology Transfer Chemical Examining Division, petitioner filed Philippine Patent Application No. 35526 on July 10, 1987. It was assigned to an examiner on June 7, 1988. An Office Action was mailed to petitioner’s agent, Atty. Mapili, on July 19, 1988. Because petitioner failed to respond within the allowable period, the application was deemed abandoned on September 20, 1988. Under Section 113, petitioner had until January 20, 1989 to file for a revival of the patent application. Its Petition for Revival, however, was filed on May 30, 2002, 13 years after the date of abandonment.

Section 113 has since been superseded Rule 930 of the Rules and Regulations on Inventions, and Rule 929 of the Revised Implementing Rules and Regulations for Patents, Utility Models and Industrial Design. The period of four (4) months from the date of abandonment, however, remains unchanged. Section 133.4 of the Intellectual Property Code even provides for a shorter period of three (3) months within which to file for revival. Petition should be denied since these regulations only provide a four (4) month period within which to file for the revival of the application. The rules do not provide any exception that could extend this four (4)-month period to 13 years.

Petitioner argues that it was not negligent in the prosecution of its patent application since it was Atty. Mapili or his heirs who failed to inform it of crucial developments with regard to its patent application.

Even assuming that the four (4)-month period could be extended, petitioner was inexcusably negligent in the prosecution of its patent application. Petitioner’s resident agent, Atty. Mapili, was undoubtedly negligent in failing to respond to the Office Action sent by the Bureau of Patents, Trademarks, and Technology Transfer on June 19, 1988. Because of his negligence, petitioner’s patent application was declared abandoned. He was again negligent when he failed to revive the abandoned application within four (4) months from the date of abandonment. However, petitioner requested a status update from Atty. Mapili only on July 18, 1995, eight (8) years after the filing of its
application. It alleged that it only found out about Atty. Mapili’s death sometime in March 1996, as a result of its senior patent attorney’s visit to the Philippines. Its failure to be informed of the abandonment of its patent application was caused by its own lack of prudence.

3. The right of priority given to a patent applicant is only relevant when there are two or more conflicting patent applications on the same invention. Because a right of priority does not automatically grant letters patent to an applicant, possession of a right of priority does not confer any property rights on the applicant in the absence of an actual patent.

Petitioner argues that its patent application was filed on July 10, 1987, within 12 months from the prior filing of a U.S. patent application on July 11, 1986. It argues that it is protected from becoming part of the public domain because of convention priority under the Paris Convention for the Protection of Industrial Property.

A patent applicant with the right of priority is given preference in the grant of a patent when there are two or more applicants for the same invention. Since both the United States and the Philippines are signatories to the Paris Convention for the Protection of Industrial Property, an applicant who has filed a patent application in the United States may have a right of priority over the same invention in a patent application in the Philippines. However, this right of priority does not immediately entitle a patent applicant the grant of a patent. A right of priority is not equivalent to a patent. Otherwise, a patent holder of any member-state of the Paris Convention need not apply for patents in other countries where it wishes to exercise its patent.

It was, therefore, inaccurate for petitioner to argue that its prior patent application in the United States removed the invention from the public domain in the Philippines. This argument is only relevant if respondent Therapharma, Inc. had a conflicting patent application with the Intellectual Property Office. A right of priority has no bearing in a case for revival of an abandoned patent application.

8. Rights Conferred by a Patent

- Domiciano Aguas vs. Conrado De Leon, G.R. No. L-32160, January 30, 1982


Private respondent, who had been granted and issued Letters Patent No. 658 by the Philippines Patent Office for his invention of certain new and useful improvements in the process of making mosaic precast tiles, filed a complaint for infringement of patent against petitioner Domiciano Aguas and F. H. Aquino & Sons. Petitioner Aguas, in his answer, alleged that respondent’s patent was unlawfully secured through misrepresentations as the latter’s invention are neither inventive nor new and hence not patentable; and that he cannot be held guilty of infringement because his products, which had been duly patented, were different from those of the private Respondent. The trial court, finding respondent’s patent valid and infringed, ordered petitioner Aguas and F. H. Aquino & Sons to pay respondent jointly and severally actual, moral and exemplary damages and attorney’s fees. Petitioner appealed to the Court of Appeals questioning the validity of the patent issued by the Philippines Patent Office and the patentability of respondent’s tile-making process. The Appellate Court, however, sustained the trial
court's decision but greatly reduced the award of moral damages. Meanwhile, private respondent’s patent right expired; hence, in this petition, only the right of said private respondent to damages will be determined.

The Supreme Court, affirming the decision of the trial court as modified by the Court of Appeals, held that petitioner’s evidence has not overcome the legal presumption on the validity of respondent’s patent; and that based on the records, respondent’s process is an improvement of the old process of tile-making, hence, patentable.

FACTS:

Conrado G. de Leon filed in the Court of First Instance of Rizal at Quezon City a complaint for infringement of patent against Domiciano A. Aguas and F. H. Aquino and Sons.

The basic facts borne out by the record are to the effect that on December 1, 1959, plaintiff-appellee filed a patent application with the Philippine Patent Office, and on May 5, 1960, said office issued in his favor Letters Patent No. 658 for a ‘new and useful improvement in the process of making mosaic pre-cast tiles’; that defendant F. H. Aquino & Sons engraved the moulds embodying plaintiff’s patented improvement for the manufacture of pre-cast tiles, plaintiff furnishing said defendant the actual model of the said tiles in escayola and explained to said engraver the plans, specifications and the details of the engravings as he wanted them to be made, including an explanation of the lip width, artistic slope of easement and critical depth of the engraving that plaintiff wanted for his moulds; that engraver Enrique Aquino knew that the moulds he was engraving for plaintiff were the latter’s very own, which possessed the new features and characteristics covered by plaintiff’s patent; that defendant Aguas personally, as a building contractor, purchased from plaintiff, tiles shaped out of these moulds at the back of which was imprinted plaintiff’s patent number; that subsequently, through a representative, Mr. Leonardo, defendant Aguas requested Aquino to make engravings of the same type and bearing the characteristics of plaintiff’s moulds; that Mr. Aquino knew that the moulds he was asked to engrave for defendant Aguas would be used to produce cement tiles similar to plaintiff’s; that the moulds which F.H. Aquino & Sons eventually engraved for Aguas and for which it charged Aguas double the rate it charged plaintiff De Leon, contain the very same characteristic features of plaintiff’s mould and that Aguas used these moulds in the manufacture of his tiles which he actually put out for sale to the public; that both plaintiff’s and defendant Aguas’ tiles are sculptured pre-cast wall tiles intended as a new feature of construction and wall ornamentation substantially identical to each other in size, easement, lip width and critica depth of the deepest depression; and that the only significant difference between plaintiff’s mould and that engraved by Aquino for Aguas is that, whereas plaintiff’s mould turns out tiles 4 x 4 inches in size, defendant Aguas’ mould is made to 4-1/4 x 4-1/4 inch tile.” The patent right of the private respondent expired on May 5, 1977.

Defendant Domiciano A. Aguas filed his answer denying the allegations of the plaintiff and alleging that: the plaintiff is neither the original first nor sole inventor of the improvements in the process of making mosaic pre-cast tiles, the same having been used by several tile-making factories in the Philippines and abroad years before the alleged invention by de Leon; that Letters Patent No. 658 was unlawfully acquired by making it appear in the application in relation thereto that the process is new and that the plaintiff is the owner of the process when in truth and in fact the process incorporated in the patent application has been known and used in the Philippines by almost all tile makers long before the alleged use and registration of patent by plaintiff Conrado G. de Leon; that the registration of the alleged invention did not confer any right on the plaintiff because the registration
was unlawfully secured and was a result of the gross misrepresentation on the part of the plaintiff that his alleged invention is a new and inventive process.

The trial court rendered a decision declaring plaintiff's patent valid and infringed and issued a perpetual injunction against the defendants from making and/or using and/or vending tiles embodying said patented invention or adapted to be used in combination embodying the same, and from making, manufacturing, using or selling, engravings, castings and devices designed and intended for use in apparatus for the making of tiles embodying plaintiff's patented invention, and from offering or advertising so to do, and from aiding and abetting or in any way contributing to the infringement of said patent;

The Court of Appeals affirmed the decision of the trial court.

ISSUE

Whether or not the patent secured by the Respondent was valid? (YES)

RULING

The validity of the patent issued by the Philippines Patent Office in favor of the private respondent and the question over the inventiveness, novelty and usefulness of the improved process therein specified and described are matters which are better determined by the Philippines Patent Office. The technical staffs of the Philippines Patent Office, composed of experts in their field, has, by the issuance of the patent in question, accepted the thinness of the private respondent's new tiles as a discovery. There is a presumption that the Philippines Patent Office has correctly determined the patentability of the improvement by the private respondent of the process in question.

Anent this matter, the Court of Appeals said: "Appellant has not adduced evidence sufficient to overcome the above established legal presumption of validity or to warrant reversal of the findings of the lower court relative to the validity of the patent in question. In fact, as we have already pointed out, the clear preponderance of evidence bolsters said presumption of validity of appellee's patent. There is no indication in the records of this case — and this Court is unaware of any fact, which would tend to show that concrete wall tiles similar to those produced by appellee had ever been made by others before he started manufacturing the same. In fact, during the trial, appellant was challenged by appellee to present a tile of the same kind as those produced by the latter, from any earlier source but, despite the fact that appellant had every chance to do so, he could not present any. There is, therefore, no concrete proof that the improved process of tile-making described in appellee's patent was used by, or known to, others previous to his discovery thereof."

The contention of the petitioner Aguas that the letters-patent of de Leon was actually a patent for the old and non-patentable process of making mosaic pre-cast tiles is devoid of merit. De Leon never claimed to have invented the process of tile-making. The Claims and Specifications of Patent No. 658 show that although some of the steps or parts of the old process of tile-making were described therein, there were novel and inventive features mentioned in the process. Some of the novel features of the private respondent's improvements are the following: critical depth, with corresponding easement and lip width to such degree as leaves the tile as thin as 1/8 of an inch at its thinnest portion, ideal composition of cement and fine river sand, among other ingredients that makes possible the production of tough and durable wall tiles, though thin and light; the engraving of deep
designs in such a way as to make the tiles decorative, artistic and suitable for wall ornamentation, and the fact that the tiles can be mass produced in commercial quantities and can be conveniently stockpiled, handled and packed without any intolerable incidence of breakages.

The petitioner also contends that the improvement of respondent is not patentable because it is not new, useful and inventive. This contention is without merit.

The records disclose that de Leon's process is an improvement of the old process of tile-making. The tiles produced from de Leon's process are suitable for construction and ornamentation, which previously had not been achieved by tiles made out of the old process of tile-making. De Leon's invention has therefore brought about a new and useful kind of tile. The old type of tiles was usually intended for floors although there is nothing to prevent one from using them for walling purposes. These tiles are neither artistic nor ornamental. They are heavy and massive.

The respondent's improvement is indeed inventive and goes beyond the exercise of mechanical skill. He has introduced a new kind of tile for a new purpose. He has improved the old method of making tiles and precast articles which were not satisfactory because of an intolerable number of breakages, especially if deep engravings are made on the tile. He has overcome the problem of producing decorative tiles with deep engraving, but with sufficient durability. Durability inspite of the thinness and lightness of the tile is assured, provided that a certain critical depth is maintained in relation to the dimensions of the tile.

In view of the foregoing, this Court finds that Patent No. 658 was legally issued, the process and/or improvement being patentable.

On the issue of the amount of damages that should be paid by Aguas.

An examination of the books of defendant Aguas made before a Commissioner reveals that during the period that Aguas was manufacturing and selling tiles similar to plaintiff's, he made a gross income of P3,340.33, which can safely be considered the amount by which he enriched himself when he infringed plaintiff's patent. Under Sec. 42 of the Patent Law any patentee whose rights have been infringed is entitled to damages which, according to the circumstances of the case may be in a sum above the amount found as actual damages sustained provided the award does not exceed three times the amount of such actual damages. Considering the wantonness of the infringement committed by the defendants who knew all the time about the existence of plaintiff's patent, the Court feels there is reason to grant plaintiff maximum damages in the sum of P10,020.99. And in order to discourage patent infringements and to give more teeth to the provisions of the patent law thus promoting a stronger public policy committed to afford greater incentives and protection to inventors, the Court hereby awards plaintiff exemplary damages in the sum of P5,000.00 to be paid jointly and severally by defendants. Considering the status of plaintiff as a reputable businessman, and owner of the likewise reputed House of Pre-Cast, he is entitled to an award of moral damages in the sum of P50,000.00.

- Manzano vs. Court of Appeals, G.R. No. 113388, September 5, 1997

ANGELITA MANZANO, PETITIONER, -versus- COURT OF APPEALS, AND MELECIA MADOLARIA, AS ASSIGNOR TO NEW UNITED FOUNDRY MANUFACTURING CORPORATION, RESPONDENTS. G.R. No. 113388, FIRST DIVISION, September 5, 1997, BELLOSILLO, J.
Petitioner Angelita Manzano filed with the Philippine Patent Office an action for the cancellation of Letters Patent No. UM-4609 for a gas burner registered in the name of respondent Melecia Madolaria who subsequently assigned the letters patent to New United Foundry and Manufacturing Corporation (UNITED FOUNDRY, for brevity). The Director of Patents Cesar C. Sandiego issued Decision No. 86-56 denying the petition for cancellation and holding that the evidence of petitioner was not able to establish convincingly that the patented utility model of private respondent was anticipated.

The Supreme Court held that in issuing Letters Patent No. UM-4609 to Melecia Madolaria for an LPG Burner on 22 July 1981, the Philippine Patent Office found her invention novel and patentable. The issuance of such patent creates a presumption which yields only to clear and cogent evidence that the patentee was the original and first inventor. The burden of proving want of novelty is on him who avers it and the burden is a heavy one which is met only by clear and satisfactory proof which overcomes every reasonable doubt. Hence, a utility model shall not be considered new if before the application for a patent it has been publicly known or publicly used in this country or has been described in a printed publication or publications circulated within the country, or if it is substantially similar to any other utility model so known, used or described within the country. As found by the Director of Patents, the standard of evidence sufficient to overcome the presumption of legality of the issuance of UM-4609 to respondent Madolaria was not legally met by petitioner in her action for the cancellation of the patent. The validity of the patent issued by the Philippine Patent Office in favor of private respondent and the question over the inventiveness, novelty and usefulness of the improved model of the LPG burner are matters which are better determined by the Patent Office. The technical staff of the Philippine Patent Office composed of experts in their field has by the issuance of the patent in question accepted private respondents model of gas burner as a discovery. There is a presumption that the Office has correctly determined the patentability of the model and such action must not be interfered with in the absence of competent evidence to the contrary.

The rule is settled that the findings of fact of the Director of Patents, especially when affirmed by the Court of Appeals, are conclusive on this Court when supported by substantial evidence. Petitioner has failed to show compelling grounds for a reversal of the findings and conclusions of the Patent Office and the Court of Appeals.

FACTS

Petitioner Angelita Manzano filed with the Philippine Patent Office an action for the cancellation of Letters Patent No. UM-4609 for a gas burner registered in the name of respondent Melecia Madolaria who subsequently assigned the letters patent to New United Foundry and Manufacturing Corporation (UNITED FOUNDRY, for brevity). Petitioner alleged that (a) the utility model covered by the letters patent, in this case, an LPG gas burner, was not inventive, new or useful; (b) the specification of the letters patent did not comply with the requirements of Sec. 14, RA No. 165, as amended; (c) respondent Melecia Madolaria was not the original, true and actual inventor nor did she derive her rights from the original, true and actual inventor of the utility model covered by the letters patent; and, (d) the letters patent was secured by means of fraud or misrepresentation. In support of her petition for cancellation petitioner further alleged that (a) the utility model covered by the letters patent of respondent had been known or used by others in the Philippines for more than one (1) year before she filed her application for letters patent on 9 December 1979; (b) the products which were produced in accordance with the utility model covered by the letters patent had been in public use or on sale in the Philippines for more than one (1) year before the application for patent therefor was filed.
Testifying for herself petitioner narrated that her husband Ong Bun Tua worked as a helper in the UNITED FOUNDRY where respondent Melecia Madolaria used to be affiliated with from 1965 to 1970; that Ong helped in the casting of an LPG burner which was the same utility model of a burner for which Letters Patent No. UM-4609 was issued, and that after her husband’s separation from the shop she organized Besco Metal Manufacturing (BESCO METAL, for brevity) for the casting of LPG burners one of which had the configuration, form and component parts similar to those being manufactured by UNITED FOUNDRY. Petitioner presented in evidence an alleged model of an LPG burner and covered by the Letters Patent of respondent, and testified that it was given to her in January 1982 by one of her customers who allegedly acquired it from UNITED FOUNDRY. Petitioner also presented in evidence her own model of an LPG burner called Ransome burner which was allegedly manufactured in 1974 or 1975 and sold by her in the course of her business operation in the name of BESCO METAL. Petitioner claimed that this Ransome burner had the same configuration and mechanism as that of the model which was patented in favor of private respondent Melecia Madolaria. Also presented by petitioner was a burner cup of an imported Ransome which allegedly existed even before the patent application of private respondent. Petitioner presented two (2) other witnesses, namely, her husband Ong Bun Tua and Fidel Francisco.

The Director of Patents Cesar C. Sandiego issued Decision No. 86-56 denying the petition for cancellation and holding that the evidence of petitioner was not able to establish convincingly that the patented utility model of private respondent was anticipated. Not one of the various pictorial representations of business clearly and convincingly showed that the devices presented by petitioner were identical or substantially identical with the utility model of the respondent. The decision also stated that even assuming that the brochures depicted clearly each and every element of the patented gas burner device so that the prior art and patented device became identical although in truth they were not, they could not serve as anticipatory bars for the reason that they were undated. The records and evidence also do not support the petitioner’s contention that Letters Patent No. UM-4609 was obtained by means of fraud and/or misrepresentation.

Petitioner elevated the decision of the Director of Patents to the Court of Appeals which on 15 October 1993 affirmed the decision of the Director of Patents. Hence, this petition for review on certiorari.

ISSUE

Whether or not the issuance of the Letters Patent No. UM-4609 was valid? (YES)

RULING

We cannot sustain petitioner. Section 7 of RA No. 165, as amended, which is the law on patents, expressly provides –

Sec. 7. Inventions patentable. Any invention of a new and useful machine, manufactured product or substance, process or an improvement of any of the foregoing, shall be patentable.

Further, Sec. 55 of the same law provides –
Sec. 55. Design patents and patents for utility models. - (a) Any new, original and ornamental design for an article of manufacture and (b) any new model of implements or tools or of any industrial product or of part of the same, which does not possess the quality of invention, but which is of practical utility by reason of its form, configuration, construction or composition, may be protected by the author thereof, the former by a patent for a design and the latter by a patent for a utility model, in the same manner and subject to the same provisions and requirements as relate to patents for inventions insofar as they are applicable except as otherwise herein provided.

The element of novelty is an essential requisite of the patentability of an invention or discovery. If a device or process has been known or used by others prior to its invention or discovery by the applicant, an application for a patent therefor should be denied; and if the application has been granted, the court, in a judicial proceeding in which the validity of the patent is drawn in question, will hold it void and ineffective. It has been repeatedly held that an invention must possess the essential elements of novelty, originality and precedence, and for the patentee to be entitled to the protection the invention must be new to the world.

In issuing Letters Patent No. UM-4609 to Melecia Madolaria for an LPG Burner on 22 July 1981, the Philippine Patent Office found her invention novel and patentable. The issuance of such patent creates a presumption which yields only to clear and cogent evidence that the patentee was the original and first inventor. The burden of proving want of novelty is on him who avers it and the burden is a heavy one which is met only by clear and satisfactory proof which overcomes every reasonable doubt. Hence, a utility model shall not be considered new if before the application for a patent it has been publicly known or publicly used in this country or has been described in a printed publication or publications circulated within the country, or if it is substantially similar to any other utility model so known, used or described within the country.

As found by the Director of Patents, the standard of evidence sufficient to overcome the presumption of legality of the issuance of UM-4609 to respondent Madolaria was not legally met by petitioner in her action for the cancellation of the patent. The validity of the patent issued by the Philippine Patent Office in favor of private respondent and the question over the inventiveness, novelty and usefulness of the improved model of the LPG burner are matters which are better determined by the Patent Office. The technical staff of the Philippine Patent Office composed of experts in their field has by the issuance of the patent in question accepted private respondents model of gas burner as a discovery. There is a presumption that the Office has correctly determined the patentability of the model and such action must not be interfered with in the absence of competent evidence to the contrary.

The rule is settled that the findings of fact of the Director of Patents, especially when affirmed by the Court of Appeals, are conclusive on this Court when supported by substantial evidence. Petitioner has failed to show compelling grounds for a reversal of the findings and conclusions of the Patent Office and the Court of Appeals.

The alleged failure of the Director of Patents and the Court of Appeals to accord evidentiary weight to the testimonies of the witnesses of petitioner showing anticipation is not a justification to grant the petition. Pursuant to the requirement of clear and convincing evidence to overthrow the presumption of validity of a patent, it has been held that oral testimony to show anticipation is open to suspicion and if uncorroborated by cogent evidence, as what occurred in this case, it may be held insufficient.
It has been held that the question on priority of invention is one of fact. Novelty and utility are likewise questions of fact. The validity of patent is decided on the basis of factual inquiries. Whether evidence presented comes within the scope of prior art is a factual issue to be resolved by the Patent Office. There is question of fact when the doubt or difference arises as to the truth or falsehood of alleged facts or when the query necessarily invites calibration of the whole evidence considering mainly the credibility of witnesses, existence and relevance of specific surrounding circumstances, their relation to each other and to the whole and the probabilities of the situation.

Time and again we have held that it is not the function of the Supreme Court to analyze or weigh all over again the evidence and credibility of witnesses presented before the lower tribunal or office. The Supreme Court is not a trier of facts. Its jurisdiction is limited to reviewing and revising errors of law imputed to the lower court, its findings of fact being conclusive and not reviewable by this Court.


**CRESER PRECISION SYSTEMS, INC., PETITIONER, versus COURT OF APPEALS AND FLORO INTERNATIONAL CORP., RESPONDENTS.** G.R. No. 118708, SECOND DIVISION, February 2, 1998, MARTINEZ, J.

Private respondent was granted by the Bureau of Patents, Trademarks and Technology Transfer (BPTTTT), a Letters Patent No. UM-6938 covering an aerial fuze. Private respondent, through its president, Mr. Gregory Floro, Jr., discovered that petitioner submitted samples of its patented aerial fuze to the AFP for testing. The petitioner filed a complaint for injunction and damages arising from the alleged infringement before the RTC. The complaint alleged that petitioner is the first, true and actual inventor of an aerial fuze.

The Supreme Court held that under Section 42 of R.A. 165, otherwise known as the Patent Law, explicitly provides that only the patentee or his successors-in-interest may file an action for infringement. The phrase anyone possessing any right, title or interest in and to the patented invention upon which petitioner maintains its present suit, refers only to the patentees successors-in-interest, assignees or grantees since actions for infringement of patent may be brought in the name of the person or persons interested, whether as patentee, assignees or grantees, of the exclusive right. Moreover, 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. In short, a person or entity who has not been granted letters patent over an invention and has not acquired any right or title thereto either as assignee or as licensee, has no cause of action for infringement because the right to maintain an infringement suit depends on the existence of the patent.

Petitioner admits it has no patent over its aerial fuze. Therefore, it has no legal basis or cause of action to institute the petition for injunction and damages arising from the alleged infringement by private respondent. While petitioner claims to be the first inventor of the aerial fuze, still it has no right of property over the same upon which it can maintain a suit unless it obtains a patent therefor.

**FACTS**
Private respondent is a domestic corporation engaged in the manufacture, production, distribution and sale of military armaments, munitions, airmunitions and other similar materials. Private respondent was granted by the Bureau of Patents, Trademarks and Technology Transfer (BPTTT), a Letters Patent No. UM-6938 covering an aerial fuze which was published in the September-October 1990, Vol. III, No. 5 issue of the Bureau of Patents Official Gazette.

Sometime in November 1993, private respondent, through its president, Mr. Gregory Floro, Jr., discovered that petitioner submitted samples of its patented aerial fuze to the AFP for testing. He learned that petitioner was claiming the aforesaid aerial fuze as its own and planning to bid and manufacture the same commercially without license or authority from private respondent. To protect its right, private respondent, sent a letter to petitioner advising it of its existing patent and its rights thereunder, warning petitioner of a possible court action and/or application for injunction, should it proceed with the scheduled testing by the military.

Subsequently, the petitioner filed a complaint for injunction and damages arising from the alleged infringement before the RTC. The complaint alleged that petitioner is the first, true and actual inventor of an aerial fuze denominated as Fuze, PDR.77 CB4 which is developed as early as December 1981 under the Self-Reliance Defense Posture Program (SRDP) of the AFP; that sometime in 1986, petitioner began supplying the AFP with the said aerial fuze; that private respondents aerial fuze is identical in every respect to the petitioner’s fuze; and that the only difference between the two fuzes are miniscule and merely cosmetic in nature. Petitioner prayed that a temporary restraining order and/or writ of preliminary injunction be issued enjoining private respondent including any and all persons acting on its behalf from manufacturing, marketing and/or profiting therefrom, and/or from performing any other act in connection therewith or tending to prejudice and deprive it of any rights, privileges and benefits to which it is duly entitled as the first, true and actual inventor of the aerial fuze.

The trial court issued a temporary restraining order. Private respondent submitted its memorandum alleging that petitioner has no cause of action to file a complaint of infringement against it since it has no patent for the aerial fuze which it claims to have invented; that petitioners available remedy is to file a petition for cancellation of patent before the Bureau of Patents; that private respondent as the patent holder cannot be stripped of its property right over the patented aerial fuze consisting of the exclusive right to manufacture, use and sell the same and that it stands to suffer irreparable damage and injury if it is enjoined from the exercise of its property right over its patent.

The trial court issued an Order granting the issuance of a writ of preliminary injunction against private respondent.

Aggrieved, private respondent filed a petition for certiorari, mandamus and prohibition before respondent Court of Appeals. The respondent court rendered the now assailed decision reversing the trial court’s Order and dismissing the complaint filed by petitioner.

Hence, this present petition.

ISSUE

Whether or not the Petitioner is entitled to file an action for infringement against the private respondent despite not being a patent holder? (NO)
RULING

Section 42 of R.A. 165, otherwise known as the Patent Law, explicitly provides:

SECTION 42. Civil action for infringement. Any patentee, or anyone possessing any right, title or interest in and to the patented invention, whose rights have been infringed, may bring a civil action before the proper Court of First Instance (now Regional Trial court), to recover from the infringer damages sustained by reason of the infringement and to secure an injunction for the protection of his right. x x x

Under the aforequoted law, only the patentee or his successors-in-interest may file an action for infringement. The phrase anyone possessing any right, title or interest in and to the patented invention upon which petitioner maintains its present suit, refers only to the patentees successors-in-interest, assignees or grantees since actions for infringement of patent may be brought in the name of the person or persons interested, whether as patentee, assignees or grantees, of the exclusive right. Moreover, 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. In short, a person or entity who has not been granted letters patent over an invention and has not acquired any right or title thereto either as assignee or as licensee, has no cause of action for infringement because the right to maintain an infringement suit depends on the existence of the patent.

Petitioner admits it has no patent over its aerial fuze. Therefore, it has no legal basis or cause of action to institute the petition for injunction and damages arising from the alleged infringement by private respondent. While petitioner claims to be the first inventor of the aerial fuze, still it has no right of property over the same upon which it can maintain a suit unless it obtains a patent therefor. Under American jurisprudence, an inventor has no common-law right to a monopoly of his invention. He has the right to make, use and sell his own 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, using or selling the invention. Further, the remedy of declaratory judgment or injunctive suit on patent invalidity relied upon by petitioner cannot be likened to the civil action for infringement under Section 42 of the Patent Law. The reason for this is that the said remedy is available only to the patent holder or his successors-in-interest. Thus, anyone who has no patent over an invention but claims to have a right or interest thereto cannot file an action for declaratory judgment or injunctive suit which is not recognized in this jurisdiction. Said person, however, is not left without any remedy. He can, under Section 28 of the aforementioned law, file a petition for cancellation of the patent within three (3) years from the publication of said patent with the Director of Patents and raise as ground therefor that the person to whom the patent was issued is not the true and actual inventor. Hence, petitioners remedy is not to file an action for injunction or infringement but to file a petition for cancellation of private respondent patent. Petitioner however failed to do so. As such, it cannot now assail or impugn the validity of the private respondent’s letters patent by claiming that it is the true and actual inventor of the aerial fuze.

In the case of Aguas vs. De Leon, we stated that:
The validity of the patent issued by the Philippine Patent Office in favor of the private respondent and the question over the investments, novelty and usefulness of the improved process therein specified and described are matters which are better determined by the Philippines patent Office, composed of experts in their field, have, by the issuance of the patent in question, accepted the thinness of the private respondents new tiles as a discovery. There is a presumption that the Philippine Patent Office has correctly determined the patentability of the improvement by the private respondent of the process in question.

- Del Rosario vs. Court of Appeals, 255 SCRA 152 (1996)

**ROBERTO L. DEL ROSARIO, PETITIONER, -VERSUS- COURT OF APPEALS AND JANITO CORPORATION, RESPONDENTS. G.R. No. 115106, FIRST DIVISION, March 15, 1996, BELLOSILLO, J.**

Petitioner filed a complaint for patent infringement against Private Respondent Janito Corporation. Roberto L. Del Rosario alleged that he was a patentee of an audio equipment and improved audio equipment commonly known as the sing-along system or karaoke under Letters Patent No. UM-5269 dated 2 June 1983 as well as Letters Patent No. UM-6237 dated 14 November 1986 issued by the Director of Patents. The trial court issued a writ of preliminary injunction upon a bond on the basis of its finding that petitioner was a holder of a utility model patent for a sing-along system and that without his approval and consent private respondent was admittedly manufacturing and selling its own sing-along system under the brand name miyata which was substantially similar to the patented utility model of petitioner. Private respondent assailed the order directing the issuance of the writ by way of a petition for certiorari with prayer for the issuance of a writ of preliminary injunction and a temporary restraining order before respondent Court of Appeals. The respondent appellate court granted the writ and set aside the questioned order of the trial court.

The Supreme Court that the Patent Law expressly acknowledges that any new model of implements or tools of any industrial product even if not possessed of the quality of invention but which is of practical utility is entitled to a patent for utility model. Here, there is no dispute that the letters patent issued to petitioner are for utility models of audio equipment. In issuing, reissuing or withholding patents and extensions thereof, the Director of Patents determines whether the patent is new and whether the machine or device is the proper subject of patent. In passing on an application, the Director decides not only questions of law but also questions of fact, i.e. whether there has been a prior public use or sale of the article sought to be patented. Where petitioner introduces the patent in evidence, if it is in due form, it affords a prima facie presumption of its correctness and validity. The decision of the Director of Patents in granting the patent is always presumed to be correct, and the burden then shifts to respondent to overcome this presumption by competent evidence. Under Sec. 55 of The Patent Law a utility model shall not be considered “new” if before the application for a patent it has been publicly known or publicly used in this country or has been described in a printed publication or publications circulated within the country, or if it is substantially similar to any other utility model so known, used or described within the country.

Respondent Corporation failed to present before the trial court competent evidence that the utility models covered by the Letters Patents issued to petitioner were not new. Consequently, under Sec. 37 of the Patent law, petitioner as a patentee shall have the exclusive right to make, use and sell the patented machine, article or product for the purpose of industry or commerce, throughout the territory of the Philippines for the term of the patent, and such making, using or selling by any person without
authorization of the patentee constitutes infringement of his patent. Petitioner established before the trial court that respondent Janito Corporation was manufacturing a similar sing-along system bearing the trademark miyata which infringed his patented models.

FACTS

Petitioner filed a complaint for patent infringement against Private Respondent Janito Corporation. Roberto L. Del Rosario alleged that he was a patentee of an audio equipment and improved audio equipment commonly known as the sing-along system or karaoke under Letters Patent No. UM-5269 dated 2 June 1983 as well as Letters Patent No. UM-6237 dated 14 November 1986 issued by the Director of Patents. The effectivity of both Letters Patents was for five (5) years and was extended for another five (5) years starting 2 June 1988 and 14 November 1991, respectively. He described his sing-along system as a handy multipurpose compact machine which incorporates an amplifier speaker, one or two tape mechanisms, optional tuner or radio and microphone mixer with features to enhance one’s voice, such as the echo or reverb to stimulate an opera hall or a studio sound, with the whole system enclosed in one cabinet casing.

In the early part of 1990 petitioner learned that private respondent was manufacturing a sing-along system bearing the trademark or miyata karaoke substantially similar if not identical to the sing-along system covered by the patents issued in his favor. Thus he sought from the trial court the issuance of a writ of preliminary injunction to enjoin private respondent, its officers and everybody elsewhere acting on its behalf, from using, selling and advertising the miyata or miyata karaoke brand, the injunction to be made permanent after trial, and praying for damages, attorney's fees and costs of suit.

The trial court temporarily restrained private respondent from manufacturing, using and/or selling and advertising the miyata sing-along system or any sing-along system substantially identical to the sing-along system patented by petitioner until further orders.

The trial court issued a writ of preliminary injunction upon a bond on the basis of its finding that petitioner was a holder of a utility model patent for a sing-along system and that without his approval and consent private respondent was admittedly manufacturing and selling its own sing-along system under the brand name miyata which was substantially similar to the patented utility model of petitioner. Private respondent assailed the order directing the issuance of the writ by way of a petition for certiorari with prayer for the issuance of a writ of preliminary injunction and a temporary restraining order before respondent Court of Appeals.

The respondent appellate court granted the writ and set aside the questioned order of the trial court. It expressed the view that there was no infringement of the patents of petitioner by the fact alone that private respondent had manufactured the miyata karaoke or audio system, and that the karaoke system was a universal product manufactured, advertised and marketed in most countries of the world long before the patents were issued to petitioner. The motion to reconsider the grant of the writ was denied; hence, the instant petition for review.

ISSUE

Whether or not the letters patent issued to the Petitioner was valid? (YES)
RULING

A preliminary injunction may be granted at any time after the commencement of the action and before judgment when it is established that the defendant is doing, threatens, or is about to do, or is procuring or suffering to be done, some act probably in violation of the plaintiff’s rights. Thus, there are only two requisites to be satisfied if an injunction is to issue, namely, the existence of the right to be protected, and that the facts against which the injunction is to be directed are violative of said right. For the writ to issue the interest of petitioner in the controversy or the right he seeks to be protected must be a present right, a legal right which must be shown to be clear and positive.

In this regard Sec. 55 of R.A. 165 as amended known as The Patent Law, provides — Sec. 55. Design patents and patents for utility models. — (a) Any new, original, and ornamental design for an article of manufacture and (b) new model or implements or tools or of any industrial product or of part of the same, which does not possess the quality of invention but which is of practical utility by reason of its form, configuration, construction or composition, may be protected by the author thereof, the former by a patent for a design and the latter by a patent for a utility model, in the same manner and subject to the same provisions and requirements as relate to patents for inventions insofar as they are applicable, except as otherwise herein provide.

Admittedly, petitioner is a holder of Letters Patent No. UM-5629 dated 2 June 1985 issued for a term of five (5) years from the grant of a Utility Model. Again, on 14 November 1986 petitioner was granted Letters Patent No. UM-6237 for a term of five (5) years from the grant of Utility Model. The terms of both Letters Patents were extended for another five (5) years each, the first beginning 2 June 1988 and the second, 14 November 1991.

The Patent Law expressly acknowledges that any new model of implements or tools of any industrial product even if not possessed of the quality of invention but which is of practical utility is entitled to a patent for utility model. Here, there is no dispute that the letters patent issued to petitioner are for utility models of audio equipment. In issuing, reissuing or withholding patents and extensions thereof, the Director of Patents determines whether the patent is new and whether the machine or device is the proper subject of patent. In passing on an application, the Director decides not only questions of law but also questions of fact, i.e. whether there has been a prior public use or sale of the article sought to be patented. Where petitioner introduces the patent in evidence, if it is in due form, it affords a prima facie presumption of its correctness and validity. The decision of the Director of Patents in granting the patent is always presumed to be correct, and the burden then shifts to respondent to overcome this presumption by competent evidence. Under Sec. 55 of The Patent Law a utility model shall not be considered “new” if before the application for a patent it has been publicly known or publicly used in this country or has been described in a printed publication or publications circulated within the country, or if it is substantially similar to any other utility model so known, used or described within the country.

Respondent Corporation failed to present before the trial court competent evidence that the utility models covered by the Letters Patents issued to petitioner were not new. This is evident from the testimony of Janito Cua, President of respondent Janito Corporation, during the hearing on the issuance of the injunction. As may be gleaned herein, the rights of petitioner as a patentee have been sufficiently established, contrary to the findings and conclusions of respondent Court of Appeals.
Consequently, under Sec. 37 of the Patent law, petitioner as a patentee shall have the exclusive right
to make, use and sell the patented machine, article or product for the purpose of industry or
commerce, throughout the territory of the Philippines for the term of the patent, and such making,
using or selling by any person without authorization of the patentee constitutes infringement of his
patent. Petitioner established before the trial court that respondent Janito Corporation was
manufacturing a similar sing-along system bearing the trademark miyata which infringed his
patented models. He also alleged that both his own patented audio equipment and respondent’s
sing-along system were constructed in a casing with a control panel, the casing having a vertical partition
wall defining the rear compartment from the front compartment, with the front compartment
consisting of a loud speaker baffle, both containing a transistorized amplifier circuit capable of being
operated from outside through various controls mounted on the control panel, and that both had
loud speakers fitted inside the front compartment of the casing and connected to the output of the
main audio amplifier section both having a tape recorder and a tape player mounted on the control
panel with the tape recorder and tape player being both connected to the transistorized amplifier
circuit.

Respondent Janito Corporation denied that there was any violation of petitioner’s patent rights, and
cited the differences between its miyata equipment and petitioner’s audio equipment. But, it must be
emphasized; respondent only confined its comparison to the first model, Utility Model No. 5269, and
completely disregarded Utility Model No. 6237 which improved on first.

It is elementary that a patent may be infringed where the essential or substantial features of the
patented invention are taken or appropriated, or the device, machine or other subject matter alleged
to infringe is substantially identical with the patented invention. In order to infringe a patent, a
machine or device must perform the same function, or accomplish the same result by identical or
substantially identical means and the principle or mode of operation must be substantially the same

It may be noted that respondent corporation failed to present before the trial court a clear, competent
and reliable comparison between its own model and that of petitioner, and disregarded completely
petitioner’s Utility Model No. 6237 which improved on his first patented model. Notwithstanding the
differences cited by respondent corporation, it did not refute and disprove the allegations of
petitioner before the trial court that: (a) both are used by a singer to sing a amplify his voice; (b) both
are used to sing with a minus-one or multiplex tapes, or that both are used to play minus-one or
standard cassette tapes for singing or for listening to; (c) both are used to sing a minus-one tape and
multiplex tape and to record the singing and the accompaniment; (d) both are used to sing with live
accompaniment; (d) both are used to sing with live accompaniment and to record the same; (e) both
are used to enhance the voice of the singer using echo effect, treble, bass and other controls; (g) both
are equipped with cassette tape decks which are installed with one being used for playback and the
other, for recording the singer and the accompaniment, and both may also be used to record a
speaker’s voice or instrumental playing, like the guitar and other instruments; (h) both are encased
in a box-like cabinets; and (i) both can be used with one or more microphones. Clearly, therefore, both petitioner’s and respondent’s models involve substantially the same modes
of operation and produce substantially the same if not identical results when used. In view thereof,
we find that petitioner had established before the trial court prima facie proof of violation of his rights
as patentee to justify the issuance of a writ of preliminary injunction in his favor during the pendency
of the main suit for damages resulting from the alleged infringement.
SMITH KLINE BECKMAN CORPORATION, PETITIONER, -versus- THE HONORABLE COURT OF APPEALS and TRYCO PHARMA CORPORATION, RESPONDENTS. G.R. No. 126627, THIRD DIVISION, August 14, 2003, CARPIO MORALES, J.

Petitioner filed on, as assignee, before the Philippine Patent Office an application for patent over an invention entitled "Methods and Compositions for Producing Biphasic Parasiticide Activity Using Methyl 5 Propylthio-2-Benzimidazol Carbamate." A Letters Patent for the aforesaid invention was issued to petitioner for a term of 17 years. Private Respondent is a domestic corporation that manufactures, distributes and sells veterinary products including Impregon, a drug that has Albendazole for its active ingredient and is claimed to be effective against gastro-intestinal roundworms, lungworms, tapeworms and fluke infestation in carabaos, cattle and goats. Petitioner sued private respondent for infringement of patent and unfair competition before the RTC. It claimed that its patent covers or includes the substance Albendazole.

The Supreme Court held that from a reading of the claims of Letters Patent No. 14561 in relation to the other portions thereof, no mention is made of the compound Albendazole. When the language of its claims is clear and distinct, the patentee is bound thereby and may not claim anything beyond them. And so are the courts bound which may not add to or detract from the claims matters not expressed or necessarily implied, nor may they enlarge the patent beyond the scope of that which the inventor claimed and the patent office allowed, even if the patentee may have been entitled to something more than the words it had chosen would include. It bears stressing that the mere absence of the word Albendazole in Letters Patent No. 14561 is not determinative of Albendazole's non-inclusion in the claims of the patent. **While Albendazole is admittedly a chemical compound that exists by a name different from that covered in petitioner’s letters patent, the language of Letter Patent No. 14561 fails to yield anything at all regarding Albendazole.** And no extrinsic evidence had been adduced to prove that Albendazole inheres in petitioner’s patent in spite of its omission therefrom or that the meaning of the claims of the patent embraces the same.

The application of the Doctrine of Equivalents will not save the claims of the Petitioner. The doctrine of equivalents provides that an infringement also takes place when a device appropriates a prior invention by incorporating its innovative concept and, although with some modification and change, performs substantially the same function in substantially the same way to achieve substantially the same result. Yet again, a scrutiny of petitioner’s evidence fails to convince this Court of the substantial sameness of petitioner’s patented compound and Albendazole. While both compounds have the effect of neutralizing parasites in animals, identity of result does not amount to infringement of patent unless Albendazole operates in substantially the same way or by substantially the same means as the patented compound, even though it performs the same function and achieves the same result. In other words, the principle or mode of operation must be the same or substantially the same. The doctrine of equivalents thus requires satisfaction of the function-means-and-result test, the patentee having the burden to show that all three components of such equivalency test are met.

FACTS

Smith Kline Beckman Corporation (petitioner) filed on October 8, 1976, as assignee, before the Philippine Patent Office (now Bureau of Patents, Trademarks and Technology Transfer) an
application for patent over an invention entitled "Methods and Compositions for Producing Biphasic Parasiticide Activity Using Methyl 5 Propylthio-2-Benzimidazole Carbamate." A Letters Patent for the aforesaid invention was issued to petitioner for a term of 17 years. The letters patent provides in its claims that the patented invention consisted of a new compound named methyl 5 propylthio-2-benzimidazole carbamate and the methods or compositions utilizing the compound as an active ingredient in fighting infections caused by gastrointestinal parasites and lungworms in animals such as swine, sheep, cattle, goats, horses, and even pet animals.

Tryco Pharma Corporation (private respondent) is a domestic corporation that manufactures, distributes and sells veterinary products including Impregon, a drug that has Albendazole for its active ingredient and is claimed to be effective against gastro-intestinal roundworms, lungworms, tapeworms and fluke infestation in carabaos, cattle and goats. Petitioner sued private respondent for infringement of patent and unfair competition before the RTC. It claimed that its patent covers or includes the substance Albendazole such that private respondent, by manufacturing, selling, using, and causing to be sold and used the drug Impregon without its authorization, infringed Claims 2, 3, 4, 7, 8 and 9 of Letters Patent No. 14561. On motion of petitioner, RTC issued a TRO against private respondent enjoining it from committing acts of patent infringement. A writ of preliminary injunction was subsequently issued.

Private respondent in its Answer averred that Letters Patent No. 14561 does not cover the substance Albendazole for nowhere in it does that word appear; that even if the patent were to include Albendazole, such substance is unpatentable; that the Bureau of Food and Drugs allowed it to manufacture and market Impregon with Albendazole as its known ingredient; that there is no proof that it passed off in any way its veterinary products as those of petitioner; that Letters Patent No. 14561 is null and void, the application for the issuance thereof having been filed beyond the one year period from the filing of an application abroad for the same invention covered thereby, in violation of Section 15 of Republic Act No. 165 (The Patent Law); and that petitioner is not the registered patent holder.

The trial court rendered a Decision declaring the Letters Patent No. 14561 issued by the then Philippine Patents Office is hereby declared null and void for being in violation of Sections 7, 9 and 15 of the Patents Law.

On appeal, the Court of Appeals upheld the trial court's finding that private respondent was not liable for any infringement of the patent of petitioner in light of the latter’s failure to show that Albendazole is the same as the compound subject of Letters Patent No. 14561. Noting petitioner’s admission of the issuance by the U.S. of a patent for Albendazole in the name of Smith Kline and French Laboratories which was petitioner’s former corporate name, the appellate court considered the U.S. patent as implying that Albendazole is different from methyl 5 propylthio-2-benzimidazole carbamate. The appellate court, however, declared that Letters Patent No. 14561 was not void as it sustained petitioner’s explanation that Patent Application Serial No. 18989 which was filed on October 8, 1976 was a divisional application of Patent Application Serial No. 17280 filed on June 17, 1975 with the Philippine Patent Office, well within one year from petitioner’s filing on June 19, 1974 of its Foreign Application Priority Data No. 480,646 in the U.S. covering the same compound subject of Patent Application Serial No. 17280. Applying Section 17 of the Patent Law, the Court of Appeals thus ruled that Patent Application Serial No. 18989 was deemed filed on June 17, 1995 or still within one year from the filing of a patent application abroad in compliance with the one-year rule under Section 15 of the Patent Law. And it rejected the submission that the compound in Letters Patent No.
14561 was not patentable, citing the jurisprudentially established presumption that the Patent Office's determination of patentability is correct.

Petitioner's motion for reconsideration of the Court of Appeals' decision having been denied the present petition for review on certiorari was filed.

ISSUE

Whether or not the private respondent committed patent infringement? (NO)

RULING

From an examination of the evidence on record, this Court finds nothing infirm in the appellate court's conclusions with respect to the principal issue of whether private respondent committed patent infringement to the prejudice of petitioner.

The burden of proof to substantiate a charge for patent infringement rests on the plaintiff. In the case at bar, petitioner's evidence consists primarily of its Letters Patent No. 14561, and the testimony of Dr. Orinion, its general manager in the Philippines for its Animal Health Products Division, by which it sought to show that its patent for the compound methyl 5 propylthio-2-benzimidazole carbamate also covers the substance Albendazole.

From a reading of the claims of Letters Patent No. 14561 in relation to the other portions thereof, no mention is made of the compound Albendazole. All that the claims disclose are: the covered invention, that is, the compound methyl 5 propylthio-2-benzimidazole carbamate; the compound's being anthelmintic but nontoxic for animals or its ability to destroy parasites without harming the host animals; and the patented methods, compositions or preparations involving the compound to maximize its efficacy against certain kinds of parasites infecting specified animals.

When the language of its claims is clear and distinct, the patentee is bound thereby and may not claim anything beyond them. And so are the courts bound which may not add to or detract from the claims matters not expressed or necessarily implied, nor may they enlarge the patent beyond the scope of that which the inventor claimed and the patent office allowed, even if the patentee may have been entitled to something more than the words it had chosen would include. It bears stressing that the mere absence of the word Albendazole in Letters Patent No. 14561 is not determinative of Albendazole's non-inclusion in the claims of the patent. While Albendazole is admittedly a chemical compound that exists by a name different from that covered in petitioner's letters patent, the language of Letter Patent No. 14561 fails to yield anything at all regarding Albendazole. And no extrinsic evidence had been adduced to prove that Albendazole inheres in petitioner's patent in spite of its omission therefrom or that the meaning of the claims of the patent embraces the same.

While petitioner concedes that the mere literal wordings of its patent cannot establish private respondent's infringement, it urges this Court to apply the doctrine of equivalents.

The doctrine of equivalents provides that an infringement also takes place when a device appropriates a prior invention by incorporating its innovative concept and, although with some modification and change, performs substantially the same function in substantially the same way to achieve substantially the same result. Yet again, a scrutiny of petitioner's evidence fails to convince this Court of the substantial sameness of petitioner's patented compound and Albendazole. While
both compounds have the effect of neutralizing parasites in animals, identity of result does not amount to infringement of patent unless Albendazole operates in substantially the same way or by substantially the same means as the patented compound, even though it performs the same function and achieves the same result. In other words, the principle or mode of operation must be the same or substantially the same. The doctrine of equivalents thus requires satisfaction of the function-means-and-result test, the patentee having the burden to show that all three components of such equivalency test are met.

As stated early on, petitioner’s evidence fails to explain how Albendazole is in every essential detail identical to methyl 5 propylthio-2-benzimidazole carbamate. Apart from the fact that Albendazole is an anthelmintic agent like methyl 5 propylthio-2-benzimidazole carbamate, nothing more is asserted and accordingly substantiated regarding the method or means by which Albendazole weeds out parasites in animals, thus giving no information on whether that method is substantially the same as the manner by which petitioner’s compound works. The testimony of Dr. Orinion lends no support to petitioner’s cause, he not having been presented or qualified as an expert witness who has the knowledge or expertise on the matter of chemical compounds.

As for the concept of divisional applications proffered by petitioner, it comes into play when two or more inventions are claimed in a single application but are of such a nature that a single patent may not be issued for them. The applicant thus is required "to divide," that is, to limit the claims to whichever invention he may elect, whereas those inventions not elected may be made the subject of separate applications which are called "divisional applications." What this only means is that petitioner’s methyl 5 propylthio-2-benzimidazole carbamate is an invention distinct from the other inventions claimed in the original application divided out, Albendazole being one of those other inventions. Otherwise, methyl 5 propylthio-2-benzimidazole carbamate would not have been the subject of a divisional application if a single patent could have been issued for it as well as Albendazole.

- Philippine Pharmawealth, Inc. vs. Pfizer, Inc., G.R. No. 167715, November 17, 2010

PHIL PHARMAWEALTH, INC., PETITIONER, versus PFIZER, INC. and PFIZER (PHIL.) INC., RESPONDENTS. G.R. No. 167715, SECOND DIVISION, November 17, 2010, PERALTA, J.

A complaint for patent infringement was filed against petitioner Phil Pharmawealth, Inc. by respondent companies, Pfizer, Inc. and Pfizer (Phil.) Inc., with the Bureau of Legal Affairs of the Intellectual Property Office (BLA-IPO). The Complaint alleged that Pfizer is the registered owner of Philippine Letters Patent No. 21116 which was issued by this Honorable Office on July 16, 1987. The patent is valid until July 16, 2004. Petitioner filed a Motion to dismiss the case for being moot and academic, contending that respondents’ patent had already lapsed. In the same manner, petitioner also moved for the reconsideration of the TRO issued by the CA on the same basis that the patent right sought to be protected has been extinguished due to the lapse of the patent license.

The Supreme Court held that under Section 37 of Republic Act No. 165, the exclusive right of a patentee to make use and sell a patented product, article or process exists only during the term of the patent. In the instant case, Philippine Letters Patent No. 21116, which was the basis of respondents in filing their complaint with the BLA-IPO, was issued on July 16, 1987. This fact was admitted by respondents themselves in their complaint. They also admitted that the validity of the said patent is until July 16, 2004, which is in conformity with Section 21 of RA 165, providing that the term of a patent shall be seventeen (17) years from the date of issuance thereof. Section 4, Rule 129 of the Rules of Court provides
that an admission, verbal or written, made by a party in the course of the proceedings in the same case, does not require proof and that the admission may be contradicted only by showing that it was made through palpable mistake or that no such admission was made. In the present case, there is no dispute as to respondents’ admission that the term of their patent expired on July 16, 2004. Neither is there evidence to show that their admission was made through palpable mistake. Hence, contrary to the pronouncement of the CA, there is no longer any need to present evidence on the issue of expiration of respondents’ patent.

On the basis of the foregoing, the Court agrees with petitioner that after July 16, 2004, respondents no longer possess the exclusive right to make, use and sell the articles or products covered by Philippine Letters Patent No. 21116.

FACTS

The instant case arose from a Complaint for patent infringement filed against petitioner Phil Pharmawealth, Inc. by respondent companies, Pfizer, Inc. and Pfizer (Phil.), Inc., with the Bureau of Legal Affairs of the Intellectual Property Office (BLA-IPO). The Complaint alleged that Pfizer is the registered owner of Philippine Letters Patent No. 21116 which was issued by this Honorable Office on July 16, 1987. The patent is valid until July 16, 2004. The claims of this Patent are directed to “a method of increasing the effectiveness of a beta-lactam antibiotic in a mammalian subject, which comprises co-administering to said subject a beta-lactam antibiotic effectiveness increasing amount of a compound of the formula IA. The scope of the claims of the Patent extends to a combination of penicillin such as ampicillin sodium and beta-lactam antibiotic like sulbactam sodium. The Patent No. 21116 thus covers ampicillin sodium/sulbactam sodium (hereafter “Sulbactam Ampicillin”). Ampicillin sodium is a specific example of the broad beta-lactam antibiotic disclosed and claimed in the Patent. It is the compound which efficacy is being enhanced by co-administering the same with sulbactam sodium. Sulbactam sodium, on the other hand, is a specific compound of the formula IA disclosed and claimed in the Patent. Pfizer is marketing Sulbactam Ampicillin under the brand name “Unasyn.” Pfizer’s “Unasyn” products, which come in oral and IV formulas, are covered by Certificates of Product Registration issued by the Bureau of Food and Drugs (“BFAD”) under the name of complainants. The sole and exclusive distributor of “Unasyn” products in the Philippines is Zuellig Pharma Corporation, pursuant to a Distribution Services Agreement it executed with Pfizer Phils.

Sometime in January and February 2003, complainants came to know that respondent [herein petitioner] submitted bids for the supply of Sulbactam Ampicillin to several hospitals without the consent of complainants and in violation of the complainants’ intellectual property rights. Complainants thus wrote the above hospitals and demanded that the latter immediately cease and desist from accepting bids for the supply of Sulbactam Ampicillin or awarding the same to entities other than complainants. Complainants, in the same letters sent through undersigned counsel, also demanded that respondent immediately withdraw its bids to supply Sulbactam Ampicillin. In gross and evident bad faith, respondent and the hospitals, willfully ignored complainants’ just, plain and valid demands, refused to comply therewith and continued to infringe the Patent, all to the damage and prejudice of complainants. As registered owner of the Patent, Pfizer is entitled to protection under Section 76 of the IP Code. Respondents prayed for permanent injunction, damages and the forfeiture and impounding of the alleged infringing products. They also asked for the issuance of a temporary restraining order and a preliminary injunction that would prevent herein Petitioner; its agents, representatives and assigns, from importing, distributing, selling or offering the subject product for sale to any entity in the Philippines.
BLA-IPO issued a preliminary injunction which was effective for ninety days from petitioner’s receipt of the said Order. Prior to the expiration of the ninety-day period, respondents filed a Motion for Extension of Writ of Preliminary Injunction which, however, was denied by the BLA-IPO. Respondents then filed a special civil action for Certiorari with the CA assailing the October 15, 2003 and January 23, 2004 Resolutions of the BLA-IPO.

While the case was pending before the CA, respondents filed a Complaint with the Regional Trial Court (RTC) of Makati City for infringement and unfair competition with damages against herein petitioner. In said case, respondents prayed for the issuance of a TRO and preliminary injunction to prevent herein petitioner from importing, distributing, selling or offering for sale sulbactam ampicillin products to any entity in the Philippines. Respondents asked the trial court that, after trial, judgment be rendered awarding damages in their favor and making the injunction permanent.

The RTC of Makati City issued a temporary restraining order conditioned upon respondents’ filing of a bond. In a subsequent Order, the same RTC directed the issuance of a writ of preliminary injunction prohibiting and restraining petitioner, its agents, representatives and assigns from importing, distributing or selling Sulbactam Ampicillin products to any entity in the Philippines.

Petitioner filed a Motion to Dismiss the petition filed with the CA on the ground of forum shopping, contending that the case filed with the RTC has the same objective as the petition filed with the CA, which is to obtain an injunction prohibiting petitioner from importing, distributing and selling Sulbactam Ampicillin products.

The CA issued its questioned Resolution approving the bond posted by respondents pursuant to the Resolution issued by the appellate court on March 23, 2004 which directed the issuance of a temporary restraining order conditioned upon the filing of a bond. On even date, the CA issued a temporary restraining order which prohibited petitioner “from importing, distributing, selling or offering for sale Sulbactam Ampicillin products to any hospital or to any other entity in the Philippines, or from infringing Pfizer Inc.’s Philippine Patent No. 21116 and impounding all the sales invoices and other documents evidencing sales by petitioner of Sulbactam Ampicillin products.

Petitioner again filed a Motion to dismiss the case for being moot and academic, contending that respondents’ patent had already lapsed. In the same manner, petitioner also moved for the reconsideration of the TRO issued by the CA on the same basis that the patent right sought to be protected has been extinguished due to the lapse of the patent license and on the ground that the CA has no jurisdiction to review the order of the BLA-IPO as said jurisdiction is vested by law in the Office of the Director General of the IPO.

The CA rendered its presently assailed Resolution denying the Motion to Dismiss, dated November 16, 2004, and the motion for reconsideration, as well as Motion to Dismiss. Hence, the present petition.

**ISSUE**

Whether or not an injunctive relief can be issued based on an action of patent infringement when the patent allegedly infringed has already lapsed? (NO)
RULING

Petitioner argues that respondents' exclusive right to monopolize the subject matter of the patent exists only within the term of the patent. Petitioner claims that since respondents' patent expired on July 16, 2004, the latter no longer possess any right of monopoly and, as such, there is no more basis for the issuance of a restraining order or injunction against petitioner insofar as the disputed patent is concerned.

The Court agrees. Section 37 of Republic Act No. (RA) 165,[17] which was the governing law at the time of the issuance of respondents' patent, provides:

Section 37. Rights of patentees. A patentee shall have the exclusive right to make, use and sell the patented machine, article or product, and to use the patented process for the purpose of industry or commerce, throughout the territory of the Philippines for the term of the patent; and such making, using, or selling by any person without the authorization of the patentee constitutes infringement of the patent.

It is clear from the above-quoted provision of law that the exclusive right of a patentee to make use and sell a patented product, article or process exists only during the term of the patent. In the instant case, Philippine Letters Patent No. 21116, which was the basis of respondents in filing their complaint with the BLA-IPO, was issued on July 16, 1987. This fact was admitted by respondents themselves in their complaint. They also admitted that the validity of the said patent is until July 16, 2004, which is in conformity with Section 21 of RA 165, providing that the term of a patent shall be seventeen (17) years from the date of issuance thereof. Section 4, Rule 129 of the Rules of Court provides that an admission, verbal or written, made by a party in the course of the proceedings in the same case, does not require proof and that the admission may be contradicted only by showing that it was made through palpable mistake or that no such admission was made. In the present case, there is no dispute as to respondents' admission that the term of their patent expired on July 16, 2004. Neither is there evidence to show that their admission was made through palpable mistake. Hence, contrary to the pronouncement of the CA, there is no longer any need to present evidence on the issue of expiration of respondents' patent.

On the basis of the foregoing, the Court agrees with petitioner that after July 16, 2004, respondents no longer possess the exclusive right to make, use and sell the articles or products covered by Philippine Letters Patent No. 21116.

Section 3, Rule 58, of the Rules of Court lays down the requirements for the issuance of a writ of preliminary injunction, viz:

(a) That the applicant is entitled to the relief demanded, and the whole or part of such relief consists in restraining the commission or continuance of the acts complained of, or in requiring the performance of an act or acts, either for a limited period or perpetually;

(b) That the commission, continuance or non-performance of the act or acts complained of during the litigation would probably work injustice to the applicant; or
(c) That a party, court, or agency or a person is doing, threatening, or attempting to do, or is procuring or suffering to be done, some act or acts probably in violation of the rights of the applicant respecting the subject of the action or proceeding, and tending to render the judgment ineffectual.

In this connection, pertinent portions of Section 5, Rule 58 of the same Rules provide that if the matter is of extreme urgency and the applicant will suffer grave injustice and irreparable injury, a temporary restraining order may be issued ex parte.

From the foregoing, it can be inferred that two requisites must exist to warrant the issuance of an injunctive relief, namely: (1) the existence of a clear and unmistakable right that must be protected; and (2) an urgent and paramount necessity for the writ to prevent serious damage. In the instant case, it is clear that when the CA issued its January 18, 2005 Resolution approving the bond filed by respondents, the latter no longer had a right that must be protected, considering that Philippine Letters Patent No. 21116 which was issued to them already expired on July 16, 2004. Hence, the issuance by the CA of a temporary restraining order in favor of the respondents is not proper.

In fact, the CA should have granted petitioner’s motion to dismiss the petition for Certiorari filed before it as the only issue raised therein is the propriety of extending the writ of preliminary injunction issued by the BLA-IPO. Since the patent which was the basis for issuing the injunction, was no longer valid, any issue as to the propriety of extending the life of the injunction was already rendered moot and academic.

9. Patent Infringement
   a. Tests in Patent Infringement
       i. Literal Infringement

Pascual Godines vs. Court of Appeals, G.R. No. 97343, September 13, 1993
PASCUAL GODINES, PETITIONER, -versus- THE HONORABLE COURT OF APPEALS, SPECIAL FOURTH DIVISION and SV-AGRO ENTERPRISES, INC., RESPONDENTS. G.R. No. 97343, THIRD DIVISION, September 13, 1993 ROMERO, J.

Letters Patent No. UM-2236 was issued by the Philippine Patent Office to one Magdalena S. Villaruz on July 15, 1976. It covers a utility model for a hand tractor or power tiller. The above mentioned patent was acquired by SV-Agro Industries Enterprises, Inc., herein private respondent, from Magdalena Villaruz, its chairman and president, by virtue of a Deed of Assignment executed by the latter in its favor. Upon investigation, it discovered that power tillers similar to those patented by private respondent were being manufactured and sold by petitioner herein. Consequently, private respondent notified Pascual Godines about the existing patent and demanded that the latter stop selling and manufacturing similar power tillers. Upon petitioner’s failure to comply with the demand, SV-Agro Industries filed before the RTC a complaint for infringement of patent.

Tests have been established to determine infringement. These are (a) literal infringement; and (b) the doctrine of equivalents. In using literal infringement as a test "resort must be had, in the first instance, to the words of the claim. If accused matter clearly falls within the claim, infringement is made out and that is the end of it." To determine whether the particular item falls within the literal meaning of the
patent claims, the Court must juxtapose the claims of the patent and the accused product within the overall context of the claims and specifications, to determine whether there is exact identity of all material elements. Applying the above tests, the Supreme Court held that that these claims of the patent and the features of the patented utility model were copied by petitioner. We are compelled to arrive at no other conclusion but that there was infringement. A careful examination between the two power tillers will show that they will operate on the same fundamental principles. And, according to establish jurisprudence, in infringement of patent, similarities or differences are to be determined, not by the names of things, but in the light of what elements do, and substantial, rather than technical, identity in the test.

FACTS

The patent involved in this case is Letters Patent No. UM-2236 issued by the Philippine Patent Office to one Magdalena S. Villaruz on July 15, 1976. It covers a utility model for a hand tractor or power tiller, the main components of which are the following: (1) a vacuumatic house float; (2) a harrow with adjustable operating handle; (3) a pair of paddy wheels; (4) a protective water covering for the engine main drive; (5) a transmission case; (6) an operating handle; (7) an engine foundation on the top midportion of the vacuumatic housing float to which the main engine drive is detachedly installed; (8) a frontal frame extension above the quarter — circularly shaped water covering hold (sic) in place the transmission case; (9) a V-belt connection to the engine main drive with transmission gear through the pulley, and (10) an idler pulley installed on the engine foundation.

The patented hand tractor works in the following manner: "the engine drives the transmission gear thru the V-belt, a driven pulley and a transmission shaft. The engine drives the transmission gear by tensioning of the V-belt which is controlled by the idler pulley. The V-belt drives the pulley attached to the transmission gear which in turn drives the shaft where the paddy wheels are attached. The operator handles the hand tractor through a handle which is inclined upwardly and supported by a pair of substanding pipes and reinforced by a U-shaped G.I. pipe at the V-shaped end."

The above mentioned patent was acquired by SV-Agro Industries Enterprises, Inc., herein private respondent, from Magdalena Villaruz, its chairman and president, by virtue of a Deed of Assignment executed by the latter in its favor. SV-Agro Industries caused the publication of the patent in Bulletin Today, a newspaper of general circulation. In accordance with the patent, private respondent manufactured and sold the patented power tillers with the patent imprinted on them. In 1979, SV-Agro Industries suffered a decline of more than 50% in sales in its Molave, Zamboanga del Sur branch. Upon investigation, it discovered that power tillers similar to those patented by private respondent were being manufactured and sold by petitioner herein. Consequently, private respondent notified Pascual Godines about the existing patent and demanded that the latter stop selling and manufacturing similar power tillers. Upon petitioner’s failure to comply with the demand, SV-Agro Industries filed before the RTC a complaint for infringement of patent and unfair competition.

After trial, the court held Pascual Godines liable for infringement of patent and unfair competition. Thereafter, this petition was filed. Petitioner maintains the defenses which he raised before the trial and appellate courts, to wit: that he was not engaged in the manufacture and sale of the power tillers as he made them only upon the special order of his customers who gave their own specifications; hence, he could not be liable for infringement of patent and unfair competition; and that those made by him were different from those being manufactured and sold by private Respondent.
ISSUE

Whether or not the Petitioner committed patent infringement? (YES)

RULING

The question of whether petitioner was manufacturing and selling power tillers is a question of fact better addressed to the lower courts. The fact that petitioner herein manufactured and sold power tillers without patentee's authority has been established by the courts despite petitioner's claims to the contrary.

The question now arises: Did petitioner's product infringe upon the patent of private respondent?

Tests have been established to determine infringement. **These are (a) literal infringement; and (b) the doctrine of equivalents.** In using literal infringement as a test "resort must be had, in the first instance, to the words of the claim. If accused matter clearly falls within the claim, infringement is made out and that is the end of it." To determine whether the particular item falls within the literal meaning of the patent claims, the Court must juxtapose the claims of the patent and the accused product within the overall context of the claims and specifications, to determine whether there is exact identity of all material elements.

The trial court made the following observation: "Samples of the defendant's floating power tiller have been produced and inspected by the court and compared with that of the turtle power tiller of the plaintiff. In appearance and form, both the floating power tillers of the defendant and the turtle power tiller of the plaintiff are virtually the same. Defendant admitted to the Court that two (2) of the power tillers inspected on March 12, 1984, were manufactured and sold by him. The three power tillers were placed alongside with each other. At the center was the turtle power tiller of plaintiff, and on both sides thereof were the floating power tillers of defendant. Witness Rodrigo took photographs of the same power tillers (front, side, top and back views for purposes of comparison. Viewed from any perspective or angle, the power tiller of the defendant is identical and similar to that of the turtle power tiller of plaintiff in form, configuration, design and appearance. The parts or components thereof are virtually the same. Both have the circularly-shaped vacuumatic housing float, a pair of paddy in front, a protective water covering, a transmission box housing the transmission gears, a handle which is V-shaped and inclined upwardly, attached to the side of the vacuumatic housing float and supported by the upstanding G.I. pipes and an engine base at the top midportion of the vacuumatic housing float to which the engine drive may be attached. In operation, the floating power tiller of the defendant operates also in similar manner as the turtle power tiller of plaintiff. This was admitted by the defendant himself in court that they are operating on the same principles.

Moreover, it also observed that petitioner also called his power tiller as a floating power tiller. The patent issued by the Patent Office referred to a "farm implement but more particularly to a turtle hand tractor having a vacuumatic housing float on which the engine drive is held in place, the operating handle, the harrow housing with its operating handle and the paddy wheel protective covering." It appears from the foregoing observation of the trial court that these claims of the patent and the features of the patented utility model were copied by petitioner. We are compelled to arrive at no other conclusion but that there was infringement.
Petitioner's argument that his power tillers were different from private respondents is that of a drowning man clutching at straws. Recognizing that the logical fallback position of one in the place of defendant is to aver that his product is different from the patented one, courts have adopted the doctrine of equivalents which recognizes that minor modifications in a patented invention are sufficient to put the item beyond the scope of literal infringement. Thus, according to this doctrine, "(a)n infringement also occurs when a device appropriates a prior invention by incorporating its innovative concept and, albeit with some modification and change, performs substantially the same function in substantially the same way to achieve substantially the same result." The reason for the doctrine of equivalents is that to permit the imitation of a patented invention which does not copy any literal detail would be to convert the protection of the patent grant into a hollow and useless thing. Such imitation would leave room for — indeed encourage — the unscrupulous copyist to make unimportant and insubstantial changes and substitutions in the patent which, though adding nothing, would be enough to take the copied matter outside the claim, and hence outside the reach of the law.

In this case, the trial court observed:

"Defendant’s witness Eduardo Cañete, employed for 11 years as welder of the Ozamiz Engineering, and therefore actually involved in the making of the floating power tillers of defendant tried to explain the difference between the floating power tillers made by the plaintiff and the power tillers made by the defendant. But a careful examination between the two power tillers will show that they will operate on the same fundamental principles. And, according to established jurisprudence, in infringement of patent, similarities or differences are to be determined, not by the names of things, but in the light of what elements do, and substantial, rather than technical, identity in the test. More specifically, it is necessary and sufficient to constitute equivalency that the same function can be performed in substantially the same way or manner, or by the same or substantially the same, principle or mode of operation; but where these tests are satisfied, mere differences of form or name are immaterial".

It also stated: "To establish an infringement, it is not essential to show that the defendant adopted the device or process in every particular; Proof of an adoption of the substance of the thing will be sufficient. In one sense, said Justice Brown, 'it may be said that no device can be adjudged an infringement that does not substantially correspond with the patent. But another construction, which would limit these words to exact mechanism described in the patent, would be so obviously unjust that no court be expected to adopt it...'

The law will protect a patentee against imitation of his patent by other forms and proportions. If two devices do the same work in substantially the same way, and accomplish substantially the same result, they are the same, even though they differ in name, form, or shape."

We pronounce petitioner liable for infringement in accordance with Section 37 of Republic Act No. 165, as amended, providing, inter alia:

"Section 37. Right of Patentees. — A patentee shall have the exclusive right to make, use and sell the patented machine, article or product, and to use the patented process for the purpose of industry or commerce, throughout the territory of the Philippines for the terms of the patent; and such making, using, or selling by any person without the authorization of the patentee constitutes infringement of the patent."
iii. Doctrine of Equivalents

- Pascual Godines vs. Court of Appeals, G.R. No. 97343, ibid
- Smith Kline Beckman Corporation vs. Court of Appeals, G.R. No. 126627, ibid

2. Defenses in Action for Infringement

- Rosario Maguan vs. Court of Appeals, G.R. L-45101, November 28, 1986

ROSARIO C. MAGUAN (formerly ROSARIO C. TAN), PETITIONER, versus THE HONORABLE COURT OF APPEALS and SUSANA LUCHAN, RESPONDENTS. G.R. No. L-45101, SECOND DIVISION, November 28, 1986, PARAS, J.

Petitioner filed an infringement case against the Private Respondent. In the course of the proceeding, the Respondent Court declared that the patent of the Petitioner was invalid. The Petitioner elevated the case before the Supreme Court questioning the jurisdiction of the court to determine the validity of a patent while such invalidity was still pending consideration in the patent office.

The Supreme Court held that this has been laid to rest in a number of cases where the Court ruled that "When a patent is sought to be enforced, the questions of invention, novelty or prior use, and each of them, are open to judicial examination." Under the present Patent Law, there is even less reason to doubt that the trial court has jurisdiction to declare the patents in question invalid.

FACTS

Petitioner is doing business under the firm name and style of "SWAN MANUFACTURING" while private respondent is likewise doing business under the firm name and style of "SUSANA LUCHAN POWDER PUFF MANUFACTURING." It is undisputed that petitioner is a patent holder of powder puff namely:

1. UM — 423 (extended and/or renewed under Extension No. UM-109 for a period of 5 years from October 6, 1971)
2. UM — 450 (extended and/or renewed under Extension No. UM-110 for a period of 5 years from January 26, 1972)
3. UM - 1184, for a period of 5 years from April 5, 1974. (Petition, Rollo, pp. 6-7).

In a letter, petitioner informed private respondent that the powder puffs the latter is manufacturing and selling to various enterprises particularly those in the cosmetics industry resemble identical or substantially identical powder puffs of which the former is a patent holder under Registration Certification Nos. Extension UM-109, Extension UM-110 and Utility Model No. 1184; petitioner explained such production and sale constitute infringement of said patents and therefore its immediate discontinuance is demanded, otherwise it will be compelled to take judicial action.

Private respondent replied stating that her products are different and countered that petitioner’s patents are void because the utility models applied for were not new and patentable and the person
to whom the patents were issued was not the true and actual author nor were her rights derived from such author. Private respondent assailed the validity of the patents involved and filed with the Philippine Patent Office petitions for cancellation of (1) Utility Model Letter Patent Extension No. UM-109, (2) Utility Model Letters Patent No. UM-1184, (3) Utility Model Letters Patent Extension No. UM-110.

In view thereof, Petitioner filed a complaint for damages with injunction and preliminary injunction against private respondent with the then Court of First Instance of Rizal, Pasig Branch, for infringing the aforesaid letters patent, and prayed, among others, that a writ of preliminary injunction be immediately issued.

In her answer, private respondent alleged that the products she is manufacturing and offering for sale are not identical, or even only substantially identical to the products covered by petitioner’s patents and, by way of affirmative defenses, further alleged that petitioner’s patents in question are void on the following grounds: (1) at the time of filing of application for the patents involved, the utility models applied for were not new and patentable under Sec. 55 of R.A. 165, as amended by R.A. 864; and (2) the person to whom the patents were issued was not the true and actual author of the utility models applied for, and neither did she derive her rights from any true and actual author of these utility models.

The trial court issued an Order (granting the preliminary injunction prayed for by petitioner. Consequently, the corresponding writ was subsequently issued enjoining the herein private respondent (then defendant) and all other persons employed by her, her agents, servants and employees from directly or indirectly manufacturing, making or causing to be made, selling or causing to be sold, or using or causing to be used in accordance with, or embodying the utility models of the Philippine Patent Office Utility Model Letters Patent Nos. 423 (Extension No. UM-109), No. 450 (Extension No. UM-110), and Utility Model No. 1184 or from infringement upon or violating said letters patent in any way whatsoever.

Private respondent questioned the propriety of the trial court’s issuance of the Writ of Preliminary Injunction arguing that since there is still a pending cancellation proceeding before the Philippine Patent Office concerning petitioner’s patents, such cannot be the basis for preliminary injunction.

The trial court denied private respondent’s motion for reconsideration. In challenging these Orders private respondent filed a petition for certiorari with the respondent court reiterating among other things the invalidity of petitioner’s patents and prayed that the trial court be restrained from enforcing or continuing to enforce the assailed orders. The Writ of Preliminary Injunction was issued by the respondent Court of Appeals. In said decision respondent court stated that in disposing of the petition it tackled only the issue of whether the court a quo acted with grave abuse of discretion in issuing the challenged orders. It made clear the question of whether the patents have been infringed or not was not determined considering the court a quo has yet to decide the case on the merits.

Feeling aggrieved, private respondent moved to reconsider the afore-mentioned Decision. Reviewing on reconsideration, respondent court gave weight to private respondent’s allegation that the latter’s products are not identical or even only substantially identical to the products covered by petitioner’s patents. Said court noticed that contrary to the lower court’s position that the court a quo had no jurisdiction to determine the question of invalidity of the patents, Section 45 and 46 of the Patent Law allow the court to make a finding on the validity or invalidity of patents and in the event there
exists a fair question of its invalidity, the situation calls for a denial of the writ of preliminary injunction pending the evaluation of the evidence presented. Thus, finding the lower court’s position to have been opposed to Patent Law, respondent court considered it a grave abuse of discretion when the court a quo issued the writ being questioned without looking into the defenses alleged by herein private Respondent. Further, it considered the remedy of appeal, under the circumstances, to be inadequate.

Respondent court made a complete turnabout from its original decision and promulgated a Resolution issuing the writ of certiorari. The respondent court, not persuade by the grounds embodied in the motion for reconsideration filed by herein petitioner, denied the same for lack of merit, thereby maintaining the same stand it took in its July 6, 1976 Resolution. Hence, this petition.

ISSUE

Whether or not in an action for infringement the Court a quo had jurisdiction to determine the invalidity of the patents at issue which invalidity was still pending consideration in the patent office? (YES)

RULING

This has been laid to rest in a number of cases where the Court ruled that “When a patent is sought to be enforced, the questions of invention, novelty or prior use, and each of them, are open to judicial examination.”

Under the present Patent Law, there is even less reason to doubt that the trial court has jurisdiction to declare the patents in question invalid. A patentee shall have the exclusive right to make, use and sell the patented article or product and the making, using, or selling by any person without the authorization of the patentee constitutes infringement of the patent. Any patentee whose rights have been infringed upon may bring an action before the proper CFI now (RTC) and to secure an injunction for the protection of his rights (Sec. 42, R.A. 165). Defenses in an action for infringement are provided for in Section 45 of the same law which in fact were availed of by private respondent in this case. Then, as correctly stated by respondent Court of Appeals, this conclusion is reinforced by Sec. 46 of the same law which provides that if the Court "shall find the patent or any claim thereof invalid, the Director shall on certification of the final judgment . . . issue an order cancelling the patent or the claims found invalid and shall publish a notice thereof in the Official Gazette." Upon such certification, it is ministerial on the part of the patent office to execute the judgment.

10. Licensing

- Prince vs. United Laboratories, Inc., 166 SCRA 133 (1988)
The petitioners are the owners-assignees of Philippine Patent No. 13540 which was granted to them on June 26, 1980 for a pharmaceutical compound known as "aminoalkyl furan derivatives." On October 1, 1982, respondent United Laboratories, Inc. (or UNILAB) filed in the Philippine Patent Office a petition Inter Partes Case for the issuance of a compulsory license to use the patented compound in its own brands of medicines and pharmaceuticals and to sell, distribute, or otherwise dispose of such medicines or pharmaceutical preparations in the country. The patentees elevated the case before the SC to question the jurisdiction of the Director of Patents to determine unilaterally the terms and conditions of the compulsory license, without affording the parties an opportunity to negotiate the terms and conditions freely and by themselves.

The Supreme Court held that the Director of Patents may order the grant of an appropriate license and in default of agreement among the parties as to the terms and conditions of the license he shall fix the terms and conditions of the license in the order under Section 36 of P.D. 1263. The order of the Director granting a license under this Chapter, when final, shall operate as a deed granting a license executed by the patentee and the other parties in interest and under Section 35 of P.D. 1263, amending portions of Republic Act No. 165 which reads:

FACTS

The petitioners are the owners-assignees of Philippine Patent No. 13540 which was granted to them on June 26, 1980 for a pharmaceutical compound known as "aminoalkyl furan derivatives." On October 1, 1982, respondent United Laboratories, Inc. (or UNILAB) filed in the Philippine Patent Office a petition Inter Partes Case for the issuance of a compulsory license to use the patented compound in its own brands of medicines and pharmaceuticals and to sell, distribute, or otherwise dispose of such medicines or pharmaceutical preparations in the country. The petition further alleged that the patent relates to medicine and that petitioner, which has had long experience in the business of manufacturing and selling pharmaceutical products, possesses the capability to use the subject compound in the manufacture of a useful product or of making dosage formulations containing the said compound.

Philippine Patent Office granted UNILAB a compulsory. The patentees appealed the decision to the Court of Appeals which dismissed the appeal on December 4, 1987.

Hence, this petition.

ISSUE

Whether or not the Director of Patents` unilateral determination of the terms and conditions of the compulsory license, without affording the parties an opportunity to negotiate the terms and conditions freely and by themselves is proper? (YES)

RULING

The terms and conditions of the compulsory license were fixed by the Director of Patents after a hearing and careful consideration of the evidence of the parties and in default of an agreement between them as to the terms of the license. This he is authorized to do under Section 36 of Republic Act No. 165 which provides:
Sec. 36. GRANT OF LICENSE.—If the Director finds that a case for the grant of license under Section 34, hereof made out, he may order the grant of an appropriate license and in default of agreement among the parties as to the terms and conditions of the license he shall fix the terms and conditions of the license in the order.

The order of the Director granting a license under this Chapter, when final, shall operate as a deed granting a license executed by the patentee and the other parties in interest and under Section 35 of P.D. 1263, amending portions of Republic Act No.165 which reads:

Sec. 35. GRANT OF LICENSE.—(1)If the Director finds that a case for the grant of a license under Sec. 34 hereof has been made out, he shall within one hundred eighty (180) days from the date the petition was filed, order the grant of an appropriate license. The order shall state the terms and conditions of the license which he himself must fix in default of an agreement on the matter manifested or submitted by the parties during the hearing.

The Court of Appeals found that the 2.5% royalty fixed by the Director of Patents 'is just and reasonable.' We quote its observations hereunder:

"Respondent-appellant contends further that the 2.5% royalty rate is unfair to respondent-appellant as to amount to an undue deprivation of its property right. We do not hold this view. The royalty rate of 2.5% provided for by the Director of Patents is reasonable. Paragraph 3, Section 35-B, Republic Act No. 165, as amended by Presidential Decree No. 1263, provides:

(3) A compulsory license shall only be granted subject to the payment of adequate royalties commensurate with the extent to which the invention is worked. However, royalty payments shall not exceed five per cent (5%) of the net wholesale price (as defined in Section 33-A) of the products manufactured under the license. If the product, substance, or process subject of the compulsory license is involved in an industrial project approved by the Board of Investments, the royalty payable to the patentee or patentees shall not exceed three per cent (3%) of the net wholesale price (as defined in Section 34-A) of the patented commodity and/or commodity manufactured under the patented process; the same rule of royalty shall be paid whenever two or more patents are involved, which royalty shall be distributed to the patentees in rates proportional to the extent of commercial use by the licensee giving preferential values to the holder of the oldest subsisting product patent.

Thus, said provision grants to the Director of Patents the use of his sound discretion in fixing the percentage for the royalty rate and We find that the Director of Patents committed no abuse of this discretion. Also, there is always a presumption of regularity in the performance of one's official duties.

Moreover, what UNILAB has with the compulsory license is the bare right to use the patented chemical compound in the manufacture of a special product, without any technical assistance from herein respondent-appellant. Besides, the special product to be manufactured by UNILAB will only be used, distributed, and disposed locally. Therefore, the royalty rate of 2.5% is just and reasonable. (pp. 10-11, CA Decision, pp. 44-45, Rollo)
Furthermore, as pointed out in the respondent's comment on the petition, Identical terms and conditions had been prescribed for the grant of compulsory license in a good number of patent cases.

The Director’s finding that UNILAB has the capability to use the patented compound in the manufacture of an anti-ulcer pharmaceutical preparation is a factual finding which is supported by substantial evidence; hence, the Court of Appeals did not commit a reversible error in affirming it. Of indubitable relevance to this point is the evidence that UNILAB has been engaged in the business of manufacturing drugs and pharmaceutical products for the past thirty (30) years, that it is the leading drug manufacturer in the country, that it has the necessary equipment and technological expertise for the development of solid dosage forms or for tablet, capsule, and liquid preparations, and that it maintains standards and procedures to ensure the quality of its products. Even if it were true, as alleged by the patentee (although it is denied by UNILAB), that its capability to use the patented compound was only acquired after the petition for compulsory licensing had been filed, the important thing is that such capability was proven to exist during the hearing of the petition.

The patented invention in this case relates to medicine and is necessary for public health as it can be used as component in the manufacture of anti-ulcer medicine. The Director of Patents did not err in granting a compulsory license over the entire patented invention for there is no law requiring that the license be limited to a specific embodiment of the invention, or, to a particular claim. The invention in this case relates to new aminoalkyl derivatives which have histamine H₂ blocking activity, having the general formula (I) and physiologically acceptable salts, N-oxides and dehydrates thereof. The compound ranitidine hydrochloride named in Claim 45 is also covered by General Claim I and several other sub-generic claims. Therefore, a license for Claim 45 alone would not be fully comprehensive. In any event, since the petitioner will be paid royalties on the sales of any products the licensee may manufacture using any or all of the patented compounds, the petitioner cannot complain of a deprivation of property rights without just compensation.

C. Trademarks

- Pribhdas J. Mirpuri vs. Court of Appeals, G.R. No. 114508, November 19, 1999

PRIBHDAS J. MIRPURI, PETITIONER, -versus- COURT OF APPEALS, DIRECTOR OF PATENTS and the BARBIZON CORPORATION, RESPONDENTS. G.R. No. 114508, FIRST DIVISION, November 19, 1999, PUNO, J.

The Convention of Paris for the Protection of Industrial Property, otherwise known as the Paris Convention, is a multilateral treaty that seeks to protect industrial property consisting of patents, utility models, industrial designs, trademarks, service marks, trade names and indications of source or appellations of origin, and at the same time aims to repress unfair competition. The Convention is essentially a compact among various countries which, as members of the Union, have pledged to accord to citizens of the other member countries trademark and other rights comparable to those accorded their own citizens by their domestic laws for an effective protection against unfair competition. In short, foreign nationals are to be given the same treatment in each of the member countries as that country makes available to its own citizens. Nationals of the various member nations are thus assured of a certain minimum of international protection of their industrial property.

In the case at bar, private respondent anchors its cause of action on the first paragraph of Article 6bis of the Paris Convention. This Article governs protection of well-known trademarks. Under the first paragraph, each country of the Union bound itself to undertake to refuse or cancel the registration, and
prohibit the use of a trademark which is a reproduction, imitation or translation, or any essential part of which trademark constitutes a reproduction, liable to create confusion, of a mark considered by the competent authority of the country where protection is sought, to be well-known in the country as being already the mark of a person entitled to the benefits of the Convention, and used for identical or similar goods.

Article 6bis was first introduced at The Hague in 1925 and amended in Lisbon in 1952. It is a self-executing provision and does not require legislative enactment to give it effect in the member country. It may be applied directly by the tribunals and officials of each member country by the mere publication or proclamation of the Convention, after its ratification according to the public law of each state and the order for its execution.

The essential requirement under Article 6bis is that the trademark to be protected must be "well-known" in the country where protection is sought. The power to determine whether a trademark is well-known lies in the "competent authority of the country of registration or use." This competent authority would be either the registering authority if it has the power to decide this, or the courts of the country in question if the issue comes before a court.

In the instant case, the issue of ownership of the trademark "Barbizon" was not raised in IPC No. 686. IPC No. 2049 raised the issue of ownership of the trademark, the first registration and use of the trademark in the United States and other countries, and the international recognition and reputation of the trademark established by extensive use and advertisement of private respondent's products for over forty years here and abroad. These are different from the issues of confusing similarity and damage in IPC No. 686. The issue of prior use may have been raised in IPC No. 686 but this claim was limited to prior use in the Philippines only. Prior use in IPC No. 2049 stems from private respondent's claim as originator of the word and symbol "Barbizon," as the first and registered user of the mark attached to its products which have been sold and advertised worldwide for a considerable number of years prior to petitioner's first application for registration of her trademark in the Philippines. Indeed, these are substantial allegations that raised new issues and necessarily gave private respondent a new cause of action. Res judicata does not apply to rights, claims or demands, although growing out of the same subject matter, which constitute separate or distinct causes of action and were not put in issue in the former action.

It is also noted that the oppositions in the first and second cases are based on different laws. The opposition in IPC No. 686 was based on specific provisions of the Trademark Law, i.e., Section 4 (d) 70 on confusing similarity of trademarks and Section 8 71 on the requisite damage to file an opposition to a petition for registration. The opposition in IPC No. 2049 invoked the Paris Convention, particularly Article 6bis thereof, E.O. No. 913 and the two Memoranda of the Minister of Trade and Industry. This opposition also invoked Article 189 of the Revised Penal Code which is a statute totally different from the Trademark Law. 72 Causes of action which are distinct and independent from each other, although arising out of the same contract, transaction, or state of facts, may be sued on separately, recovery on one being no bar to subsequent actions on others. 73 The mere fact that the same relief is sought in the subsequent action will not render the judgment in the prior action operative as res judicata, such as where the two actions are based on different statutes. Res judicata therefore does not apply to the instant case and respondent Court of Appeals did not err in so ruling.

FACTS
Lolita Escobar, the predecessor-in-interest of petitioner Pribhdas J. Mirpuri, filed an application with the Bureau of Patents for the registration of the trademark "Barbizon" for use in brassieres and ladies undergarments. Escobar alleged that she had been manufacturing and selling these products under the firm name "L & BM Commercial" since March 3, 1970.

Private respondent Barbizon Corporation, a corporation organized and doing business under the laws of New York, U.S.A., opposed the application. It claimed that “the mark BARBIZON of respondent-applicant is confusingly similar to the trademark BARBIZON which opposer owns and has not abandoned and that opposer will be damaged by the registration of the mark BARBIZON and its business reputation and goodwill will suffer great and irreparable injury. It contends further that the respondent-applicant’s use of the said mark BARBIZON which resembles the trademark used and owned by opposer, constitutes an unlawful appropriation of a mark previously used in the Philippines and not abandoned and therefore a statutory violation of Section 4 (d) of Republic Act No. 166, as amended. 1

The Director of Patents rendered judgment dismissing the opposition and giving due course to Escobar’s application. This decision became final and on September 11, 1974, Lolita Escobar was issued a certificate of registration for the trademark "Barbizon." The trademark was “for use in "brassieres and lady's underwear garments like panties." Escobar later assigned all her rights and interest over the trademark to petitioner Pribhdas J. Mirpuri who, under his firm name then, the "Bonito Enterprises," was the sole and exclusive distributor of Escobar's "Barbizon" products.

In 1979, however, Escobar failed to file with the Bureau of Patents the Affidavit of Use of the trademark required under Section 12 of Republic Act (R.A.) No. 166, the Philippine Trademark Law. Due to this failure, the Bureau of Patents cancelled Escobar’s certificate of registration.

Escobar reapplied for registration of the cancelled trademark. Mirpuri filed his own application for registration of Escobar's trademark. Escobar later assigned her application to herein petitioner and this application was opposed by Private Respondent. In its opposition, private respondent alleged that the Opposer has adopted the trademark BARBIZON (word), sometime in June 1933 and has then used it on various kinds of wearing apparel. On August 14, 1934, Opposer obtained from the United States Patent Office a more recent registration of the said mark under Certificate of Registration No. 316,161. On March 1, 1949, Opposer obtained from the United States Patent Office a more recent registration for the said trademark under Certificate of Registration No. 507,214. Sometime in March 1976, Opposer further adopted the trademark BARBIZON and Bee design and used the said mark in various kinds of wearing apparel. On March 15, 1977, Opposer secured from the United States Patent Office a registration of the said mark under Certificate of Registration No. 1,061,277. Still further, sometime in 1961, Opposer adopted the trademark BARBIZON and a Representation of a Woman and thereafter used the said trademark on various kinds of wearing apparel. Opposer obtained from the United States Patent Office registration of the said mark on April 5, 1983 under Certificate of Registration No. 1,233,666. All the above registrations are subsisting and in force and Opposer have not abandoned the use of the said trademarks. In fact, Opposer, through a wholly-owned Philippine subsidiary, the Philippine Lingerie Corporation, has been manufacturing the goods covered by said registrations and selling them to various countries, thereby earning valuable foreign exchange for the country. As a result of respondent-applicant’s misappropriation of Opposer's BARBIZON trademark, Philippine Lingerie Corporation is prevented from selling its goods in the local market, to the damage and prejudice of Opposer and its wholly-owned subsidiary. The Opposer's goods bearing the trademark BARBIZON have been used in many countries, including the Philippines, for at least
40 years and have enjoyed international reputation and good will for their quality. To protect its registrations in countries where the goods covered by the registrations are being sold, Opposer has procured the registration of the trademark BARBIZON numerous countries. It further alleges that the trademark BARBIZON was fraudulently registered in the Philippines by one Lolita R. Escobar in violation of Article 189 (3) of the Revised Penal Code and Section 4 (d) of the Trademark Law. Herein respondent applicant acquired by assignment the ‘rights’ to the said mark previously registered by Lolita Escobar, hence respondent-applicant’s title is vitiated by the same fraud and criminal act. Besides, Certificate of Registration No. 21920 has been cancelled for failure of either Lolita Escobar or herein respondent-applicant, to seasonably file the statutory affidavit of use. By applying for a re-registration of the mark BARBIZON subject of this opposition, respondent-applicant seeks to perpetuate the fraud and criminal act committed by Lolita Escobar. Lastly, Opposer’s BARBIZON as well as its BARBIZON and Bee Design and BARBIZON and Representation of a Woman trademarks qualify as well-known trademarks entitled to protection under Article 6bis of the Convention of Paris for the Protection of Industrial Property.

Replying to private respondent’s opposition, petitioner raised the defense of res judicata. On March 2, 1982, Escobar assigned to petitioner the use of the business name "Barbizon International." Petitioner registered the name with the Department of Trade and Industry (DTI) for which a certificate of registration was issued in 1987. Forthwith, private respondent filed before the Office of Legal Affairs of the DTI a petition for cancellation of petitioner’s business name. The DTI, Office of Legal Affairs, cancelled petitioner’s certificate of registration, and declared private respondent the owner and prior user of the business name "Barbizon International."

Meanwhile, in IPC No. 2049, the evidence of both parties was received by the Director of Patents. On June 18, 1992, the Director rendered a decision declaring private respondent’s opposition barred by res judicata and giving due course to petitioner’s application for registration. Private respondent questioned this decision before the Court of Appeals and it reversed the Director of Patents finding that IPC No. 686 was not barred by judgment in IPC No. 2049 and ordered that the case be remanded to the Bureau of Patents for further proceedings.

Hence, this petition.

**ISSUE**

Whether or not the treaty affords protection to a foreign corporation against a Philippine applicant for the registration of a similar trademark is the principal issue in this case? (YES)

**RULING**

The Convention of Paris for the Protection of Industrial Property, otherwise known as the Paris Convention, is a multilateral treaty that seeks to protect industrial property consisting of patents, utility models, industrial designs, trademarks, service marks, trade names and indications of source or appellations of origin, and at the same time aims to repress unfair competition. The Convention is essentially a compact among various countries which, as members of the Union, have pledged to accord to citizens of the other member countries trademark and other rights comparable to those accorded their own citizens by their domestic laws for an effective protection against unfair competition. In short, foreign nationals are to be given the same treatment in each of the member countries as that country makes available to its own citizens. Nationals of the various member
nations are thus assured of a certain minimum of international protection of their industrial property.

In the case at bar, private respondent anchors its cause of action on the first paragraph of Article 6bis of the Paris Convention. This Article governs protection of well-known trademarks. Under the first paragraph, each country of the Union bound itself to undertake to refuse or cancel the registration, and prohibit the use of a trademark which is a reproduction, imitation or translation, or any essential part of which trademark constitutes a reproduction, liable to create confusion, of a mark considered by the competent authority of the country where protection is sought, to be well-known in the country as being already the mark of a person entitled to the benefits of the Convention, and used for identical or similar goods.

Article 6bis was first introduced at The Hague in 1925 and amended in Lisbon in 1952. It is a self-executing provision and does not require legislative enactment to give it effect in the member country. It may be applied directly by the tribunals and officials of each member country by the mere publication or proclamation of the Convention, after its ratification according to the public law of each state and the order for its execution.

The essential requirement under Article 6bis is that the trademark to be protected must be "well-known" in the country where protection is sought. The power to determine whether a trademark is well-known lies in the "competent authority of the country of registration or use." This competent authority would be either the registering authority if it has the power to decide this, or the courts of the country in question if the issue comes before a court.

In the Villafuerte Memorandum, the Minister of Trade instructed the Director of Patents to reject all pending applications for Philippine registration of signature and other world-famous trademarks by applicants other than their original owners or users. The Minister enumerated several internationally-known trademarks and ordered the Director of Patents to require Philippine registrants of such marks to surrender their certificates of registration.

In the Ongpin Memorandum, the Minister of Trade and Industry did not enumerate well-known trademarks but laid down guidelines for the Director of Patents to observe in determining whether a trademark is entitled to protection as a well-known mark in the Philippines under Article 6bis of the Paris Convention. This was to be established through Philippine Patent Office procedures in inter partes and ex parte cases pursuant to the criteria enumerated therein. The Philippine Patent Office was ordered to refuse applications for, or cancel the registration of, trademarks which constitute a reproduction, translation or imitation of a trademark owned by a person who is a citizen of a member of the Union. All pending applications for registration of world-famous trademarks by persons other than their original owners were to be rejected forthwith. The Ongpin Memorandum was issued pursuant to Executive Order No. 913 dated October 7, 1983 of then President Marcos which strengthened the rule-making and adjudicatory powers of the Minister of Trade and Industry for the effective protection of consumers and the application of swift solutions to problems in trade and industry.

Both the Villafuerte and Ongpin Memoranda were sustained by the Supreme Court in the 1984 landmark case of La Chemise Lacoste, S.A. v. Fernandez. This court ruled therein that under the provisions of Article 6bis of the Paris Convention, the Minister of Trade and Industry was the "competent authority" to determine whether a trademark is well-known in this country.
The Villafuerte Memorandum was issued in 1980, i.e., fifteen (15) years after the adoption of the Paris Convention in 1965. In the case at bar, the first inter partes case, IPC No. 686, was filed in 1970, before the Villafuerte Memorandum but five (5) years after the effectivity of the Paris Convention. Article 6bis was already in effect five years before the first case was instituted. Private respondent, however, did not cite the protection of Article 6bis; neither did it mention the Paris Convention at all. It was only in 1981 when IPC No. 2049 was instituted that the Paris Convention and the Villafuerte Memorandum, and, during the pendency of the case, the 1983 Ongpin Memorandum were invoked by Private Respondent.

The Solicitor General argues that the issue of whether the protection of Article 6bis of the Convention and the two Memoranda is barred by res judicata has already been answered in Wolverine Worldwide, Inc. v. Court of Appeals. In this case, petitioner Wolverine, a foreign corporation, filed with the Philippine Patent Office a petition for cancellation of the registration certificate of private respondent, a Filipino citizen, for the trademark "Hush Puppies" and "Dog Device." Petitioner alleged that it was the registrant of the internationally-known trademark in the United States and other countries, and cited protection under the Paris Convention and the Ongpin Memorandum. The petition was dismissed by the Patent Office on the ground of res judicata. It was found that in 1973 petitioner’s predecessor-in-interest filed two petitions for cancellation of the same trademark against respondent’s predecessor-in-interest. The Patent Office dismissed the petitions, ordered the cancellation of registration of petitioner’s trademark, and gave due course to respondent’s application for registration. This decision was sustained by the Court of Appeals, which decision was not elevated to us and became final and executory.

Wolverine claimed that while its previous petitions were filed under R.A. No. 166, the Trademark Law, its subsequent petition was based on a new cause of action, i.e., the Ongpin Memorandum and E.O. No. 913 issued in 1983, after finality of the previous decision. We held that the said Memorandum and E.O. did not grant a new cause of action because it did "not amend the Trademark Law," nor did it indicate a new policy with respect to the registration in the Philippines of world-famous trademarks." This conclusion was based on the finding that Wolverine’s two previous petitions and subsequent petition dealt with the same issue of ownership of the trademark. In other words, since the first and second cases involved the same issue of ownership, then the first case was a bar to the second case.

In the instant case, the issue of ownership of the trademark "Barbizon" was not raised in IPC No. 686. IPC No. 2049 raised the issue of ownership of the trademark, the first registration and use of the trademark in the United States and other countries, and the international recognition and reputation of the trademark established by extensive use and advertisement of private respondent’s products for over forty years here and abroad. These are different from the issues of confusing similarity and damage in IPC No. 686. The issue of prior use may have been raised in IPC No. 686 but this claim was limited to prior use in the Philippines only. Prior use in IPC No. 2049 stems from private respondent’s claim as originator of the word and symbol "Barbizon," as the first and registered user of the mark attached to its products which have been sold and advertised worldwide for a considerable number of years prior to petitioner’s first application for registration of her trademark in the Philippines. Indeed, these are substantial allegations that raised new issues and necessarily gave private respondent a new cause of action. Res judicata does not apply to rights, claims or demands, although growing out of the same subject matter, which constitute separate or distinct causes of action and were not put in issue in the former action.
It is also noted that the oppositions in the first and second cases are based on different laws. The opposition in IPC No. 686 was based on specific provisions of the Trademark Law, i.e., Section 4 (d) on confusing similarity of trademarks and Section 8 on the requisite damage to file an opposition to a petition for registration. The opposition in IPC No. 2049 invoked the Paris Convention, particularly Article 6bis thereof, E.O. No. 913 and the two Memoranda of the Minister of Trade and Industry. This opposition also invoked Article 189 of the Revised Penal Code which is a statute totally different from the Trademark Law. Causes of action which are distinct and independent from each other, although arising out of the same contract, transaction, or state of facts, may be sued on separately, recovery on one being no bar to subsequent actions on others. The mere fact that the same relief is sought in the subsequent action will not render the judgment in the prior action operative as res judicata, such as where the two actions are based on different statutes. Res judicata therefore does not apply to the instant case and respondent Court of Appeals did not err in so ruling.

Intellectual and industrial property rights cases are not simple property cases. Trademarks deal with the psychological function of symbols and the effect of these symbols on the public at large. Trademarks play a significant role in communication, commerce and trade, and serve valuable and interrelated business functions, both nationally and internationally. For this reason, all agreements concerning industrial property, like those on trademarks and tradenames, are intimately connected with economic development. Industrial property encourages investments in new ideas and inventions and stimulates creative efforts for the satisfaction of human needs. They speed up transfer of technology and industrialization, and thereby bring about social and economic progress. These advantages have been acknowledged by the Philippine government itself. The Intellectual Property Code of the Philippines declares that "an effective intellectual and industrial property system is vital to the development of domestic and creative activity facilitates transfer of technology, it attracts foreign investments, and ensures market access for our products." The Intellectual Property Code took effect on January 1, 1998 and by its express provision, repealed the Trademark Law, the Patent Law, Articles 188 and 189 of the Revised Penal Code, the Decree on Intellectual Property, and the Decree on Compulsory Reprinting of Foreign Textbooks. The Code was enacted to strengthen the intellectual and industrial property system in the Philippines as mandated by the country's accession to the Agreement Establishing the World Trade Organization (WTO).

The WTO is a common institutional framework for the conduct of trade relations among its members in matters related to the multilateral and plurilateral trade agreements annexed to the WTO Agreement. To fulfill these objectives, the members have agreed to adhere to minimum standards of protection set by several Conventions. These Conventions are: the Berne Convention for the Protection of Literary and Artistic Works (1971), the Rome Convention or the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, the Treaty on Intellectual Property in Respect of Integrated Circuits, and the Paris Convention (1967), as revised in Stockholm on July 14, 1967.

A major proportion of international trade depends on the protection of intellectual property rights. Since the late 1970’s, the unauthorized counterfeiting of industrial property and trademarked products has had a considerable adverse impact on domestic and international trade revenues. The TRIPs Agreement seeks to grant adequate protection of intellectual property rights by creating a favorable economic environment to encourage the inflow of foreign investments, and strengthening the multi-lateral trading system to bring about economic, cultural and technological independence.
The Philippines and the United States of America have acceded to the WTO Agreement. This Agreement has revolutionized international business and economic relations among states, and has propelled the world towards trade liberalization and economic globalization. Protectionism and isolationism belong to the past. Trade is no longer confined to a bilateral system. There is now "a new era of global economic cooperation, reflecting the widespread desire to operate in a fairer and more open multilateral trading system." Conformably, the State must reaffirm its commitment to the global community and take part in evolving a new international economic order at the dawn of the new millennium.

- INTELLECTUAL PROPERTY ASSOCIATION OF THE PHILIPPINES v. HON. PAQUITO OCHOA, G.R. No. 204605, July 19, 2016

INTELLECTUAL PROPERTY ASSOCIATION OF THE PHILIPPINES, PETITIONER,

President’s ratification is valid and constitutional because the Madrid Protocol, being an executive agreement as determined by the Department of Foreign Affairs, does not require the concurrence of the Senate.

There is no conflict between the Madrid Protocol and the IP Code. The IPOPHL actually requires the designation of the resident agent when it refuses the registration of a mark. Local representation is further required in the submission of the Declaration of Actual Use, as well as in the submission of the license contract. The Madrid Protocol accords with the intent and spirit of the IP Code, particularly on the subject of the registration of trademarks. The Madrid Protocol does not amend or modify the IP Code on the acquisition of trademark rights considering that the applications under the Madrid Protocol are still examined according to the relevant national law. In that regard, the IPOPHL will only grant protection to a mark that meets the local registration requirements.

FACTS

The Madrid System for the International Registration of Marks (Madrid System), which is the centralized system providing a one-stop solution for registering and managing marks worldwide, allows the trademark owner to file one application in one language, and to pay one set of fees to protect his mark in the territories of up to 97 member-states. The Madrid System is governed by the Madrid Agreement, concluded in 1891, and the Madrid Protocol, concluded in 1989.

The Intellectual Property Office of the Philippines (IPOPHL) recommended to the Department of Foreign Affairs (DFA) that the Philippines should accede to the Madrid Protocol. After its own review, the DFA endorsed to the President the country’s accession to the Madrid Protocol. Conformably with its express authority under Section 9 of Executive Order No. 459 (Providing for the Guidelines in the Negotiation of International Agreements and its Ratification) dated November 25, 1997, the DFA determined that the Madrid Protocol was an executive agreement. President Benigno C. Aquino III ratified the Madrid Protocol through an instrument of accession. The Madrid Protocol entered into force in the Philippines on July 25, 2012.
Petitioner IPAP has commenced this special civil action for certiorari and prohibition to challenge the validity of the President’s accession to the Madrid Protocol without the concurrence of the Senate.

Furthermore, the IPAP has argued that the implementation of the Madrid Protocol in the Philippines; specifically the processing of foreign trademark applications, conflicts with the IP Code. The IPAP has insisted that Article 2 of the Madrid Protocol means that foreign trademark applicants may file their applications through the International Bureau or the WIPO, and their applications will be automatically granted trademark protection without the need for designating their resident agents in the country.

ISSUES

1. Whether or not the President's ratification of the Madrid Protocol is valid and constitutional? (YES)
2. Whether or not the Madrid Protocol is in conflict with the IP Code? (NO)

RULING

1. President’s ratification is valid and constitutional because the Madrid Protocol, being an executive agreement as determined by the Department of Foreign Affairs, does not require the concurrence of the Senate.

The Court has highlighted the difference between treaties and executive agreements in Commissioner of Customs v. Eastern Sea Trading, thusly:

International agreements involving political issues or changes of national policy and those involving international arrangements of a permanent character usually take the form of treaties. But international agreements embodying adjustments of detail carrying out well-established national policies and traditions and those involving arrangements of a more or less temporary nature usually take the form of executive agreements.

The pronouncement in Commissioner of Customs v. Eastern Sea Trading indicates that the registration of trademarks and copyrights have been the subject of executive agreements entered into without the concurrence of the Senate.

2. There is no conflict between the Madrid Protocol and the IP Code.

The IPAP also rests its challenge on the supposed conflict between the Madrid Protocol and the IP Code, contending that the Madrid Protocol does away with the requirement of a resident agent under Section 125 of the IP Code; and that the Madrid Protocol is unconstitutional for being in conflict with the local law, which it cannot modify.

The IPAP’s contentions stand on a faulty premise. The method of registration through the IPOPHL, as laid down by the IP Code, is distinct and separate from the method of registration through the WIPO, as set in the Madrid Protocol. Comparing the two methods of registration despite their being governed by two separate systems of registration is thus misplaced.

10. Acquisition of Ownership of Mark
In the case at bar, the petitioner applied for the issuance of a preliminary injunctive order on the ground that she is entitled to the use of the trademark "Chin Chun Su" and its container based on her copyright and patent over the same. We first find it appropriate to rule on whether the copyright and patent over the name and container of a beauty cream product would entitle the registrant to the use and ownership over the same to the exclusion of 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.

Petitioner has no right to support her claim for the exclusive use of the subject trade name and its container. The name and container of a beauty cream product are proper subjects of a trademark inasmuch as the same falls squarely within its definition. In order to be entitled to exclusively use the same in the sale of the beauty cream product, the user must sufficiently prove that she registered or used it before anybody else did. The petitioner's copyright and patent registration of the name and container would not guarantee her the right to the exclusive use of the same for the reason that they are not appropriate subjects of the said intellectual rights. Consequently, a preliminary injunction order cannot be issued for the reason that the petitioner has not proven that she has a clear right over the said name and container to the exclusion of others, not having proven that she has registered a trademark thereto or used the same before anyone did.

FACTS

On December 20, 1991, petitioner Elidad C. Kho filed a complaint for injunction and damages with a prayer for the issuance of a writ of preliminary injunction against the respondents Summerville General Merchandising and Company (Summerville, for brevity) and Ang Tiam Chay.

The petitioner’s complaint alleges that petitioner doing business under the name and style of KEC Cosmetics Laboratory, is the registered owner of the copyrights Chin Chun Su and Oval Facial Cream Container/Case, as shown by Certificates of Copyright Registration No. 0-1358 and No. 0-3678; that she also has patent rights on Chin Chun Su & Device and Chin Chun Su for medicated cream after purchasing the same from Quintin Cheng, the registered owner thereof in the Supplemental Register of the Philippine Patent Office on February 7, 1980 under Registration Certificate No. 4529; that respondent Summerville advertised and sold petitioner’s cream products under the brand name Chin Chun Su, in similar containers that petitioner uses, thereby misleading the public, and resulting in the
decline in the petitioner’s business sales and income; and, that the respondents should be enjoined from allegedly infringing on the copyrights and patents of the petitioner.

The respondents, on the other hand, alleged as their defense that Summerville is the exclusive and authorized importer, re-packer and distributor of Chin Chun Su products manufactured by Shun Yi Factory of Taiwan; that the said Taiwanese manufacturing company authorized Summerville to register its trade name Chin Chun Su Medicated Cream with the Philippine Patent Office and other appropriate governmental agencies; that KEC Cosmetics Laboratory of the petitioner obtained the copyrights through misrepresentation and falsification; and, that the authority of Quintin Cheng, assignee of the patent registration certificate, to distribute and market Chin Chun Su products in the Philippines had already been terminated by the said Taiwanese Manufacturing Company.

The application for preliminary injunction was granted by the trial court. The respondents moved for reconsideration but their motion for reconsideration was denied by the trial court. On April 24, 1992, the respondents filed a petition for certiorari with the Court of Appeals praying for the nullification of the said writ of preliminary injunction issued by the trial court. After the respondents filed their reply and after petitioner submitted her comment, the latter moved to dismiss the petition for violation of Supreme Court Circular No. 28-91, a circular prohibiting forum shopping. According to the petitioner, the respondents did not state the docket number of the civil case in the caption of their petition and, more significantly, they did not include therein a certificate of non-forum shopping. The respondents opposed the petition and submitted to the appellate court a certificate of non-forum shopping for their petition.

The appellate court rendered a Decision ruling in favor of the private respondent. In granting the petition, the appellate court ruled that the registration of the trademark or brandname "Chin Chun Su" by KEC with the supplemental register of the Bureau of Patents, Trademarks and Technology Transfer cannot be equated with registration in the principal register, which is duly protected by the Trademark Law.

The petitioner filed a motion for reconsideration. This she followed with several motions to declare respondents in contempt of court for publishing advertisements notifying the public of the promulgation of the assailed decision of the appellate court and stating that genuine Chin Chun Su products could be obtained only from Summerville General Merchandising and Co.

In the meantime, the trial court went on to hear petitioner’s complaint for final injunction and damages. The trial court rendered a Decision barring the petitioner from using the trademark Chin Chun Su and upholding the right of the respondents to use the same, but recognizing the copyright of the petitioner over the oval shaped container of her beauty cream.

On June 3, 1994, the Court of Appeals promulgated a Resolution denying the petitioner’s motions for reconsideration and for contempt of court.

Hence, this petition.

ISSUE

Whether or not the copyright and patent of the Petitioner over the name and container of a beauty
cream product would entitle the registrant to the use and ownership over the same to the exclusion of others? (NO)

RULING

In the case at bar, the petitioner applied for the issuance of a preliminary injunctive order on the ground that she is entitled to the use of the trademark on Chin Chun Su and its container based on her copyright and patent over the same. We first find it appropriate to rule on whether the copyright and patent over the name and container of a beauty cream product would entitle the registrant to the use and ownership over the same to the exclusion of 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.

Petitioner has no right to support her claim for the exclusive use of the subject trade name and its container. The name and container of a beauty cream product are proper subjects of a trademark inasmuch as the same falls squarely within its definition. In order to be entitled to exclusively use the same in the sale of the beauty cream product, the user must sufficiently prove that she registered or used it before anybody else did. The petitioner's copyright and patent registration of the name and container would not guarantee her the right to the exclusive use of the same for the reason that they are not appropriate subjects of the said intellectual rights. Consequently, a preliminary injunction order cannot be issued for the reason that the petitioner has not proven that she has a clear right over the said name and container to the exclusion of others, not having proven that she has registered a trademark thereto or used the same before anyone did.

We cannot likewise overlook the decision of the trial court in the case for final injunction and damages. The dispositive portion of said decision held that the petitioner does not have trademark rights on the name and container of the beauty cream product. The said decision on the merits of the trial court rendered the issuance of the writ of a preliminary injunction moot and academic notwithstanding the fact that the same has been appealed in the Court of Appeals.


AIR PHILIPPINES CORPORATION, PETITIONER, -versus- PENNSWELL, INC. RESPONDENT. G.R. No. 172835, THIRD DIVISION December 13, 2007, CHICO-NAZARIO, J.

The chemical composition, formulation, and ingredients of respondent’s special lubricants are trade secrets within the contemplation of the law. Respondent was established to engage in the business of general manufacturing and selling of, and to deal in, distribute, sell or otherwise dispose of goods, wares, merchandise, products, including but not limited to industrial chemicals, solvents, lubricants, acids,
alkalies, salts, paints, oils, varnishes, colors, pigments and similar preparations, among others. It is unmistakable to our minds that the manufacture and production of respondent’s products proceed from a formulation of a secret list of ingredients. In the creation of its lubricants, respondent expended efforts, skills, research, and resources. What it had achieved by virtue of its investments may not be wrested from respondent on the mere pretext that it is necessary for petitioner’s defense against a collection for a sum of money. By and large, the value of the information to respondent is crystal clear. The ingredients constitute the very fabric of respondent’s production and business. No doubt, the information is also valuable to respondent’s competitors. To compel its disclosure is to cripple respondent’s business, and to place it at an undue disadvantage. If the chemical composition of respondent’s lubricants is opened to public scrutiny, it will stand to lose the backbone on which its business is founded. This would result in nothing less than the probable demise of respondent’s business. Respondent’s proprietary interest over the ingredients which it had developed and expended money and effort on is incontrovertible. Our conclusion is that the detailed ingredients sought to be revealed have a commercial value to respondent. Not only do we acknowledge the fact that the information grants it a competitive advantage; we also find that there is clearly a glaring intent on the part of respondent to keep the information confidential and not available to the prying public.

FACTS:

Petitioner Air Philippines Corporation is a domestic corporation engaged in the business of air transportation services. On the other hand, respondent Pennswell, Inc. was organized to engage in the business of manufacturing and selling industrial chemicals, solvents, and special lubricants.

On various dates, respondent delivered and sold to petitioner sundry goods in trade. For failure of the petitioner to pay for such goods, respondent filed a Complaint for a Sum of Money on 28 April 2000 with the RTC.

In its Answer, petitioner contended that its refusal to pay was not without valid and justifiable reasons. In particular, petitioner alleged that it was defrauded in the amount of by respondent for its previous sale of four items. Said items were misrepresented by respondent as belonging to a new line, but were in truth and in fact, identical with products petitioner had previously purchased from respondent. Petitioner asserted that it was deceived by respondent which merely altered the names and labels of such goods.

According to petitioner, respondent’s products, namely Excellent Rust Corrosion, Connector Grease, Electric Strength Protective Coating, and Anti-Seize Compound, are identical with its Anti-Friction Fluid, Contact Grease, Thixohtropic Grease, and Dry Lubricant, respectively. Petitioner asseverated that had respondent been forthright about the identical character of the products, it would not have purchased the items complained of. Moreover, petitioner alleged that when the purported fraud was discovered, a conference was held between petitioner and respondent, whereby the parties agreed that respondent would return to petitioner the amount it previously paid. However, petitioner was surprised when it received a letter from the respondent, demanding payment of the amount of ₱449,864.94, which later became the subject of respondent’s Complaint for Collection of a Sum of Money against petitioner.

During the pendency of the trial, petitioner filed a Motion to Compel respondent to give a detailed list of the ingredients and chemical components of the following products, to wit: (a) Contact Grease and Connector Grease; (b) Thixohtropic Grease and Di-Electric Strength Protective Coating; and (c) Dry
Lubricant and Anti-Seize Compound. It appears that petitioner had earlier requested the Philippine Institute of Pure and Applied Chemistry (PIPAC) for the latter to conduct a comparison of respondent’s goods.

RTC rendered an Order granting the petitioner’s motion. It ruled that the Court directs [herein respondent] Pennswell, Inc. to give [herein petitioner] Air Philippines Corporation, a detailed list of the ingredients or chemical components of its products. Respondent sought reconsideration of the foregoing Order, contending that it cannot be compelled to disclose the chemical components sought because the matter is confidential. It argued that what petitioner endeavored to inquire upon constituted a trade secret which respondent cannot be forced to divulge. Respondent maintained that its products are specialized lubricants, and if their components were revealed, its business competitors may easily imitate and market the same types of products, in violation of its proprietary rights and to its serious damage and prejudice.

The RTC gave credence to respondent’s reasoning, and reversed itself. Trade secrets may not be the subject of compulsory disclosure. By reason of their confidential and privileged character, ingredients or chemical components of the products ordered by this Court to be disclosed constitute trade secrets lest [herein respondent] would eventually be exposed to unwarranted business competition with others who may imitate and market the same kinds of products in violation of [respondent’s] proprietary rights. Being privileged, the detailed list of ingredients or chemical components may not be the subject of mode of discovery under Rule 27, Section 1 of the Rules of Court, which expressly makes privileged information an exception from its coverage.

Petitioner filed a Petition for Certiorari under Rule 65 of the Rules of Court with the Court of Appeals, which denied the Petition and affirmed the Order of the RTC.

Hence, this petition.

ISSUE

Whether the Petitioner has a right to obtain the chemical composition and ingredients of respondent’s products to conduct a comparative analysis of its products? (NO)

RULING

A trade secret is defined as a plan or process, tool, mechanism or compound known only to its owner and those of his employees to whom it is necessary to confide it. The definition also extends to a secret formula or process not patented, but known only to certain individuals using it in compounding some article of trade having a commercial value. A trade secret may consist of any formula, pattern, device, or compilation of information that: (1) is used in one’s business; and (2) gives the employer an opportunity to obtain an advantage over competitors who do not possess the information. Generally, a trade secret is a process or device intended for continuous use in the operation of the business, for example, a machine or formula, but can be a price list or catalogue or specialized customer list. It is indubitable that trade secrets constitute proprietary rights. The inventor, discoverer, or possessor of a trade secret or similar innovation has rights therein which may be treated as property, and ordinarily an injunction will be granted to prevent the disclosure of
the trade secret by one who obtained the information "in confidence" or through a "confidential relationship."

In Cocoland Development Corporation v. National Labor Relations Commission, the issue was the legality of an employee’s termination on the ground of unauthorized disclosure of trade secrets. The Court laid down the rule that any determination by management as to the confidential nature of technologies, processes, formulae or other so-called trade secrets must have a substantial factual basis which can pass judicial scrutiny. The Court rejected the employer's naked contention that its own determination as to what constitutes a trade secret should be binding and conclusive upon the NLRC. Hence, in Cocoland, the parameters in the determination of trade secrets were set to be such substantial factual basis that can withstand judicial scrutiny.

The chemical composition, formulation, and ingredients of respondent's special lubricants are trade secrets within the contemplation of the law. Respondent was established to engage in the business of general manufacturing and selling of, and to deal in, distribute, sell or otherwise dispose of goods, wares, merchandise, products, including but not limited to industrial chemicals, solvents, lubricants, acids, alkalies, salts, paints, oils, varnishes, colors, pigments and similar preparations, among others. It is unmistakable to our minds that the manufacture and production of respondent's products proceed from a formulation of a secret list of ingredients. In the creation of its lubricants, respondent expended efforts, skills, research, and resources. What it had achieved by virtue of its investments may not be wrested from respondent on the mere pretext that it is necessary for petitioner's defense against a collection for a sum of money. By and large, the value of the information to respondent is crystal clear. The ingredients constitute the very fabric of respondent's production and business. No doubt, the information is also valuable to respondent's competitors. To compel its disclosure is to cripple respondent’s business, and to place it at an undue disadvantage. If the chemical composition of respondent's lubricants is opened to public scrutiny, it will stand to lose the backbone on which its business is founded. This would result in nothing less than the probable demise of respondent's business. Respondent's proprietary interest over the ingredients which it had developed and expended money and effort on is incontrovertible. Our conclusion is that the detailed ingredients sought to be revealed have a commercial value to respondent. Not only do we acknowledge the fact that the information grants it a competitive advantage; we also find that there is clearly a glaring intent on the part of respondent to keep the information confidential and not available to the prying public.

We now take a look at Section 1, Rule 27 of the Rules of Court, which permits parties to inspect documents or things upon a showing of good cause before the court in which an action is pending. A more than cursory glance at the above text would show that the production or inspection of documents or things as a mode of discovery sanctioned by the Rules of Court may be availed of by any party upon a showing of good cause therefor before the court in which an action is pending. Section 24 of Rule 130 draws the types of disqualification by reason of privileged communication, to wit: (a) communication between husband and wife; (b) communication between attorney and client; (c) communication between physician and patient; (d) communication between priest and penitent; and (e) public officers and public interest. There are, however, other privileged matters that are not mentioned by Rule 130. Among them are the following: (a) editors may not be compelled to disclose the source of published news; (b) voters may not be compelled to disclose for whom they voted; (c) trade secrets; (d) information contained in tax census returns; and (d) bank deposits.
We, thus, rule against the petitioner. We affirm the ruling of the Court of Appeals which upheld the finding of the RTC that there is substantial basis for respondent to seek protection of the law for its proprietary rights over the detailed chemical composition of its products. That trade secrets are of a privileged nature is beyond quibble. The protection that this jurisdiction affords to trade secrets is evident in our laws.

Clearly, in accordance with our statutory laws, this Court has declared that intellectual and industrial property rights cases are not simple property cases. Without limiting such industrial property rights to trademarks and trade names, this Court has ruled that all agreements concerning intellectual property are intimately connected with economic development. The protection of industrial property encourages investments in new ideas and inventions and stimulates creative efforts for the satisfaction of human needs. It speeds up transfer of technology and industrialization, and thereby bring about social and economic progress. Verily, the protection of industrial secrets is inextricably linked to the advancement of our economy and fosters healthy competition in trade. Jurisprudence has consistently acknowledged the private character of trade secrets. There is a privilege not to disclose one’s trade secrets. Foremost, this Court has declared that trade secrets and banking transactions are among the recognized restrictions to the right of the people to information as embodied in the Constitution. We said that the drafters of the Constitution also unequivocally affirmed that, aside from national security matters and intelligence information, trade or industrial secrets (pursuant to the Intellectual Property Code and other related laws) as well as banking transactions (pursuant to the Secrecy of Bank Deposits Act), are also exempted from compulsory disclosure.

In the case at bar, petitioner cannot rely on Section 77 of Republic Act 7394, or the Consumer Act of the Philippines, in order to compel respondent to reveal the chemical components of its products. While it is true that all consumer products domestically sold, whether manufactured locally or imported shall indicate their general make or active ingredients in their respective labels of packaging, the law does not apply to respondent. Respondent's specialized lubricants -- namely, Contact Grease, Connector Grease, Thixohtropic Grease, Di-Electric Strength Protective Coating, Dry Lubricant and Anti-Seize Compound -- are not consumer products. "Consumer products," as it is defined in Article 4(q), refers to goods, services and credits, debts or obligations which are primarily for personal, family, household or agricultural purposes, which shall include, but not be limited to, food, drugs, cosmetics, and devices. This is not the nature of respondent’s products. Its products are not intended for personal, family, household or agricultural purposes. Rather, they are for industrial use, specifically for the use of aircraft propellers and engines.

Petitioner's argument that Republic Act No. 8203, or the Special Law on Counterfeit Drugs, requires the disclosure of the active ingredients of a drug is also on faulty ground. Respondent's products are outside the scope of the cited law. They do not come within the purview of a drug which, as defined therein, refers to any chemical compound or biological substance, other than food, that is intended for use in the treatment, prevention or diagnosis of disease in man or animals. Again, such are not the characteristics of respondent’s products.

What is clear from the factual findings of the RTC and the Court of Appeals is that the chemical formulation of respondent’s products is not known to the general public and is unique only to it. Both courts uniformly ruled that these ingredients are not within the knowledge of the public. Since such factual findings are generally not reviewable by this Court, it is not duty-bound to analyze and weigh
all over again the evidence already considered in the proceedings below.⁴⁷ We need not delve into the factual bases of such findings as questions of fact are beyond the pale of Rule 45 of the Rules of Court. Factual findings of the trial court when affirmed by the Court of Appeals are binding and conclusive on the Supreme Court.

We do not find merit or applicability in petitioner's invocation of Section 12 of the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990, which grants the public access to records, reports or information concerning chemical substances and mixtures, including safety data submitted, and data on emission or discharge into the environment. Indeed, the privilege is not absolute; the trial court may compel disclosure where it is indispensable for doing justice. We do not, however, find reason to except respondent's trade secrets from the application of the rule on privilege. The revelation of respondent's trade secrets serves no better purpose to the disposition of the main case pending with the RTC, which is on the collection of a sum of money. As can be gleaned from the facts, petitioner received respondent's goods in trade in the normal course of business. To be sure, there are defenses under the laws of contracts and sales available to petitioner. On the other hand, the greater interest of justice ought to favor respondent as the holder of trade secrets. If we were to weigh the conflicting interests between the parties, we rule in favor of the greater interest of respondent. Trade secrets should receive greater protection from discovery, because they derive economic value from being generally unknown and not readily ascertainable by the public. To the mind of this Court, petitioner was not able to show a compelling reason for us to lift the veil of confidentiality which shields respondent's trade secrets.

- E.Y. Industrial Sales vs. Shien Dar Electricity and Machinery Co., G.R. No. 184850, 20 October 2010

E.Y. INDUSTRIAL SALES, INC. and ENGRACIO YAP, PETITIONERS, -versus- SHEN DAR ELECTRICITY AND MACHINERY CO., LTD., RESPONDENT. G.R. No. 184850, FIRST DIVISION, October 20, 2010

EYIS is a domestic corporation engaged in the production, distribution and sale of air compressors and other industrial tools and equipment. Petitioner Engracio Yap is the Chairman of the Board of Directors of EYIS. Respondent Shen Dar is a Taiwan-based foreign corporation engaged in the manufacture of air compressors. Both companies claimed to have the right to register the trademark “VESPA” for air compressors.

Under the law, the registration of a mark is prevented with the filing of an earlier application for registration. This must not, however, be interpreted to mean that ownership should be based upon an earlier filing date. While RA 8293 removed the previous requirement of proof of actual use prior to the filing of an application for registration of a mark, proof of prior and continuous use is necessary to establish ownership of a mark. Such ownership constitutes sufficient evidence to oppose the registration of a mark. Here, the incontrovertible truth, as established by the evidence submitted by the parties, is that EYIS is the prior user of the mark. As such, EYIS must be considered as the prior and continuous user of the mark “VESPA” and its true owner. Hence, EYIS is entitled to the registration of the mark in its name.

FACTS
EYIS is a domestic corporation engaged in the production, distribution and sale of air compressors and other industrial tools and equipment. Petitioner Engracio Yap is the Chairman of the Board of Directors of EYIS. Respondent Shen Dar is a Taiwan-based foreign corporation engaged in the manufacture of air compressors. Both companies claimed to have the right to register the trademark "VESPA" for air compressors.

From 1997 to 2004, EYIS imported air compressors from Shen Dar through sales contracts. There is no documentary evidence to show that such air compressors were marked "VESPA." On June 9, 1997, Shen Dar filed a Trademark Application S with the IPO for the mark "VESPA, Chinese Characters and Device" for use on air compressors and welding machines. On July 28, 1999, EYIS filed a Trademark Application also for the mark "VESPA," for use on air compressors. On January 18, 2004, the IPO issued a Certificate of Registration (COR) in favor of EYIS. Thereafter, on February 8, 2007, Shen Dar was also issued a Certificate of Registration (COR).

In the meantime, Shen Dar filed a Petition for Cancellation of EYIS COR with the BLA. In the Petition, Shen Dar primarily argued that the issuance of the COR in favor of EYIS violated Section 123.1 paragraphs (d), (e) and (f) of the Intellectual Property Code (IP Code), having first filed an application for the mark. Shen Dar further alleged that EYIS was a mere distributor of air compressors bearing the mark "VESPA" which it imported from Shen Dar. Shen Dar also argued that it had prior and exclusive right to the use and registration of the mark "VESPA" in the Philippines under the provisions of the Paris Convention.

In its Answer, EYIS and Yap denied the claim of Shen Dar. They further alleged that the air compressors that Shen Dar allegedly supplied them bore the mark "SD" for Shen Dar and not "VESPA." Moreover, EYIS argued that Shen Dar, not being the owner of the mark, could not seek protection from the provisions of the Paris Convention or the IP Code.

The Director of the BLA issued its Decision in favor of EYIS and against Shen Dar.

Shen Dar appealed the decision of the BLA Director to the Director General of the IPO. The IPO Director General issued a Decision upholding the COR issued in favor of EYIS while cancelling the COR of Shen Dar.

Shen Dar appealed the above decision of the IPO Director General to the CA. In the assailed decision, the CA reversed the IPO Director General and ruled in favor of Shen Dar. In ruling for Shen Dar, the CA ruled that, despite the fact that Shen Dar did not formally offer its evidence before the BLA, such evidence was properly attached to the Petition for Cancellation. As such, Shen Dar's evidence may be properly considered. The CA also enunciated that the IPO failed to properly apply the provisions of Sec. 123.1 (d) of RA 8293, which prohibits the registration of a trademark in favor of a party when there is an earlier filed application for the same mark. The CA further ruled that Shen Dar should be considered to have prior use of the mark based on the statements made by the parties in their respective Declarations of Actual Use. The CA added that EYIS is a mere importer of the air compressors with the mark "VESPA" as may be gleaned from its receipts which indicated that EYIS is an importer, wholesaler and retailer, and therefore, cannot be considered an owner of the mark. EYIS filed a motion for reconsideration of the assailed decision which the CA denied in the assailed resolution.

Hence, the instant appeal.
ISSUE

Whether or not the CA erred in denying the petitioner's rights over the trademark “VESPA”? (NO)

RULING

RA 8293 espouses the "first-to-file" rule as stated under Sec. 123.1(d) which states:

“Section 123.Registrability. - 123.1. A mark cannot be registered if it: x x x x

(d) Is identical with a registered mark belonging to a different proprietor or a mark with an
earlier filing or priority date, in respect of:

(i) The same goods or services, or

(ii) Closely related goods or services, or

(iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion.”

Under this provision, the registration of a mark is prevented with the filing of an earlier application
for registration. This must not, however, be interpreted to mean that ownership should be based
upon an earlier filing date. While RA 8293 removed the previous requirement of proof of actual use
prior to the filing of an application for registration of a mark, proof of prior and continuous use is
necessary to establish ownership of a mark. Such ownership constitutes sufficient evidence to oppose
the registration of a mark.

Sec. 134 of the IP Code provides that "any person who believes that he would be damaged by the
registration of a mark" may file an opposition to the application. The term "any person" encompasses
the true owner of the mark and the prior and continuous user.

Notably, the Court has ruled that the prior and continuous use of a mark may even overcome the
presumptive ownership of the registrant and be held as the owner of the mark. As aptly stated by the
Court in Shangri-la International Hotel Management, Ltd. v. Developers Group of Companies, Inc.:

“Registration, without more, does not confer upon the registrant an absolute right to the
registered mark. The certificate of registration is merely a prima facie proof that the registrant
is the owner of the registered mark or trade name. Evidence of prior and continuous use of the
mark or trade name by another can overcome the presumptive ownership of the registrant and
may very well entitle the former to be declared owner in an appropriate case. xxx”

Here, the incontrovertible truth, as established by the evidence submitted by the parties, is that EYIS
is the prior user of the mark. The exhaustive discussion on the matter made by the BLA sufficiently
addresses the issue:

“Based on the evidence, Respondent E.Y. Industrial is a legitimate corporation engaged in buying,
importing, selling, industrial machineries and tools, manufacturing, among others since its
incorporation in 1988. Indeed private respondents have submitted photographs showing an
assembly line of its manufacturing or assembly process.
More importantly, the private respondent's prior adoption and continuous use of the mark "VESPA" on air compressors is bolstered by numerous documentary evidence consisting of sales invoices issued in the name of respondent EY Industrial and Bills of Lading. Sales Invoice No. 12075 dated March 27, 1995 antedates petitioner's date of first use in January 1, 1997 indicated in its trademark application filed in June 9, 1997 as well as the date of first use in June of 1996 as indicated in the Declaration of Actual Use submitted on December 3, 2001. The use by respondent-registrant in the concept of owner is shown by commercial documents, sales invoices unambiguously describing the goods as "VESPA" air compressors. Private respondents have sold the air compressors bearing the "VESPA" to various locations in the Philippines, as far as Mindanao and the Visayas since the early 1990s. We carefully inspected the evidence consisting of three hundred seventy one (371) invoices and shipment documents which show that "VESPA" air compressors were sold not only in Manila, but to locations such as Iloilo City, Cebu City, Dumaguete City, Zamboanga City, Cagayan de Oro City, Davao City to name a few. There is no doubt that it is through private respondents efforts that the mark "VESPA" used on air compressors has gained business goodwill and reputation in the Philippines for which it has validly acquired trademark rights. Respondent EY Industries right has been preserved until the passage of RA 8293 which entitles it to register the same. On the other hand, Shen Dar failed to refute the evidence cited by the BLA in its decision. More importantly, Shen Dar failed to present sufficient evidence to prove its own prior use of the mark "VESPA."

As such, EYIS must be considered as the prior and continuous user of the mark "VESPA" and its true owner. Hence, EYIS is entitled to the registration of the mark in its name.

- Superior Commercial Enterprises, Inc. vs. Kunnan Enterprises Ltd. and Sports Concept & Distributor, Inc., G.R. No. 169974, April 20, 2010

SUPERIOR COMMERCIAL ENTERPRISES, INC., PETITIONER, -versus-. KUNNAN ENTERPRISES LTD. AND SPORTS CONCEPT & DISTRIBUTOR, INC., RESPONDENTS, G.R. No. 169974, SECOND DIVISION, April 20, 2010, BRION, J.

SUPERIOR claimed to be the owner of the trademarks, trading styles, company names and business names “KENNEX”, “KENNEX & DEVICE”, “PRO KENNEX” and “PRO-KENNEX” (disputed trademarks). KUNNAN disputed SUPERIOR’s claim of ownership and maintained that SUPERIOR as mere distributor fraudulently registered the trademarks in its name. The RTC issued its decision holding KUNNAN liable for trademark infringement and unfair competition. In the course of its appeal to the CA, KUNNAN filed a Manifestation and Motion praying that the decision of the Bureau of Legal Affairs (BLA) of the Intellectual Property Office (IPO) in the Consolidated Petitions for Cancellation be made of record and be considered by the CA in resolving the case. The BLA ruled in this decision that Kunnan has established its rights to the mark "PRO KENNEX". It was proven that actual use by Respondent-Registrant is not in the concept of an owner but as a mere distributor. The CA decided that the registration of the "KENNEX" and "PRO KENNEX" trademarks should be cancelled because SUPERIOR was not the owner of, and could not in the first place have validly registered these trademarks. Thus, as of the finality of the CA decision on December 3, 2007, these trademark registrations were effectively cancelled and SUPERIOR was no longer the registrant of the disputed trademarks.

Section 22 of Republic Act No. 166, as amended ("RA 166") is the law applicable to this case. Essentially, Section 22 of RA 166 states that only a registrant of a mark can file a case for infringement. Corollary to this, Section 19 of RA 166 provides that any right conferred upon the registrant under the provisions of RA 166 terminates when the judgment or order of cancellation has become final. Thus, we have
previously held that the cancellation of registration of a trademark has the effect of depriving the registrant of protection from infringement from the moment judgment or order of cancellation has become final.

In the present case, by operation of law, specifically Section 19 of RA 166, the trademark infringement aspect of SUPERIOR's case has been rendered moot and academic in view of the finality of the decision in the Registration Cancellation Case. In short, SUPERIOR is left without any cause of action for trademark infringement since the cancellation of registration of a trademark deprived it of protection from infringement from the moment judgment or order of cancellation became final.

FACTS

SUPERIOR filed a complaint for trademark infringement and unfair competition with preliminary injunction against KUNNAN and SPORTS CONCEPT with the RTC.

In support of its complaint, SUPERIOR first claimed to be the owner of the trademarks, trading styles, company names and business names "KENNEX", "KENNEX & DEVICE", "PRO KENNEX" and "PRO-KENNEX" (disputed trademarks). Second, it also asserted its prior use of these trademarks, presenting as evidence of ownership the Principal and Supplemental Registrations of these trademarks in its name. Third, SUPERIOR also alleged that it extensively sold and advertised sporting goods and products covered by its trademark registrations. Finally, SUPERIOR presented as evidence of its ownership of the disputed trademarks the preambular clause of the Distributorship Agreement (Distributorship Agreement) it executed with KUNNAN, which states:

"Whereas, KUNNAN intends to acquire the ownership of KENNEX trademark registered by the Superior in the Philippines. Whereas, the Superior is desirous of having been appointed as the sole distributor by KUNNAN in the territory of the Philippines."

In its defense, KUNNAN disputed SUPERIOR's claim of ownership and maintained that SUPERIOR - as mere distributor - fraudulently registered the trademarks in its name. KUNNAN alleged that it was incorporated in 1972, under the name KENNEX Sports Corporation for the purpose of manufacturing and selling sportswear and sports equipment; it commercially marketed its products in different countries, including the Philippines since 1972. It created and first used "PRO KENNEX," derived from its original corporate name, as a distinctive trademark for its products in 1976. KUNNAN also alleged that it registered the "PRO KENNEX" trademark not only in the Philippines but also in 31 other countries, and widely promoted the "KENNEX" and "PRO KENNEX" trademarks through worldwide advertisements in print media and sponsorships of known tennis players. After the expiration of its initial distributorship agreement with another company, KUNNAN appointed SUPERIOR as its exclusive distributor in the Philippines under a Distributorship Agreement whose pertinent provisions state:

"Whereas, KUNNAN intends to acquire ownership of KENNEX trademark registered by the Superior in the Philippines. Whereas, the Superior is desirous of having been appointed as the sole distributor by KUNNAN in the territory of the Philippines."

Even though this Agreement clearly stated that SUPERIOR was obligated to assign the ownership of the KENNEX trademark to KUNNAN, the latter claimed that the Certificate of Registration for the KENNEX trademark remained with SUPERIOR because Mariano Tan Bon Diong (Mr. Tan Bon Diong),
SUPERIOR’s President and General Manager, misled KUNNAN’s officers into believing that KUNNAN was not qualified to hold the same due to the "many requirements set by the Philippine Patent Office" that KUNNAN could not meet. KUNNAN further asserted that SUPERIOR deceived it into assigning its applications for registration of the "PRO KENNEX" trademark in favor of SUPERIOR, through an Assignment Agreement dated June 14, 1983.

Prior to and during the pendency of the infringement and unfair competition case before the RTC, KUNNAN filed with the now defunct Bureau of Patents, Trademarks and Technology Transfer a separate Petitions for the Cancellation of Registration Trademark as well as Opposition to Application involving the KENNEX and PRO KENNEX trademarks. In essence, KUNNAN filed the Petition for Cancellation and Opposition on the ground that SUPERIOR fraudulently registered and appropriated the disputed trademarks; as mere distributor and not as lawful owner, it obtained the registrations and assignments of the disputed trademarks in violation of the terms of the Distributorship Agreement and Sections 2-A and 17 of Republic Act No. 166, as amended.

On December 3, 1991, upon the termination of its distributorship agreement with SUPERIOR, KUNNAN appointed SPORTS CONCEPT as its new distributor. Subsequently, KUNNAN also caused the publication of a Notice and Warning in the Manila Bulletin’s January 29, 1993 issue, stating that (1) it is the owner of the disputed trademarks; (2) it terminated its Distributorship Agreement with SUPERIOR; and (3) it appointed SPORTS CONCEPT as its exclusive distributor. This notice prompted SUPERIOR to file its Complaint for Infringement of Trademark and Unfair Competition with Preliminary Injunction against KUNNAN.

The RTC issued its decision holding KUNNAN liable for trademark infringement and unfair competition. The RTC also issued a writ of preliminary injunction enjoining KUNNAN and SPORTS CONCEPT from using the disputed trademarks. The RTC found that SUPERIOR sufficiently proved that it was the first user and owner of the disputed trademarks in the Philippines, based on the findings of the Director of Patents. KUNNAN and SPORTS CONCEPT appealed the RTC’s decision to the CA. KUNNAN maintained that SUPERIOR was merely its distributor and could not be the owner of the disputed trademarks. SUPERIOR, for its part, claimed ownership based on its prior use and numerous valid registrations.

In the course of its appeal to the CA, KUNNAN filed a Manifestation and Motion praying that the decision of the Bureau of Legal Affairs (BLA) of the Intellectual Property Office (IPO) in the Consolidated Petitions for Cancellation be made of record and be considered by the CA in resolving the case. The BLA ruled in this decision that Kunnan has established its rights to the mark "PRO KENNEX". It was proven that actual use by Respondent-Registrant is not in the concept of an owner but as a mere distributor and as enunciated in the case of Crisanta Y. Gabriel vs. Dr. Jose R. Perez, 50 SCRA 406, "a mere distributor of a product bearing a trademark, even if permitted to use said trademark has no right to and cannot register the said trademark.

The CA issued its decision reversing and setting aside the RTC’s decision. It dismissed SUPERIOR’s Complaint for Infringement of Trademark and Unfair Competition with Preliminary Injunction on the ground that SUPERIOR failed to establish by preponderance of evidence its claim of ownership over the KENNEX and PRO KENNEX trademarks. The CA found the Certificates of Principal and Supplemental Registrations and the "whereas clause" of the Distributorship Agreement insufficient to support SUPERIOR’s claim of ownership over the disputed trademarks. The CA stressed that SUPERIOR’s possession of the aforementioned Certificates of Principal Registration does not
conclusively establish its ownership of the disputed trademarks as dominion over trademarks is not acquired by the fact of registration alone; at best, registration merely raises a presumption of ownership that can be rebutted by contrary evidence.

The CA denied SUPERIOR’s motion for reconsideration for lack of merit in its Resolution. Hence, this instant petition.

**ISSUE**

Whether or not KUNNAN can be held liable for trademark infringement despite the cancellation of or SUPERIOR’s trademark? (NO)

**RULING**

The CA decided that the registration of the "KENNEX" and "PRO KENNEX" trademarks should be cancelled because SUPERIOR was not the owner of, and could not in the first place have validly registered these trademarks. Thus, as of the finality of the CA decision on December 3, 2007, these trademark registrations were effectively cancelled and SUPERIOR was no longer the registrant of the disputed trademarks.

Section 22 of Republic Act No. 166, as amended ("RA 166") is the law applicable to this case. Essentially, Section 22 of RA 166 states that only a registrant of a mark can file a case for infringement. Corollary to this, Section 19 of RA 166 provides that any right conferred upon the registrant under the provisions of RA 166 terminates when the judgment or order of cancellation has become final. Thus, we have previously held that the cancellation of registration of a trademark has the effect of depriving the registrant of protection from infringement from the moment judgment or order of cancellation has become final.

In the present case, by operation of law, specifically Section 19 of RA 166, the trademark infringement aspect of SUPERIOR’s case has been rendered moot and academic in view of the finality of the decision in the Registration Cancellation Case. In short, SUPERIOR is left without any cause of action for trademark infringement since the cancellation of registration of a trademark deprived it of protection from infringement from the moment judgment or order of cancellation became final. To be sure, in a trademark infringement, title to the trademark is indispensable to a valid cause of action and such title is shown by its certificate of registration. With its certificates of registration over the disputed trademarks effectively cancelled with finality, SUPERIOR’s case for trademark infringement lost its legal basis and no longer presented a valid cause of action.

Even assuming that SUPERIOR’s case for trademark infringement had not been rendered moot and academic, there can be no infringement committed by KUNNAN who was adjudged with finality to be the rightful owner of the disputed trademarks in the Registration Cancellation Case. Even prior to the cancellation of the registration of the disputed trademarks, SUPERIOR - as a mere distributor and not the owner - cannot assert any protection from trademark infringement as it had no right in the first place to the registration of the disputed trademarks. In fact, jurisprudence holds that in the absence of any inequitable conduct on the part of the manufacturer, an exclusive distributor who employs the trademark of the manufacturer does not acquire proprietary rights of the manufacturer, and a registration of the trademark by the distributor as such belongs to the manufacturer, provided the fiduciary relationship does not terminate before application for registration is filed.
In addition, we also note that the doctrine of res judicata bars SUPERIOR's present case for trademark infringement. The doctrine of res judicata embraces two (2) concepts: the first is "bar by prior judgment" under paragraph (b) of Rule 39, Section 47, and the second is "conclusiveness of judgment" under paragraph (c) thereof.

In the present case, the second concept - conclusiveness of judgment - applies. Under the concept of res judicata, by conclusiveness of judgment, a final judgment or decree on the merits by a court of competent jurisdiction is conclusive of the rights of the parties or their privies in all later suits on points and matters determined in the former suit. Stated differently, facts and issues actually and directly resolved in a former suit cannot again be raised in any future case between the same parties, even if the latter suit may involve a different cause of action. This second branch of the principle of res judicata bars the re-litigation of particular facts or issues in litigation between the same parties on a different claim or cause of action.

Because the Registration Cancellation Case and the present case involve the same parties, litigating with respect to and disputing the same trademarks, we are bound to examine how one case would affect the other. In the present case, even if the causes of action of the Registration Cancellation Case (the cancellation of trademark registration) differs from that of the present case (the improper or unauthorized use of trademarks), the final judgment in the Registration Cancellation Case is nevertheless conclusive on the particular facts and issues that are determinative of the present case.

To establish trademark infringement, the following elements must be proven: (1) the validity of plaintiff’s mark; (2) the plaintiff's ownership of the mark; and (3) the use of the mark or its colorable imitation by the alleged infringer results in "likelihood of confusion."

Based on these elements, we find it immediately obvious that the second element - the plaintiff's ownership of the mark - was what the Registration Cancellation Case decided with finality. On this element depended the validity of the registrations that, on their own, only gave rise to the presumption of, but was not conclusive on, the issue of ownership.

In no uncertain terms, the appellate court in the Registration Cancellation Case ruled that SUPERIOR was a mere distributor and could not have been the owner, and was thus an invalid registrant of the disputed trademarks. Significantly, these are the exact terms of the ruling the CA arrived at in the present petition now under our review. Thus, whether with one or the other, the ruling on the issue of ownership of the trademarks is the same. Given, however, the final and executory ruling in the Registration Cancellation Case on the issue of ownership that binds us and the parties, any further discussion and review of the issue of ownership - although the current CA ruling is legally correct and can stand on its own merits - becomes a pointless academic discussion.

- Birkenstock Orthopaedie Gmbh and Co. Kg vs. Philippine Shoe Expo Marketing Corporation, G.R. No. 194307, November 20, 2013

BIRKENSTOCK ORTHOPAEDIE GMBH AND CO. KG (formerly BIRKENSTOCK ORTHOPAEDIE GMBH), PETITIONER, -versus- PHILIPPINE SHOE EXPO MARKETING CORPORATION, Respondent. G.R. No. 194307, SECOND DIVISION, November 20, 2013, PERLAS-BERNABE, J.
The registration of trademark, by itself, is not a mode of acquiring ownership. If the applicant is not the owner of the trademark, he has no right to apply for its registration. Registration merely creates a prima facie presumption of the validity of the registration, of the registrant's ownership of the trademark, and of the exclusive right to the use thereof. Such presumption, just like the presumptive regularity in the performance of official functions, is rebuttable and must give way to evidence to the contrary.

FACTS

Petitioner, a corporation duly organized and existing under the laws of Germany, applied for three trademark registrations before the IPO. However, the registration proceedings of the applications were suspended in view of an existing registration of the mark “Birkenstock and Device” in the name of Shoe Town International and Industrial Corporation, the predecessor-in-interest of respondent Philippine Shoe Expo Marketing. During sometime, the respondent failed to file the required 10th Year Declaration of Actual Use, thereby resulting in the cancellation of such mark.

The cancellation paved way for the publication of the subject applications in the IPO e-Gazette. In response, the respondent filed three verified notices of oppositions to the application before the Bureau of Legal Affairs (BLA) of the IPO. In its Decision, the BLA sustained the respondent’s opposition and ruled that the competing marks of the parties are confusingly similar since they contained the work “Birkenstock” and are used on the same and related goods. Aggrieved, the petitioner appealed to the IPO Director General, which later on rendered a decision reversing and setting aside the ruling of BLA, thus allowing the registration of the subject applications.

Finding the reversal unacceptable, the respondent filed a petition for review with the CA. The appellate court reinstated the ruling of BLA and disallowed the registration of the subject applications. It held that the respondent’s failure to file the 10th Year DAU did not deprive the petitioner of its ownership of Birkenstock mark since it has submitted substantial evidence showing its continued use, promotion and advertisement thereof to the present. It also opined that when respondent’s predecessor-in-interest adopted and started its actual use of “Birkenstock,” there is neither an existing registration nor a pending application for the same and thus, it cannot be said that it acted in bad faith in adopting and starting the use of such mark.

Dissatisfied, the petitioner filed a Motion for Reconsideration, which was, however, denied. Hence, the petition.

ISSUE

Whether or not the subject mark should be allowed registration in the name of the petitioner? (YES)

RULING

Petition Granted.

RA 166 requires the filing of a DAU on specified periods, to wit: Section 12. Duration—Each certificate of registration shall remain in force for twenty years: Provided, That registrations under the provisions of this Act shall be cancelled by the Director, unless within one year following the fifth, tenth, and fifteenth anniversaries of the date of issue of the certificate of registration, the registrant shall file in the Patent Office an affidavit showing that the mark or trade-name is still in use or
showing that its non-use is due to special circumstance which excuse such non-use and is not due to any intention to abandon the same, and pay the required fee. The Director shall notify the registrant who files the above-prescribed affidavits of his acceptance or refusal thereof and, if a refusal, the reasons therefor.

The aforementioned provision clearly reveals that failure to file the DAU within the requisite period results in the automatic cancellation of registration of a trademark. In turn, such failure is tantamount to the abandonment or withdrawal of any right or interest the registrant has over his trademark. In this case, respondent admitted that it failed to file the 10th Year DAU within the requisite period.

As a consequence, it was deemed to have abandoned or withdrawn any right or interest over the mark “BIRKENSTOCK.” Neither can it invoke Section 236 of the IP Code which pertains to intellectual property rights obtained under previous intellectual property laws precisely because it already lost any right or interest over the said mark. Besides, petitioner had duly established its true and lawful ownership of the mark “BIRKENSTOCK.” Under Section 2 of RA 166, which is the law governing the subject applications, in order to register a trademark, one must be the owner thereof and must have actually used the mark in commerce in the Philippines for two months prior to the application for registration. Section 2-A of the same law sets out to define how one goes about acquiring ownership thereof. Under the same section, it is clear that actual use in commerce is also the test of ownership but the provision went further by saying that the mark must not have been so appropriated by another. Significantly, to be an owner, Section 2-A does not require that the actual use of the trademark must be within the Philippines. Thus, under RA 166, one may be an owner of a mark due to its actual use but may not yet have the right to register such ownership here due to the owner’s failure to use the same in the Philippines for two months prior to registration. It must be emphasized that registration of trademark, by itself, is not a mode of acquiring ownership. If the applicant is not the owner of the trademark, he has no right to apply for its registration. Registration merely creates a prima facie presumption of the validity of the registration, of the registrant’s ownership of the trademark, and of the exclusive right to the use thereof. Such presumption, just like the presumptive regularity in the performance of official functions, is rebuttable and must give way to evidence to the contrary. Clearly, it is not the application or registration of a trademark that vests ownership thereof, but it is the ownership of a trademark that confers the right to register the same. In the instant case, petitioner was able to establish that it is the owner of the mark “BIRKENSTOCK.” It submitted evidence relating to the origin and history of “BIRKENSTOCK” and its use in commerce long before respondent was able to register the same here in the Philippines. In view of the foregoing circumstances, the Court finds the petitioner to be the true and lawful owner of the mark “BIRKENSTOCK” and entitled to its registration, and that respondent was in bad faith in having it registered in its name.


TAIWAN KOLIN CORPORATION, LTD. vs. KOLIN ELECTRONICS CO., INC.
G.R. No. 209843, March 25, 2015, J. Velasco, Jr.
In trademark registration, while both competing marks refer to the word “KOLIN” written in upper case letters and in bold font, but one is italicized and colored black while the other is white in pantone red color background and there are differing features between the two, registration of the said mark could be granted. It is hornbook doctrine that emphasis should be on the similarity of the products involved and not on the arbitrary classification or general description of their properties or characteristics. The mere fact that one person has adopted and used a trademark on his goods would not, without more, prevent the adoption and use of the same trademark by others on unrelated articles of a different kind.

FACTS

Taiwan Kolin filed with the IPO, then BPTTT, a trademark application, for the use of “KOLIN” on a combination of goods, including colored televisions, refrigerators, window-type and split-type air conditioners, electric fans and water dispensers with Taiwan Kolin electing Class 9 as the subject of its application. Kolin Electronics opposed Taiwan Kolin’s application arguing that the mark Taiwan Kolin seeks to register is identical, if not confusingly similar, with its registered “KOLIN” mark covering products under Class 9 of the NCL.

BLA-IPO denied Taiwan Kolin’s application, citing Sec. 123(d) of the IP Code that a mark cannot be registered if it is identical with a registered mark belonging to a different proprietor in respect of the same or closely-related goods. Accordingly, Kolin Electronics, as the registered owner of the mark “KOLIN” for goods falling under Class 9 of the NCL, should then be protected against anyone who impinges on its right, including Taiwan Kolin who seeks to register an identical mark to be used on goods also belonging to Class 9 of the NCL.

Taiwan Kolin appealed the above Decision to the Office of the Director General of the IPO which gave due course to the appeal ratiocinating that product classification alone cannot serve as the decisive factor in the resolution of whether or not the goods are related and that emphasis should be on the similarity of the products involved and not on the arbitrary classification or general description of their properties or characteristics.

Kolin Electronics elevated the case to the CA which found for Kolin Electronics on the strength of the following premises: (a) the mark sought to be registered by Taiwan Kolin is confusingly similar to the one already registered in favor of Kolin Electronics; (b) there are no other designs, special shape or easily identifiable earmarks that would differentiate the products of both competing companies; and (c) the intertwined use of television sets with amplifier, booster and voltage regulator bolstered the fact that televisions can be considered as within the normal expansion of Kolin Electronics, and is thereby deemed covered by its trademark as explicitly protected under Sec. 138 of the IP Code.

ISSUE

Whether or not Taiwan Kolin is entitled to its trademark registration of “KOLIN” over its specific goods of television sets and DVD players.

RULING

Yes, Taiwan Kolin is entitled.
Whether or not the products covered by the trademark sought to be registered by Taiwan Kolin, on the one hand, and those covered by the prior issued certificate of registration in favor of Kolin Electronics, on the other, fall under the same categories in the NCL is not the sole and decisive factor in determining a possible violation of Kolin Electronics’ intellectual property right should Taiwan Kolin’s application be granted. It is hornbook doctrine that emphasis should be on the similarity of the products involved and not on the arbitrary classification or general description of their properties or characteristics. The mere fact that one person has adopted and used a trademark on his goods would not, without more, prevent the adoption and use of the same trademark by others on unrelated articles of a different kind.

It must be noted that the products covered by Taiwan Kolin’s application and Kolin Electronics’ registration are unrelated.

A certificate of trademark registration confers upon the trademark owner the exclusive right to sue those who have adopted a similar mark not only in connection with the goods or services specified in the certificate, but also with those that are related thereto.

In resolving one of the pivotal issues in this case—whether or not the products of the parties involved are related—the doctrine in Mighty Corporation is authoritative. There, the Court held that the goods should be tested against several factors before arriving at a sound conclusion on the question of relatedness. Among these are:

(a) the business (and its location) to which the goods belong; (b) the class of product to which the goods belong; (c) the product’s quality, quantity, or size, including the nature of the package, wrapper or container; (d) the nature and cost of the articles; (e) the descriptive properties, physical attributes or essential characteristics with reference to their form, composition, texture or quality; (f) the purpose of the goods; (g) whether the article is bought for immediate consumption, that is, day-to-day household items; (h) the fields of manufacture; (i) the conditions under which the article is usually purchased; and (j) the channels of trade through which the goods flow, how they are distributed, marketed, displayed and sold.

As mentioned, the classification of the products under the NCL is merely part and parcel of the factors to be considered in ascertaining whether the goods are related. It is not sufficient to state that the goods involved herein are electronic products under Class 9 in order to establish relatedness between the goods, for this only accounts for one of many considerations enumerated in Mighty Corporation.

Clearly then, it was erroneous for Kolin Electronics to assume over the CA to conclude that all electronic products are related and that the coverage of one electronic product necessarily precludes the registration of a similar mark over another. In this digital age wherein electronic products have not only diversified by leaps and bounds, and are geared towards interoperability, it is difficult to assert readily, as Kolin Electronics simplistically did, that all devices that require plugging into sockets are necessarily related goods.

As a matter of fact, while both competing marks refer to the word “KOLIN” written in upper case letters and in bold font, the Court at once notes the distinct visual and aural differences between them: Kolin Electronics’ mark is italicized and colored black while that of Taiwan Kolin is white in
pantone red color background. The differing features between the two, though they may appear minimal, are sufficient to distinguish one brand from the other.

Finally, in line with the foregoing discussions, 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.

All told, We are convinced that Taiwan Kolin’s trademark registration not only covers unrelated good, but is also incapable of deceiving the ordinary intelligent buyer. The ordinary purchaser must be thought of as having, and credited with, at least a modicum of intelligence to be able to see the differences between the two trademarks in question.


EMERALD GARMENT MANUFACTURING CORPORATION v. H.D. LEE COMPANY, INC.
G.R. No. 210693, June 7, 2017, Third Division, REYES, J.:

It is a fundamental principle in Philippine Trademark Law that only the owner of a trademark is entitled to register a mark in his/her name.

FACTS

H.D. Lee filed before the IPO an application for the registration of the trademark, "LEE & OGIVE CURVE DESIGN" on jeans and pants at the time of the pendency of Emerald’s application for the registration of the marks "DOUBLE CURVE LINES" and "DOUBLE REVERSIBLE WAVE LINE (Back Pocket Design)." Emerald opposed H.D. Lee’s application arguing that the approval of such will violate the exclusive use of its marks, "DOUBLE REVERSIBLE WAVE LINE," and "DOUBLE CURVE LINES," which it has been using on a line of clothing apparel since October 1, 1973 and 1980, respectively. Further, H.D. Lee’s "LEE & OGIVE CURVE DESIGN" is confusingly similar or identical with the "DOUBLE CURVE LINES" previously registered in Emerald’s name.

On February 27, 2009, the then Director of Bureau of Legal Affairs (BLA) denied H.D. Lee’s application. However, on appeal, the Director General rendered on August 10, 2012 a Decision reversing the findings of the Director of BLA. This was affirmed by the CA. Hence, this Petition.

ISSUE

Whether or not the trademark "LEE & OGIVE CURVE DESIGN" can be registered.

RULING

NO. Emerald’s application for the registration of its mark "DOUBLE CURVE LINES" had been resolved with finality by the IPO’s Director of the Bureau of Legal Affairs. Well-settled is the principle that a
decision that has acquired finality becomes immutable and unalterable and may no longer be modified in any respect even if the modification is meant to correct erroneous conclusions of fact or law and whether it will be made by the court that rendered it or by the highest court of the land.

In that case, IPO Director of the Bureau of Legal Affairs ruled that H.D. Lee established neither its ownership of the mark "LEE & OGIVE CUR VE DESIGN' nor its international reputation. It is a fundamental principle in Philippine Trademark Law that only the owner of a trademark is entitled to register a mark in his/her name and that the actual use in commerce in the Philippines is a prerequisite to the acquisition of ownership over a trademark. Emerald adopted and has been using in commerce since October 1, 1973, the trademark "DOUBLE REVERSIBLE WAVE LINE" together with its other registered marks up to the present. Thus, Emerald has become the owner of the mark "DOUBLE REVERSIBLE WAVE LINE" through continuous commercial use thereof. Moreover, the near resemblance or confusing similarity between the competing marks of the parties is further heightened by the fact that both marks are used on identical goods, particularly, on jeans and pants falling under Class 25.

11. Non-Registrable Marks

- Lyceum of the Philippines vs. Court of Appeals, 219 SCRA 610 (1993)

LYCEUM OF THE PHILIPPINES, INC., petitioner, vs. COURT OF APPEALS, LYCEUM OF APARRI, LYCEUM OF CABAGAN, LYCEUM OF CAMALANIUGAN, INC., LYCEUM OF LALLO, INC., LYCEUM OF TUAO, INC., BUHI LYCEUM, CENTRAL LYCEUM OF CATANDUANES, LYCEUM OF SOUTHERN PHILIPPINES, LYCEUM OF EASTERN MINDANAO, INC. and WESTERN PANGASINAN LYCEUM, INC., respondents.

G.R. No. 101897. THIRD DIVISION, March 5, 1993, FELICIANO, J.

Under the doctrine of secondary meaning, a word or phrase originally incapable of exclusive appropriation with reference to an article in the market, because geographical or otherwise descriptive might nevertheless have been used so long and so exclusively by one producer with reference to this article that, in that trade and to that group of the purchasing public, the word or phrase has come to mean that the article was his produce.

While the appellant may have proved that it had been using the word 'Lyceum' for a long period of time, this fact alone did not amount to mean that the said word had acquired secondary meaning in its favor because the appellant failed to prove that it had been using the same word all by itself to the exclusion of others. More so, there was no evidence presented to prove that confusion will surely arise if the same word were to be used by other educational institutions.

FACTS

Petitioner is an educational institution duly registered with the Securities and Exchange Commission ("SEC"). When it first registered with the SEC on 21 September 1950, it used the corporate name Lyceum of the Philippines, Inc. and has used that name ever since.
On 24 February 1984, petitioner instituted proceedings before the SEC to compel the private respondents, which are also educational institutions, to delete the word "Lyceum" from their corporate names and permanently to enjoin them from using "Lyceum" as part of their respective names.

Some of the private respondents actively participated in the proceedings before the SEC.

Petitioner had sometime before commenced in the SEC a proceeding (SEC-Case No. 1241) against the Lyceum of Baguio, Inc. to require it to change its corporate name and to adopt another name not "similar [to] or identical" with that of petitioner. In an Order dated 20 April 1977, Associate Commissioner Julio Sulit held that the corporate name of petitioner and that of the Lyceum of Baguio, Inc. were substantially identical because of the presence of a "dominant" word, i.e., "Lyceum," the name of the geographical location of the campus being the only word which distinguished one from the other corporate name. The SEC also noted that petitioner had registered as a corporation ahead of the Lyceum of Baguio, Inc. in point of time, 1 and ordered the latter to change its name to another name "not similar or identical [with]" the names of previously registered entities.

The Lyceum of Baguio, Inc. assailed the Order of the SEC before the Supreme Court in a case docketed as G.R. No. L-46595. In a Minute Resolution dated 14 September 1977, the Court denied the Petition for Review for lack of merit. Entry of judgment in that case was made on 21 October 1977.

Armed with the Resolution of this Court in G.R. No. L-46595, petitioner then wrote all the educational institutions it could find using the word "Lyceum" as part of their corporate name, and advised them to discontinue such use of "Lyceum." When, with the passage of time, it became clear that this recourse had failed, petitioner instituted before the SEC SEC-Case No. 2579 to enforce what petitioner claims as its proprietary right to the word "Lyceum." The SEC hearing officer rendered a decision sustaining petitioner’s claim to an exclusive right to use the word "Lyceum." The hearing officer relied upon the SEC ruling in the Lyceum of Baguio, Inc. case (SEC-Case No. 1241) and held that the word "Lyceum" was capable of appropriation and that petitioner had acquired an enforceable exclusive right to the use of that word.

On appeal, however, by private respondents to the SEC En Banc, the decision of the hearing officer was reversed and set aside.

ISSUE

1. Whether the corporate names of the parties are identical with or deceptively similar to that of the petitioner.

2. Whether the use by the Lyceum of the Philippines of the word Lyceum in its corporate name has been for such length of time and with such exclusivity as to have become associated or identified with the petitioner institution in the mind of the general public

RULING

1. No. We do not consider that the corporate names of private respondent institutions are "identical with, or deceptively or confusingly similar" to that of the petitioner institution. True enough, the corporate names of private respondent entities all carry the word "Lyceum" but confusion and
deception are effectively precluded by the appending of geographic names to the word "Lyceum." Thus, we do not believe that the "Lyceum of Aparri" can be mistaken by the general public for the Lyceum of the Philippines, or that the "Lyceum of Camalaniugan" would be confused with the Lyceum of the Philippines.

Etymologically, the word "Lyceum" is the Latin word for the Greek lykeion which in turn referred to a locality on the river Ilissius in ancient Athens "comprising an enclosure dedicated to Apollo and adorned with fountains and buildings erected by Pisistratus, Pericles and Lyc rugus frequented by the youth for exercise and by the philosopher Aristotle and his followers for teaching." 8 In time, the word "Lyceum" became associated with schools and other institutions providing public lectures and concerts and public discussions. Thus today, the word "Lyceum" generally refers to a school or an institution of learning. While the Latin word "lyceum" has been incorporated into the English language, the word is also found in Spanish (liceo) and in French (lycee). As the Court of Appeals noted in its Decision, Roman Catholic schools frequently use the term; e.g., "Liceo de Manila," "Liceo de Baleno," "Liceo de Masbate," "Liceo de Albay." 9 "Lyceum" is in fact as generic in character as the word "university." In the name of the petitioner, "Lyceum" appears to be a substitute for "university;" in other places, however, "Lyceum," or "Liceo" or "Lycee" frequently denotes a secondary school or a college. It may be (though this is a question of fact which we need not resolve) that the use of the word "Lyceum" may not yet be as widespread as the use of "university," but it is clear that a not inconsiderable number of educational institutions have adopted "Lyceum" or "Liceo" as part of their corporate names. Since "Lyceum" or "Liceo" denotes a school or institution of learning, it is not unnatural to use this word to designate an entity which is organized and operating as an educational institution.

2. No.

"Under the doctrine of secondary meaning, a word or phrase originally incapable of exclusive appropriation with reference to an article in the market, because geographical or otherwise descriptive might nevertheless have been used so long and so exclusively by one producer with reference to this article that, in that trade and to that group of the purchasing public, the word or phrase has come to mean that the article was his produce (Ana Ang vs. Toribio Teodoro, 74 Phil. 56).

With the foregoing as a yardstick, [we] believe the appellant failed to satisfy the aforementioned requisites. No evidence was ever presented in the hearing before the Commission which sufficiently proved that the word 'Lyceum' has indeed acquired secondary meaning in favor of the appellant. If there was any of this kind, the same tend to prove only that the appellant had been using the disputed word for a long period of time. Nevertheless, its (appellant) exclusive use of the word (Lyceum) was never established or proven as in fact the evidence tend to convey that the cross-claimant was already using the word 'Lyceum' seventeen (17) years prior to the date the appellant started using the same word in its corporate name. Furthermore, educational institutions of the Roman Catholic Church had been using the same or similar word like 'Liceo de Manila,' 'Liceo de Baleno' (in Baleno, Masbate), 'Liceo de Masbate,' 'Liceo de Albay' long before appellant started using the word 'Lyceum'. The appellant also failed to prove that the word 'Lyceum' has become so identified with its educational institution that confusion will surely arise in the minds of the public if the same word were to be used by other educational institutions.

The word "COFFEE" cannot be exclusively appropriated by either Nestle or Puregold since it is generic or descriptive of the goods they seek to identify.

FACTS

Puregold filed an application for the registration of the trademark "COFFEE MATCH" for use on coffee, tea, cocoa, sugar, artificial coffee, flour and preparations made from cereals, bread, pastry and confectionery, and honey. However, Nestle opposed the same alleging that it is the exclusive owner of the "COFFEE-MATE" trademark and that there is confusing similarity between its "COFFEE-MATE" trademark and Puregold's "COFFEE MATCH" application. Nestle alleged that "COFFEE-MATE" has been declared an internationally well-known mark and Puregold's use of "COFFEE MATCH" would indicate a connection with the goods covered in Nestle's "COFFEE-MATE" mark because of its distinct similarity.

ISSUE

Whether or not there is confusing similarity between COFFEE MATCH and COFFEE-MATE.

RULING

The word "COFFEE" is the common dominant feature between Nestle's mark "COFFEE-MATE" and Puregold's mark "COFFEE MATCH." However, following Section 123, paragraph (h) of R.A. 8293 which prohibits exclusive registration of generic marks, the word "COFFEE" cannot be exclusively appropriated by either Nestle or Puregold since it is generic or descriptive of the goods they seek to identify. In Asia Brewery, Inc. v. Court of Appeals, this Court held that generic or descriptive words are not subject to registration and belong to the public domain. Consequently, we must look at the word or words paired with the generic or descriptive word, in this particular case "-MATE" for Nestle's mark and "MATCH" for Puregold's mark, to determine the distinctiveness and registrability of Puregold's mark "COFFEE MATCH."

We agree with the findings of the BLA-IPO and ODG-IPO. The distinctive features of both marks are sufficient to warn the purchasing public which are Nestle's products and which are Puregold's products. While both "-MATE" and "MATCH" contain the same first three letters, the last two letters in Puregold's mark, "C" and "H," rendered a visual and aural character that made it easily distinguishable from Nestle’s mark. Also, the distinctiveness of Puregold's mark with two separate words with capital letters "C" and "M" made it distinguishable from Nestle's mark which is one word with a hyphenated small letter "-m" in its mark. In addition, there is a phonetic difference in pronunciation between Nestle's "-MATE" and Puregold's "MATCH." As a result, the eyes and ears of the consumer would not mistake Nestle’s product for Puregold’s product. Accordingly, this Court sustains the findings of the BLA-IPO and ODG-IPO that the likelihood of confusion between Nestle's product and Puregold's product does not exist and upholds the registration of Puregold's mark.
What is prohibited under the law is not having a generic mark but having such generic mark being identifiable to the good or service. In this case, although SAKURA refers to the Japanese flowering cherry and is, therefore, of a generic nature, such mark did not identify Kensonic’s goods, making it capable of appropriation.

The mere fact that goods belonged to the same class does not necessarily mean that they are related as there are different factors by which to determine whether or not goods are related to each other for purposes of registration.

FACTS

Uni-Line led an application for the registration of the trademark SAKURA for use on the following goods: washing machines, high pressure washers, vacuum cleaners, floor polishers, blender, electric mixer, electrical juicer (falling under Class 07 of Nice International Classification of Goods); television sets, stereo components, DVD/VCD players, voltage regulators, portable generators, switch breakers, fuse (falling under Class 09 of the same classification); and refrigerators, air conditioners, oven toaster, turbo broiler, rice cooker, microwave oven, coffee maker, sandwich/waffle maker, electric stove, electric fan, hot & cold water dispenser, airpot, electric griller and electric hot pot (Class 11).

Uni-Line’s application was thereafter published, and there being no opposition thereto, Certificate of Registration for the mark SAKURA was issued. Thereafter, Kensonic led with the BLA a Petition for Cancellation of Uni-Line’s Certificate of Registration alleging that in October 1994, it introduced the marketing of SAKURA products in the Philippines and that it owned said SAKURA products and was the first to use, introduce and distribute said products. Kensonic further alleged that it is the owner of a copyright for SAKURA and that since 1994, has maintained and established a good name and goodwill over the SAKURA products.

Kensonic posed that the SAKURA marks would lead to confusion since they are identical and that Uni-Line’s goods under Class 07 and Class 11 were related to its goods falling under Class 09. On the other hand, Uni-Line contends that the SAKURA mark could not be appropriated because it simply referred to cherry blossom in Japanese and was thus a generic name that was not copyrightable; and that voltage regulators, portable generators, switch breakers and fuse were unrelated to Kensonic’s products because Uni-Line’s products were not electronic.

ISSUES

a) Whether or not the SAKURA mark is capable of appropriation.

b) Whether or not Kensonic’s goods falling under Class 09 are related to Uni-Line’s goods falling under Class 07 and Class 11.

c) Whether or not Uni-Line’s goods falling under Class 09, namely: voltage regulators, portable generators, switch breakers and fuses, are related to Kensonic’s goods falling under Class 09.
RULING

a) Yes. Section 123(h) of the Intellectual Property Code prohibits the registration of a trademark that consists exclusively of signs that are generic for the goods or services that they seek to identify. It is clear from the law itself, therefore, that what is prohibited is not having a generic mark but having such generic mark being identifiable to the good or service. In this case, although SAKURA refers to the Japanese flowering cherry and is, therefore, of a generic nature, such mark did not identify Kensonic's goods unlike the mark in Asia Brewery, Inc. v. Court of Appeals. Kensonic's DVD or VCD players and other products could not be identified with cherry blossoms. Hence, the mark can be appropriated.

b) No. In Mighty Corporation v. E. & J. Gallo Winery, the Court has identified the different factors by which to determine whether or not goods are related to each other for purposes of registration such as (a) the business (and its location) to which the goods belong (b) the class of product to which the goods belong (c) the product's quality, quantity, or size, including the nature of the package, wrapper or container (d) the nature and cost of the articles (e) the descriptive properties, physical attributes or essential characteristics with reference to their form, composition, texture or quality (f) the purpose of the goods (g) whether the article is bought for immediate consumption, that is, day-to-day household items (h) the fields of manufacture (i) the conditions under which the article is usually purchased and (j) the channels of trade through which the goods are sold.

An examinations of the foregoing factors reveals that the goods of Uni-Line were not related to the goods of Kensonic by virtue of their differences in class, the descriptive attributes, the purposes and the conditions of the goods.

c) No. In Taiwan Kolin Corporation, Ltd. v. Kolin Electronics, Co., Inc., the Court has opined that the mere fact that goods belonged to the same class does not necessarily mean that they are related; and that the factors listed in Mighty Corporation should be taken into consideration.

Based on the Court’s pronouncement in Taiwan Kolin case, there are other sub-classifications present even if the goods are classified under Class 09. For one, Kensonic's goods belonged to the information technology and audiovisual equipment sub-class, but Uni-Line’s goods pertained to the apparatus and devices for controlling the distribution of electricity sub-class. Also, the Class 09 goods of Kensonic were final products but Uni-Line's Class 09 products were spare parts. In view of these distinctions, the Court agrees with Uni-Line that its Class 09 goods were unrelated to the Class 09 goods of Kensonic. Being unrelated goods, Uni-Line's registration of the SAKURA mark for its voltage regulators, portable generators, switch breakers and fuses shall be allowed.

12. Prior Use of Mark as a Requirement


MATTEL, INC. Petitioner, v. EMMA FRANCISCO, Director-General >of the Intellectual Property Office, HON. ESTRELLITA B. ABELARDO, Director of the Bureau of Legal Affairs (IPO), and JIMMY UY, Respondents.
G.R. NO. 166886, THIRD DIVISION, July 30, 2008, AUSTRIA-MARTINEZ, J

Section 124.2 of R.A. No. 8293 provides: The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations within three (3) years from the filing date of the application. Otherwise, the applicant shall be refused or the marks shall be removed from the Register by the Director.

FACTS

Jimmy A. Uy (Uy) filed a trademark application with the Bureau of Patents, Trademarks and Technology Transfer (BPTTT) for registration of the trademark "BARBIE" for use on confectionary products, such as milk, chocolate, candies, milk bar and chocolate candies.

Mattel, Inc. (Mattel), filed a Notice of Opposition against Uy's "Barbie" trademark as the latter was confusingly similar to its trademark on dolls, doll clothes and doll accessories, toys and other similar commercial products.

While the case was pending, Republic Act (R.A.) No. 8293, otherwise known as the Intellectual Property Code of the Philippines was enacted and took effect on January 1, 1998. The BPTTT was abolished and its functions transferred to the newly created Intellectual Property Office (IPO).

Public respondent Estrellita B. Abelardo, the Director of the Bureau of Legal Affairs, IPO, rendered a Decision dismissing Mattel’s opposition and giving due course to Uy’s application for the registration of the trademark "Barbie" used on confectionary products. The Director held that there was no confusing similarity between the two competing marks because the goods were non-competing or unrelated.

Mattel filed an appeal. Public respondent Emma C. Francisco, the Director General, rendered a Decision denying the appeal on the ground that there was no proof on record that Mattel had ventured into the production of chocolates and confectionary products under the trademark "Barbie" to enable it to prevent Uy from using an identical "Barbie" trademark on said goods; that the records were bereft of the fact that the Director of the Bureau of Trademarks (BOT) had already declared the subject trademark application abandoned due to the non-filing of the Declaration of Actual Use (DAU) by Uy.

ISSUE

Whether or not the application is deemed withdrawn or abandoned for failure to file the Declaration of Actual Use.

RULING

The instant case has been rendered moot and academic.

Uy’s declaration in his Comment and Memorandum before this Court that he has not filed the DAU as mandated by pertinent provisions of R.A. No. 8293 is a judicial admission that he has effectively abandoned or withdrawn any right or interest in his trademark.
Section 124.2 of R.A. No. 8293 provides:

The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations within three (3) years from the filing date of the application. **Otherwise, the applicant shall be refused or the marks shall be removed from the Register by the Director. (Emphasis supplied)**

Moreover, Rule 204 of the Rules and Regulations on Trademarks provides:

Declaration of Actual Use. The Office will not require any proof of use in commerce in the processing of trademark applications. However, **without need of any notice from the Office**, all applicants or registrants, shall file a declaration of actual use of the mark with evidence to that effect within three years, without possibility of extension, from the filing date of the application. **Otherwise, the application shall be refused or the mark shall be removed from the register by the Director motu proprio. (Emphasis supplied)**

Meanwhile, Memorandum Circular No. BT 2K1-3-04 dated March 29, 2001 of the IPO provides:

2. For pending applications prosecuted under R.A. 166 we distinguish as follows:
2.1. Based on use - must submit DAU and evidence of use on or before December 1, 2001, subject to a single six (6) month extension. (Sec. 3.2, Final Provisions of the Trademark Regulations, R.A. 8293, IPO Fee Structure and MC. No. BT Y2K-8-02)

Uy's admission in his Comment and Memorandum of non-compliance with the foregoing requirements is a judicial admission and an admission against interest combined. A judicial admission binds the person who makes the same. In the same vein, an admission against interest is the best evidence which affords the greatest certainty of the facts in dispute. The rationale for the rule is based on the presumption that no man would declare anything against himself unless such declaration is true. Thus, it is fair to presume that the declaration corresponds with the truth, and it is his fault if it does not.

In the present case, Mattel is seeking a ruling on whether Uy's "Barbie" trademark is confusingly similar to its (Mattel's) "Barbie" trademark. Given Uy's admission that he has effectively abandoned or withdrawn any rights or interest in his trademark by his non-filing of the required DAU, there is no more actual controversy, or no useful purpose will be served in passing upon the merits of the case. It would be unnecessary to rule on the trademark conflict between the parties. **A ruling on the matter would practically partake of a mere advisory opinion, which falls beyond the realm of judicial review. The exercise of the power of judicial review is limited to actual cases and controversies. Courts have no authority to pass upon issues through advisory opinions or to resolve hypothetical or feigned problems.**

13. **Tests to Determine Confusing Similarity between Marks**

a. Dominancy Test
In Emerald Garment Manufacturing Corporation v. Court of Appeals, this Court stated that in determining whether trademarks are confusingly similar, jurisprudence has developed two kinds of tests, the Dominancy Test and the Holistic Test.

In the present case, a resort to either the Dominancy Test or the Holistic Test shows that colorable imitation exists between respondent's "Gold Toe" and petitioner's "Gold Top." A glance at petitioner's mark shows that it definitely has a lot of similarities and in fact looks like a combination of the trademark and devices that respondent has already registered; namely, "Gold Toe," the representation of a sock with a magnifying glass, the "Gold Toe" representation and "linenized."

FACTS

The source of the controversy that precipitated the filing by [herein Respondent] Cluett Peabody Co., Inc. (a New York corporation) of the present case against [herein Petitioner] Amigo Manufacturing Inc. (a Philippine corporation) for cancellation of trademark is [respondent's] claim of exclusive ownership (as successor in interest of Great American Knitting Mills, Inc.) of the following trademark and devices, as used on men’s socks:

a) GOLD TOE, under Certificate of Registration No. 6797 dated September 22, 1958;

b) DEVICE, representation of a sock and magnifying glass on the toe of a sock, under Certificate of Registration No. 13465 dated January 25, 1968;

c) DEVICE, consisting of a 'plurality of gold colored lines arranged in parallel relation within a triangular area of toe of the stocking and spread from each other by lines of contrasting color of the major part of the stocking' under Certificate of Registration No. 13887 dated May 9, 1968; and

d) LINENIZED, under Certificate of Registration No. 15440 dated April 13, 1970.

On the other hand, [petitioner's] trademark and device 'GOLD TOP, Linenized for Extra Wear' has the dominant color 'white' at the center and a 'blackish brown' background with a magnified design of the sock’s garter, and is labeled 'Amigo Manufacturing Inc., Mandaluyong, Metro Manila, Made in the Philippines'.

In the Patent Office, this case was heard by no less than six Hearing Officers. The decision pivots on two point: the application of the rule of idem sonans and the existence of a confusing similarity in appearance between two trademarks.

ISSUES

1. Whether the petitioner had actually used the trademark and the devices in question prior to respondent
2. Whether there is confusing similarity

3. Whether Paris Convention applies

RULING

1. No. Petitioner claims that it started the actual use of the trademark "Gold Top and Device" in September 1956, while respondent began using the trademark "Gold Toe" only on May 15, 1962. It contends that the claim of respondent that it had been using the "Gold Toe" trademark at an earlier date was not substantiated. The latter’s witnesses supposedly contradicted themselves as to the date of first actual use of their trademark, coming up with different dates such as 1952, 1947 and 1938.

We do not agree. Based on the evidence presented, this Court concurs in the findings of the Bureau of Patents that respondent had actually used the trademark and the devices in question prior to petitioner’s use of its own. During the hearing at the Bureau of Patents, respondent presented Bureau registrations indicating the dates of first use in the Philippines of the trademark and the devices as follows: a) March 16, 1954, Gold Toe; b) February 1, 1952, the Representation of a Sock and a Magnifying Glass; c) January 30, 1932, the Gold Toe Representation; and d) February 28, 1952, "Linenized."

The registration of the above marks in favor of respondent constitutes prima facie evidence, which petitioner failed to overturn satisfactorily, of respondent’s ownership of those marks, the dates of appropriation and the validity of other pertinent facts stated therein. Indeed, Section 20 of Republic Act 166 provides as follows:

"Sec. 20. Certificate of registration prima facie evidence of validity. - 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."

Moreover, the validity of the Certificates of Registration was not questioned. Neither did petitioner present any evidence to indicate that they were fraudulently issued. Consequently, the claimed dates of respondent’s first use of the marks are presumed valid. Clearly, they were ahead of petitioner’s claimed date of first use of "Gold Top and Device" in 1958.

2. Yes. The Bureau of Patents, however, did not rely on the idem sonans test alone in arriving at its conclusion. The Bureau considered the drawings and the labels, the appearance of the labels, the lettering, and the representation of a man’s foot wearing a sock. Obviously, its conclusion is based on the totality of the similarities between the parties' trademarks and not on their sounds alone.

In Emerald Garment Manufacturing Corporation v. Court of Appeals, this Court stated that in determining whether trademarks are confusingly similar, jurisprudence has developed two kinds of tests, the Dominancy Test and the Holistic Test.
In the present case, a resort to either the Dominancy Test or the Holistic Test shows that colorable imitation exists between respondent's "Gold Toe" and petitioner's "Gold Top." A glance at petitioner's mark shows that it definitely has a lot of similarities and in fact looks like a combination of the trademark and devices that respondent has already registered; namely, "Gold Toe," the representation of a sock with a magnifying glass, the "Gold Toe" representation and "linenized."

Petitioner cannot therefore ignore the fact that, when compared, most of the features of its trademark are strikingly similar to those of respondent. In addition, these representations are at the same location, either in the sock itself or on the label. Petitioner presents no explanation why it chose those representations, considering that these were the exact symbols used in respondent’s marks. Thus, the overall impression created is that the two products are deceptively and confusingly similar to each other. Clearly, petitioner violated the applicable trademark provisions during that time.

3. Yes. As already discussed, respondent registered its trademarks under the principal register, which means that the requirement of prior use had already been fulfilled. To emphasize, Section 5-A of Republic Act 166 requires the date of first use to be specified in the application for registration. Since the trademark was successfully registered, there exists a prima facie presumption of the correctness of the contents thereof, including the date of first use. Petitioner has failed to rebut this presumption. Thus, applicable is the Union Convention for the Protection of Industrial Property adopted in Paris on March 20, 1883, otherwise known as the Paris Convention, of which the Philippines and the United States are members. Respondent is domiciled in the United States and is the registered owner of the "Gold Toe" trademark. Hence, it is entitled to the protection of the Convention. A foreign-based trademark owner, whose country of domicile is a party to an international convention relating to protection of trademarks, is accorded protection against infringement or any unfair competition as provided in Section 37 of Republic Act 166, the Trademark Law which was the law in force at the time this case was instituted.

- Societe Des Produits Nestle, S.A. vs. Court of Appeals and CFC Corporation, G.R. No. 112012, April 4, 2001

SOCIETE DES PRODUITS NESTLE, S.A. and NESTLE PHILIPPINES, INC., petitioners, vs. COURT OF APPEALS and CFC CORPORATION., respondents
G.R. No. 112012, FIRST DIVISION, April 4, 2001, YNARES-SANTIAGO, J.

In determining if colorable imitation exists, jurisprudence has developed two kinds of tests - the Dominancy Test and the Holistic Test. The test of dominancy focuses on the similarity of the prevalent features of the competing trademarks which might cause confusion or deception and thus constitute infringement. On the other side of the spectrum, the holistic test mandates that the entirety of the marks in question must be considered in determining confusing similarity.

FACTS

CFC Corporation filed with the BPTTT an application for the registration of the trademark "FLAVOR MASTER" for instant coffee. Petitioner Societe Des Produits Nestle, S.A., a Swiss company registered under Swiss laws and domiciled in Switzerland, filed an unverified Notice of Opposition, claiming that
the trademark of private respondent's product is "confusingly similar to its trademarks for coffee and coffee extracts, to wit: MASTER ROAST and MASTER BLEND.

Likewise, a verified Notice of Opposition was filed by Nestle Philippines, Inc., a Philippine corporation and a licensee of Societe Des Produits Nestle S.A., against CFC's application for registration of the trademark FLAVOR MASTER. Nestle claimed that the use, if any, by CFC of the trademark FLAVOR MASTER and its registration would likely cause confusion in the trade; or deceive purchasers and would falsely suggest to the purchasing public a connection in the business of Nestle, as the dominant word present in the three (3) trademarks is "MASTER"; or that the goods of CFC might be mistaken as having originated from the latter.

CFC argued that its trademark, FLAVOR MASTER, is not confusingly similar with the former's trademarks, MASTER ROAST and MASTER BLEND, alleging that, "except for the word MASTER (which cannot be exclusively appropriated by any person for being a descriptive or generic name), the other words that are used respectively with said word in the three trademarks are very different from each other – in meaning, spelling, pronunciation, and sound". CFC further argued that its trademark, FLAVOR MASTER, "is clearly very different from any of Nestle's alleged trademarks MASTER ROAST and MASTER BLEND, especially when the marks are viewed in their entirety, by considering their pictorial representations, color schemes and the letters of their respective labels."

BPTTT denied CFC's application for registration but it was reversed by the CA.

ISSUE

Whether the trademark FLAVOR MASTER is a colorable imitation of the trademarks MASTER ROAST and MASTER BLEND.

RULING

YES. A trademark has been generally defined as "any word, name, symbol or device adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured and sold by others." A manufacturer's trademark is entitled to protection.

Colorable imitation denotes such a close or ingenious imitation as to be calculated to deceive ordinary persons, or such a resemblance to the original as to deceive an ordinary purchaser giving such attention as a purchaser usually gives, as to cause him to purchase the one supposing it to be the other. In determining if colorable imitation exists, jurisprudence has developed two kinds of tests - the Dominancy Test and the Holistic Test. The test of dominancy focuses on the similarity of the prevalent features of the competing trademarks which might cause confusion or deception and thus constitute infringement. On the other side of the spectrum, the holistic test mandates that the entirety of the marks in question must be considered in determining confusing similarity.

While this Court agrees with the Court of Appeals' detailed enumeration of differences between the respective trademarks of the two coffee products, this Court cannot agree that totality test is the one applicable in this case. Rather, this Court believes that the dominancy test is more suitable to this case in light of its peculiar factual milieu.
For this reason, this Court agrees with the BPTTT when it applied the test of dominancy and held that:

From the evidence at hand, it is sufficiently established that the word MASTER is the dominant feature of opposer's mark. The word MASTER is printed across the middle portion of the label in bold letters almost twice the size of the printed word ROAST. Further, the word MASTER has always been given emphasis in the TV and radio commercials and other advertisements made in promoting the product. This can be gleaned from the fact that Robert Jaworski and Atty. Ric Puno Jr., the personalities engaged to promote the product, are given the titles Master of the Game and Master of the Talk Show, respectively. In due time, because of these advertising schemes the mind of the buying public had come to learn to associate the word MASTER with the opposer's goods.

x x x. It is the observation of this Office that much of the dominance which the word MASTER has acquired through Opposer's advertising schemes is carried over when the same is incorporated into respondent-applicant's trademark FLAVOR MASTER. Thus, when one looks at the label bearing the trademark FLAVOR MASTER (Exh. 4) one's attention is easily attracted to the word MASTER, rather than to the dissimilarities that exist. Therefore, the possibility of confusion as to the goods which bear the competing marks or as to the origins thereof is not farfetched. x x x.

In addition, the word "MASTER" is neither a generic nor a descriptive term. As such, said term can not be invalidated as a trademark and, therefore, may be legally protected. Rather, the term "MASTER" is a suggestive term brought about by the advertising scheme of Nestle. Suggestive terms are those which, in the phraseology of one court, require "imagination, thought and perception to reach a conclusion as to the nature of the goods."

The term "MASTER", therefore, has acquired a certain connotation to mean the coffee products MASTER ROAST and MASTER BLEND produced by Nestle. As such, the use by CFC of the term "MASTER" in the trademark for its coffee product FLAVOR MASTER is likely to cause confusion or mistake or even to deceive the ordinary purchasers.

- McDonald's Corporation vs. L.C. Big Mak Burger, Inc., G.R. No. 143993, August 18, 2004

MCDONALD'S CORPORATION and MCGEORGE FOOD INDUSTRIES, INC., petitioners, vs. L.C. BIG MAK BURGER, INC., FRANCIS B. DY, EDNA A. DY, RENE B. DY, WILLIAM B. DY, JESUS AYCARDO, ARACELI AYCARDO, and GRACE HUERTO, respondents.
G.R. No. 143993, FIRST DIVISION, August 18, 2004, CARPIO, J.

In determining likelihood of confusion, jurisprudence has developed two tests, the dominancy test and the holistic test. The dominancy test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion. In contrast, the holistic test requires the court to consider the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity.
Applying the dominancy test, the Court finds that respondents' use of the "Big Mak" mark results in likelihood of confusion. First, "Big Mak" sounds exactly the same as "Big Mac." Second, the first word in "Big Mak" is exactly the same as the first word in "Big Mac." Third, the first two letters in "Mak" are the same as the first two letters in "Mac." Fourth, the last letter in "Mak" while a "k" sounds the same as "c" when the word "Mak" is pronounced. Fifth, in Filipino, the letter "k" replaces "c" in spelling, thus "Caloocan" is spelled "Kalookan."

FACTS

Petitioner McDonald's Corporation ("McDonald's") is a corporation organized under the laws of Delaware, United States. McDonald's operates, by itself or through its franchisees, a global chain of fast-food restaurants. McDonald's owns a family of marks— including the "Big Mac" mark for its "double-decker hamburger sandwich." McDonald's registered this trademark with the United States Trademark Registry on 16 October 1979. Based on this Home Registration, McDonald's applied for the registration of the same mark in the Principal Register of the then Philippine Bureau of Patents, Trademarks and Technology ("PBPTT") now the Intellectual Property Office ("IPO"). Pending approval of its application, McDonald's introduced its "Big Mac" hamburger sandwiches in the Philippine market in September 1981. On 18 July 1985, the PBPTT allowed registration of the "Big Mac" mark in the Principal Register based on its Home Registration in the United States.

Like its other marks, McDonald's displays the "Big Mac" mark in items—and paraphernalia—in its restaurants, and in its outdoor and indoor signages. From 1982 to 1990, McDonald's spent P10.5 million in advertisement for "Big Mac" hamburger sandwiches alone.

Petitioner McGeorge Food Industries ("petitioner McGeorge"), a domestic corporation, is McDonald's Philippine franchisee.

Respondent L.C. Big Mak Burger, Inc. ("respondent corporation") is a domestic corporation which operates fast-food outlets and snack vans in Metro Manila and nearby provinces. Respondent corporation's menu includes hamburger sandwiches and other food items.

On 21 October 1988, respondent corporation applied with the PBPTT for the registration of the "Big Mak" mark for its hamburger sandwiches. McDonald's opposed respondent corporation's application on the ground that "Big Mak" was a colorable imitation of its registered "Big Mac" mark for the same food products.

Petitioners on 6 June 1990 sued respondents in the Regional Trial Court of Makati, Branch 137 ("RTC"), for trademark infringement and unfair competition. In its Order of 11 July 1990, the RTC issued a temporary restraining order ("TRO") against respondents enjoining them from using the "Big Mak" mark in the operation of their business in the National Capital Region. Later, the RTC issued a writ of preliminary injunction replacing the TRO.

In their Answer, respondents admitted that they have been using the name "Big Mak Burger" for their fast-food business. Respondents claimed, however, that McDonald's does not have an exclusive right to the "Big Mac" mark or to any other similar mark.
RTC rendered judgment ("RTC Decision") finding respondent corporation liable for trademark infringement and unfair competition. However, the RTC dismissed the complaint against private respondents and the counterclaim against petitioners for lack of merit and insufficiency of evidence. The CA reversed the said decision.

ISSUES

1. Whether the questions raised in this petition are proper for a petition for review under Rule 45.

2. Whether respondents used the words "Big Mak" not only as part of the corporate name "L.C. Big Mak Burger, Inc." but also as a trademark for their hamburger products.

3. Whether respondent corporation is liable for trademark infringement and unfair competition.

RULING

1. Here, petitioners raise questions of fact and law in assailing the Court of Appeals' findings on respondent corporation's non-liability for trademark infringement and unfair competition. Ordinarily, the Court can deny due course to such a petition. In view, however, of the contradictory findings of fact of the RTC and Court of Appeals, the Court opts to accept the petition, this being one of the recognized exceptions to Section 1. We took a similar course of action in *Asia Brewery, Inc. v. Court of Appeals* which also involved a suit for trademark infringement and unfair competition in which the trial court and the Court of Appeals arrived at conflicting findings.

2. Yes. The evidence presented during the hearings on petitioners' motion for the issuance of a writ of preliminary injunction shows that the plastic wrappings and plastic bags used by respondents for their hamburger sandwiches bore the words "Big Mak." The other descriptive words "burger" and "100% pure beef" were set in smaller type, along with the locations of branches. Respondents' cash invoices simply refer to their hamburger sandwiches as "Big Mak." It is respondents' snack vans that carry the words "L.C. Big Mak Burger, Inc."

It was only during the trial that respondents presented in evidence the plastic wrappers and bags for their hamburger sandwiches relied on by the Court of Appeals. Respondents' plastic wrappers and bags were identical with those petitioners presented during the hearings for the injunctive writ except that the letters "L.C." and the words "Burger, Inc." in respondents' evidence were added above and below the words "Big Mak," respectively. Since petitioners' complaint was based on facts existing before and during the hearings on the injunctive writ, the facts established during those hearings are the proper factual bases for the disposition of the issues raised in this petition.

3. Yes. To establish trademark infringement, the following elements must be shown: (1) the validity of plaintiff's mark; (2) the plaintiff's ownership of the mark; and (3) the use of the mark or its colorable imitation by the alleged infringer results in "likelihood of confusion." Of these, it is the element of likelihood of confusion that is the gravamen of trademark infringement.

The Court also finds that petitioners have duly established McDonald's exclusive ownership of the "Big Mac" mark. Although Topacio and the Isaiyas Group registered the "Big Mac" mark ahead of McDonald's, Topacio, as petitioners disclosed, had already assigned his rights to McDonald's.
Isaiyas Group, on the other hand, registered its trademark only in the Supplemental Register. A mark which is not registered in the Principal Register, and thus not distinctive, has no real protection. Indeed, we have held that registration in the Supplemental Register is not even a prima facie evidence of the validity of the registrant’s exclusive right to use the mark on the goods specified in the certificate.

Section 22 covers two types of confusion arising from the use of similar or colorable imitation marks, namely, confusion of goods (product confusion) and confusion of business (source or origin confusion). In Sterling Products International Incorporated v. Farbenfabriken Bayer Aktiengesellschaft, et al., the Court distinguished these two types of confusion, thus:

[Rudolf] Callman 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." xxx 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."

In determining likelihood of confusion, jurisprudence has developed two tests, the dominancy test and the holistic test. The dominancy test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion. In contrast, the holistic test requires the court to consider the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity.

Respondents now vigorously argue that the Court of Appeals' application of the holistic test to this case is correct and in accord with prevailing jurisprudence. This Court, however, has relied on the dominancy test rather than the holistic test.

Applying the dominancy test, the Court finds that respondents' use of the "Big Mak" mark results in likelihood of confusion. First, "Big Mak" sounds exactly the same as "Big Mac." Second, the first word in "Big Mak" is exactly the same as the first word in "Big Mac." Third, the first two letters in "Mak" are the same as the first two letters in "Mac." Fourth, the last letter in "Mak" while a "k" sounds the same as "c" when the word "Mak" is pronounced. Fifth, in Filipino, the letter "k" replaces "c" in spelling, thus "Caloocan" is spelled "Kalookan."

In short, aurally the two marks are the same, with the first word of both marks phonetically the same, and the second word of both marks also phonetically the same. Visually, the two marks have both two words and six letters, with the first word of both marks having the same letters and the second word having the same first two letters. In spelling, considering the Filipino language, even the last letters of both marks are the same.

Clearly, respondents have adopted in "Big Mak" not only the dominant but also almost all the features of "Big Mac." Applied to the same food product of hamburgers, the two marks will likely result in confusion in the public mind.

The Court has taken into account the aural effects of the words and letters contained in the marks in determining the issue of confusing similarity.
Certainly, "Big Mac" and "Big Mak" for hamburgers create even greater confusion, not only aurally but also visually.

Indeed, a person cannot distinguish "Big Mac" from "Big Mak" by their sound. When one hears a "Big Mac" or "Big Mak" hamburger advertisement over the radio, one would not know whether the "Mac" or "Mak" ends with a "c" or a "k."

Petitioners' aggressive promotion of the "Big Mac" mark, as borne by their advertisement expenses, has built goodwill and reputation for such mark making it one of the easily recognizable marks in the market today. This increases the likelihood that consumers will mistakenly associate petitioners' hamburgers and business with those of respondents.

Respondents' inability to explain sufficiently how and why they came to choose "Big Mak" for their hamburger sandwiches indicates their intent to imitate petitioners' "Big Mac" mark.

Thus, there is actually no notice to the public that the "Big Mak" hamburgers are products of "L.C. Big Mak Burger, Inc." and not those of petitioners who have the exclusive right to the "Big Mac" mark. This clearly shows respondents' intent to deceive the public. Had respondents' placed a notice on their plastic wrappers and bags that the hamburgers are sold by "L.C. Big Mak Burger, Inc.", then they could validly claim that they did not intend to deceive the public. In such case, there is only trademark infringement but no unfair competition. Respondents, however, did not give such notice. We hold that as found by the RTC, respondent corporation is liable for unfair competition.

- McDonald’s Corporation vs. Macjoy Fastfood Corporation, G.R. No. 166115, February 2, 2007

McDONALD’S CORPORATION, Petitioner, vs. MACJOY FASTFOOD CORPORATION, Respondent.
G.R. No. 166115, FIRST DIVISION, February 2, 2007, GARCIA, J.

In determining similarity and likelihood of confusion, jurisprudence has developed two tests, the dominancy test and the holistic test. The dominancy test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion or deception. In contrast, the holistic test requires the court to consider the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. Under the latter test, a comparison of the words is not the only determinant factor.

Applying the dominancy test to the instant case, the Court finds that herein petitioner’s "MCDONALD’S" and respondent’s "MACJOY" marks are confusingly similar with each other such that an ordinary purchaser can conclude an association or relation between the marks.

FACTS

Macjoy Fastfood Corporation, a domestic corporation engaged in the sale of fast food products in Cebu City, filed an application for the registration of the trademark "MACJOY & DEVICE" for fried chicken, chicken barbeque, burgers, fries, spaghetti, palabok, tacos, sandwiches, halo-halo and steaks under classes 29 and 30 of the International Classification of Goods.
Petitioner McDonald’s Corporation, a corporation duly organized and existing under the laws of the State of Delaware, USA, filed a verified Notice of Opposition against the respondent’s application claiming that the trademark "MACJOY & DEVICE" so resembles its corporate logo, otherwise known as the Golden Arches or "M" design, and its marks "McDonalds," McChicken," "MacFries," "BigMac," "McDo," "McSpagheti," "McSnack," and "Mc," (hereinafter collectively known as the MCDONALD’S marks) such that when used on identical or related goods, the trademark applied for would confuse or deceive purchasers into believing that the goods originate from the same source or origin. Likewise, the petitioner alleged that the respondent’s use and adoption in bad faith of the "MACJOY & DEVICE" mark would falsely tend to suggest a connection or affiliation with petitioner’s restaurant services and food products, thus, constituting a fraud upon the general public and further cause the dilution of the distinctiveness of petitioner’s registered and internationally recognized MCDONALD’S marks to its prejudice and irreparable damage.

Respondent denied the aforementioned allegations of the petitioner and averred that it has used the mark "MACJOY" for the past many years in good faith and has spent considerable sums of money for said mark's extensive promotion in tri-media, especially in Cebu City where it has been doing business long before the petitioner opened its outlet thereat sometime in 1992; and that its use of said mark would not confuse affiliation with the petitioner’s restaurant services and food products because of the differences in the design and detail of the two (2) marks.

The IPO held that there is confusing similarity; however, the CA held otherwise stating there are predominant difference like the spelling, the font and color of the trademark and the picture of the logo.

ISSUE

Whether CA committed reversible error in finding no confusing similarity between the trademarks in question

RULING

Yes. In determining similarity and likelihood of confusion, jurisprudence has developed two tests, the dominancy test and the holistic test. The dominancy test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion or deception. In contrast, the holistic test requires the court to consider the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. Under the latter test, a comparison of the words is not the only determinant factor.

While we agree with the CA’s detailed enumeration of differences between the two (2) competing trademarks herein involved, we believe that the holistic test is not the one applicable in this case, the dominancy test being the one more suitable. In recent cases with a similar factual milieu as here, the Court has consistently used and applied the dominancy test in determining confusing similarity or likelihood of confusion between competing trademarks.

Applying the dominancy test to the instant case, the Court finds that herein petitioner’s "MCDONALDS” and respondent’s "MACJOY" marks are confusingly similar with each other such that an ordinary purchaser can conclude an association or relation between the marks.
To begin with, both marks use the corporate "M" design logo and the prefixes "Mc" and/or "Mac" as dominant features. The first letter "M" in both marks puts emphasis on the prefixes "Mc" and/or "Mac" by the similar way in which they are depicted i.e. in an arch-like, capitalized and stylized manner.

For sure, it is the prefix "Mc," an abbreviation of "Mac," which visually and aurally catches the attention of the consuming public. Verily, the word "MACJOY" attracts attention the same way as did "McDonalds," "MacFries," "McSpaghetti," "McDo," "Big Mac" and the rest of the MCDONALD'S marks which all use the prefixes Mc and/or Mac.

Besides and most importantly, both trademarks are used in the sale of fastfood products. Indisputably, the respondent's trademark application for the "MACJOY & DEVICE" trademark covers goods under Classes 29 and 30 of the International Classification of Goods, namely, fried chicken, chicken barbeque, burgers, fries, spaghetti, etc. Likewise, the petitioner's trademark registration for the MCDONALD'S marks in the Philippines covers goods which are similar if not identical to those covered by the respondent's application.

With the existence of confusing similarity between the subject trademarks, the resulting issue to be resolved is who, as between the parties, has the rightful claim of ownership over the said marks.

We rule for the petitioner.

A mark is valid if it is distinctive and hence not barred from registration under the Trademark Law. However, once registered, not only the mark's validity but also the registrant's ownership thereof is prima facie presumed.

Pursuant to Section 37 of R.A. No. 166, as amended, as well as the provision regarding the protection of industrial property of foreign nationals in this country as embodied in the Paris Convention under which the Philippines and the petitioner's domicile, the United States, are adherent-members, the petitioner was able to register its MCDONALD'S marks successively, i.e., "McDonald's" in 04 October, 1971; the corporate logo which is the "M" or the golden arches design and the "McDonald's" with the "M" or golden arches design both in 30 June 1977; and so on and so forth.

On the other hand, it is not disputed that the respondent's application for registration of its trademark "MACJOY & DEVICE" was filed only on March 14, 1991 albeit the date of first use in the Philippines was December 7, 1987.

Hence, from the evidence on record, it is clear that the petitioner has duly established its ownership of the mark/s.


PROSOURCE INTERNATIONAL, INC., Petitioner, vs. HORPHAG RESEARCH MANAGEMENT SA, Respondent.
G.R. No. 180073, THIRD DIVISION, November 25, 2009, NACHURA, J.
In determining similarity and likelihood of confusion, jurisprudence has developed two tests: the Dominancy Test and the Holistic or Totality Test. The Dominancy Test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion and deception, thus constituting infringement. In contrast, the Holistic Test entails a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing on both labels in order that the observer may draw his conclusion whether one is confusingly similar to the other.

FACTS

Respondent Horphag Research Management SA is a corporation duly organized and existing under the laws of Switzerland and the owner of trademark PYCNOGENOL, a food supplement sold and distributed by Zuellig Pharma Corporation. Respondent later discovered that petitioner Prosource International, Inc. was also distributing a similar food supplement using the mark PCO-GENOLS since 1996. This prompted respondent to demand that petitioner cease and desist from using the aforesaid mark.

Without notifying respondent, petitioner discontinued the use of, and withdrew from the market, the products under the name PCO-GENOLS as of June 19, 2000. It, likewise, changed its mark from PCO-GENOLS to PCO-PLUS.

On August 22, 2000, respondent filed a Complaint for Infringement of Trademark with Prayer for Preliminary Injunction against petitioner, praying that the latter cease and desist from using the brand PCO-GENOLS for being confusingly similar with respondent's trademark PYCNOGENOL. It, likewise, prayed for actual and nominal damages, as well as attorney's fees.

In its Answer, petitioner contended that respondent could not file the infringement case considering that the latter is not the registered owner of the trademark PYCNOGENOL, but one Horphag Research Limited. It, likewise, claimed that the two marks were not confusingly similar. Finally, it denied liability, since it discontinued the use of the mark prior to the institution of the infringement case.

The RTC decided in favor of respondent. It observed that PYCNOGENOL and PCO-GENOLS have the same suffix "GENOL" which appears to be merely descriptive and thus open for trademark registration by combining it with other words and concluded that the marks, when read, sound similar, and thus confusingly similar especially since they both refer to food supplements.

On appeal to the CA, petitioner failed to obtain a favorable decision. The appellate court explained that under the Dominancy or the Holistic Test, PCO-GENOLS is deceptively similar to PYCNOGENOL.

ISSUE

Whether petitioner is liable for trademark infringement

RULING

YES. It must be recalled that respondent filed a complaint for trademark infringement against petitioner for the latter’s use of the mark PCO-GENOLS which the former claimed to be confusingly

A trademark is any distinctive word, name, symbol, emblem, sign, or device, or any combination thereof, adopted and used by a manufacturer or merchant on his goods to identify and distinguish them from those manufactured, sold, or dealt by others. Inarguably, a trademark deserves protection.

In accordance with Section 22 of R.A. No. 166, as well as Sections 2, 2-A, 9-A, and 20 thereof, the following constitute the elements of trademark infringement:

(a) A trademark actually used in commerce in the Philippines and registered in the principal register of the Philippine Patent Office;

(b) [It] is used by another person in connection with the sale, offering for sale, or advertising of any goods, business or services 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 such trademark is reproduced, counterfeited, copied or colorably imitated by another person and such reproduction, counterfeit, copy or colorable imitation is applied to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services as to likely cause confusion or mistake or to deceive purchasers;

(c) [T]he trademark is used for identical or similar goods; and

(d) [S]uch act is done without the consent of the trademark registrant or assignee.

On the other hand, the elements of infringement under R.A. No. 8293 are as follows:

(1) The trademark being infringed is registered in the Intellectual Property Office; however, in infringement of trade name, the same need not be registered;

(2) The trademark or trade name is reproduced, counterfeited, copied, or colorably imitated by the infringer;

(3) The infringing mark or trade name is used in connection with the sale, offering for sale, or advertising of any goods, business or services; or the infringing mark or trade name is applied to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services;

(4) The use or application of the infringing mark or trade name is likely to cause confusion or mistake or to deceive purchasers or others as to the goods or services themselves or as to the source or origin of such goods or services or the identity of such business; and

(5) It is without the consent of the trademark or trade name owner or the assignee thereof.
In the foregoing enumeration, it is the element of "likelihood of confusion" that is the gravamen of trademark infringement. But "likelihood of confusion" is a relative concept. The particular, and sometimes peculiar, circumstances of each case are determinative of its existence. Thus, in trademark infringement cases, precedents must be evaluated in the light of each particular case.

In determining similarity and likelihood of confusion, jurisprudence has developed two tests: the Dominancy Test and the Holistic or Totality Test. The Dominancy Test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion and deception, thus constituting infringement. In contrast, the Holistic Test entails a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing on both labels in order that the observer may draw his conclusion whether one is confusingly similar to the other.

The trial and appellate courts applied the Dominancy Test in determining whether there was a confusing similarity between the marks PYCNOGENOL and PCO-GENOL. Applying the test, the trial court found, and the CA affirmed, that:

Both the word[s] PYCNOGENOL and PCO-GENOL have the same suffix "GENOL," which on evidence, appears to be merely descriptive and furnish no indication of the origin of the article and hence, open for trademark registration by the plaintiff thru combination with another word or phrase such as PYCNOGENOL, Exhibits "A" to "A-3." Furthermore, although the letters "Y" between P and C, "N" between O and C and "S" after L are missing in the [petitioner's] mark PCO-GENOLS, nevertheless, when the two words are pronounced, the sound effects are confusingly similar: not to mention that they are both described by their manufacturers as a food supplement and thus, identified as such by their public consumers. And although there were dissimilarities in the trademark due to the type of letters used as well as the size, color and design employed on their individual packages/bottles, still the close relationship of the competing products' names in sounds as they were pronounced, clearly indicates that purchasers could be misled into believing that they are the same and/or originates from a common source and manufacturer.

Finally, we reiterate that the issue of trademark infringement is factual, with both the trial and appellate courts finding the allegations of infringement to be meritorious. As we have consistently held, factual determinations of the trial court, concurred in by the CA, are final and binding on this Court. Hence, petitioner is liable for trademark infringement.

- Berris Agricultural Co., Inc. vs. Norvy Abyadang, G.R. No. 183404, October 13, 2010

BERRIS AGRICULTURAL CO., INC., Petitioner, vs. NORVY ABYADANG, Respondent.
G.R. No. 183404, SECOND DIVISION, October 13, 2010, NACHURA, J.

In determining similarity and likelihood of confusion, jurisprudence has developed tests—the Dominancy Test and the Holistic or Totality Test. The Dominancy Test focuses on the similarity of the prevalent or dominant features of the competing trademarks that might cause confusion, mistake, and deception in the mind of the purchasing public. Duplication or imitation is not necessary; neither is it required that the mark sought to be registered suggests an effort to imitate. Given more consideration
are the aural and visual impressions created by the marks on the buyers of goods, giving little weight to factors like prices, quality, sales outlets, and market segments.

In contrast, the Holistic or Totality Test necessitates a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing on both labels so that the observer may draw conclusion on whether one is confusingly similar to the other.

FACTS

Respondent Norvy A. Abyadang (Abyadang), proprietor of NS Northern Organic Fertilizer, with address at No. 43 Lower QM, Baguio City, filed with the Intellectual Property Office (IPO) a trademark application for the mark "NS D-10 PLUS" for use in connection with Fungicide (Class 5) with active ingredient 80% Mancozeb.

Petitioner Berris Agricultural Co., Inc. (Berris), with business address in Barangay Masiit, Calauan, Laguna, filed with the IPO Bureau of Legal Affairs (IPO-BLA) a Verified Notice of Opposition against the mark under application allegedly because "NS D-10 PLUS" is similar and/or confusingly similar to its registered trademark "D-10 80 WP," also used for Fungicide (Class 5) with active ingredient 80% Mancozeb.

The IPO ruled in favor of Berries but on appeal with the CA, the CA ruled in favor of Abyadang.

ISSUE

Whether Abyadang's mark 'NS D-10 PLUS' confusingly similar to that of Berris' 'D-10 80 WP' such that the latter can rightfully prevent the IPO registration of the former

RULING

Yes. In determining similarity and likelihood of confusion, jurisprudence has developed tests—the Dominancy Test and the Holistic or Totality Test. The Dominancy Test focuses on the similarity of the prevalent or dominant features of the competing trademarks that might cause confusion, mistake, and deception in the mind of the purchasing public. Duplication or imitation is not necessary; neither is it required that the mark sought to be registered suggests an effort to imitate. Given more consideration are the aural and visual impressions created by the marks on the buyers of goods, giving little weight to factors like prices, quality, sales outlets, and market segments.

In contrast, the Holistic or Totality Test necessitates a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. The discerning eye of the observer must focus not only on the predominant words but also on the other
features appearing on both labels so that the observer may draw conclusion on whether one is confusingly similar to the other.

Comparing Berris' mark "D-10 80 WP" with Abyadang's mark "NS D-10 PLUS," as appearing on their respective packages, one cannot but notice that both have a common component which is "D-10." On Berris' package, the "D-10" is written with a bigger font than the "80 WP." Admittedly, the "D-10" is the dominant feature of the mark. The "D-10," being at the beginning of the mark, is what is most remembered of it. Although, it appears in Berris' certificate of registration in the same font size as the "80 WP," its dominancy in the "D-10 80 WP" mark stands since the difference in the form does not alter its distinctive character.

Applying the Dominancy Test, it cannot be gainsaid that Abyadang's "NS D-10 PLUS" is similar to Berris' "D-10 80 WP," that confusion or mistake is more likely to occur. Undeniably, both marks pertain to the same type of goods – fungicide with 80% Mancozeb as an active ingredient and used for the same group of fruits, crops, vegetables, and ornamental plants, using the same dosage and manner of application. They also belong to the same classification of goods under R.A. No. 8293. Both depictions of "D-10," as found in both marks, are similar in size, such that this portion is what catches the eye of the purchaser. Undeniably, the likelihood of confusion is present.

This likelihood of confusion and mistake is made more manifest when the Holistic Test is applied, taking into consideration the packaging, for both use the same type of material (foil type) and have identical color schemes (red, green, and white); and the marks are both predominantly red in color, with the same phrase "BROAD SPECTRUM FUNGICIDE" written underneath.

Considering these striking similarities, predominantly the "D-10," the buyers of both products, mainly farmers, may be misled into thinking that "NS D-10 PLUS" could be an upgraded formulation of the "D-10 80 WP."

- Dermaline, Inc. vs. Myra Pharmaceuticals, Inc., G.R. No. 190065, August 1, 2010

DERMALINE, INC., Petitioner, vs. MYRA PHARMACEUTICALS, INC. Respondent.  
G.R. No. 190065, SECOND DIVISION, August 1, 2010, NACHURA, J.

While there are no set rules that can be deduced as what constitutes a dominant feature with respect to trademarks applied for registration; usually, what are taken into account are signs, color, design, peculiar shape or name, or some special, easily remembered earmarks of the brand that readily attracts and catches the attention of the ordinary consumer.

FACTS

Petitioner Dermaline, Inc. (Dermaline) filed before the Intellectual Property Office (IPO) an application for registration of the trademark "DERMALINE DERMALINE, INC."

On May 8, 2007, respondent Myra Pharmaceuticals, Inc. (Myra) filed a Verified Opposition alleging that the trademark sought to be registered by Dermaline so resembles its trademark "DERMALIN" and will likely cause confusion, mistake and deception to the purchasing public. Myra said that the
registration of Dermaline’s trademark will violate Section 123 of Republic Act (R.A.) No. 8293 (Intellectual Property Code of the Philippines). It further alleged that Dermaline’s use and registration of its applied trademark will diminish the distinctiveness and dilute the goodwill of Myra’s “DERMALIN,” registered with the IPO way back July 8, 1986, renewed for ten (10) years on July 8, 2006. Myra has been extensively using “DERMALIN” commercially since October 31, 1977, and said mark is still valid and subsisting.

Myra claimed that, despite Dermaline’s attempt to differentiate its applied mark, the dominant feature is the term “DERMALINE,” which is practically identical with its own “DERMALIN,” more particularly that the first eight (8) letters of the marks are identical, and that notwithstanding the additional letter “E” by Dermaline, the pronunciation for both marks are identical. Further, both marks have three (3) syllables each, with each syllable identical in sound and appearance, even if the last syllable of “DERMALINE” consisted of four (4) letters while “DERMALIN” consisted only of three (3).

Myra asserted that the mark “DERMALINE DERMALINE, INC.” is aurally similar to its own mark such that the registration and use of Dermaline’s applied mark will enable it to obtain benefit from Myra’s reputation, goodwill and advertising and will lead the public into believing that Dermaline is, in any way, connected to Myra.

In its Verified Answer, Dermaline countered that a simple comparison of the trademark “DERMALINE DERMALINE, INC.” vis-à-vis Myra’s “DERMALIN” trademark would show that they have entirely different features and distinctive presentation, thus it cannot result in confusion, mistake or deception on the part of the purchasing public.

The IPO sustained the opposition. CA affirmed and upheld the Order dated April 17, 2009 and the rejection of Dermaline’s application for registration of trademark.

**ISSUE**

Whether the CA erred in upholding the IPO’s rejection of Dermaline’s application for registration of trademark.

**RULING**

No. A trademark is any distinctive word, name, symbol, emblem, sign, or device, or any combination thereof, adopted and used by a manufacturer or merchant on his goods to identify and distinguish them from those manufactured, sold, or dealt by others. Inarguably, it is an intellectual property deserving protection by law. In trademark controversies, each case must be scrutinized according to its peculiar circumstances, such that jurisprudential precedents should only be made to apply if they are specifically in point.

The Dominancy Test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion or deception. It is applied when the trademark sought to be registered contains the main, essential and dominant features of the earlier registered trademark, and confusion or deception is likely to result. Duplication or imitation is not even required; neither is it necessary that the label of the applied mark for registration should suggest an effort to imitate. The important issue is whether the use of the marks involved would likely cause confusion or mistake in the mind
of or deceive the ordinary purchaser, or one who is accustomed to buy, and therefore to some extent familiar with, the goods in question.

On the other hand, the Holistic Test entails a consideration of the entirety of the marks as applied to the products, including labels and packaging, in determining confusing similarity. The scrutinizing eye of the observer must focus not only on the predominant words but also on the other features appearing in both labels so that a conclusion may be drawn as to whether one is confusingly similar to the other.

Relative to the question on confusion of marks and trade names, jurisprudence has noted two (2) types of confusion, viz: (1) confusion of goods (product confusion), where the ordinarily prudent purchaser would be induced to purchase one product in the belief that he was purchasing the other; and (2) confusion of business (source or origin confusion), where, although the goods of the parties are different, the product, the mark of which registration is applied for by one party, is such as might reasonably be assumed to originate with the registrant of an earlier product, and the public would then be deceived either into that belief or into the belief that there is some connection between the two parties, though inexistent.

We agree with the findings of the IPO. As correctly applied by the IPO in this case, while there are no set rules that can be deduced as what constitutes a dominant feature with respect to trademarks applied for registration; usually, what are taken into account are signs, color, design, peculiar shape or name, or some special, easily remembered earmarks of the brand that readily attracts and catches the attention of the ordinary consumer.

Dermaline’s insistence that its applied trademark "DERMALINE DERMALINE, INC." had differences "too striking to be mistaken" from Myra’s "DERMALIN" cannot, therefore, be sustained. While it is true that the two marks are presented differently – Dermaline’s mark is written with the first "DERMALINE" in script going diagonally upwards from left to right, with an upper case "D" followed by the rest of the letters in lower case, and the portion "DERMALINE, INC." is written in upper case letters, below and smaller than the long-hand portion; while Myra’s mark "DERMALIN" is written in an upright font, with a capital "D" and followed by lower case letters – the likelihood of confusion is still apparent. This is because they are almost spelled in the same way, except for Dermaline’s mark which ends with the letter "E," and they are pronounced practically in the same manner in three (3) syllables, with the ending letter "E" in Dermaline’s mark pronounced silently. Thus, when an ordinary purchaser, for example, hears an advertisement of Dermaline’s applied trademark over the radio, chances are he will associate it with Myra’s registered mark.

Further, Dermaline’s stance that its product belongs to a separate and different classification from Myra’s products with the registered trademark does not eradicate the possibility of mistake on the part of the purchasing public to associate the former with the latter, especially considering that both classifications pertain to treatments for the skin.

- Soceite Des Produits Nestle, S.A. vs. Dy, Jr., G.R. No. 172276, August 8, 2010

G.R. No. 172276, SECOND DIVISION, August 8, 2010, CARPIO, J.
The registered trademark owner may use his mark on the same or similar products, in different segments of the market, and at different price levels depending on variations of the products for specific segments of the market. The Court has recognized that the registered trademark owner enjoys protection in product and market areas that are the normal potential expansion of his business.

FACTS

Petitioner Societe Des Produits Nestle, S.A. (Nestle) is a foreign corporation organized under the laws of Switzerland. It manufactures food products and beverages. As evidenced by Certificate of Registration No. R-14621 issued on 7 April 1969 by the then Bureau of Patents, Trademarks and Technology Transfer, Nestle owns the "NAN" trademark for its line of infant powdered milk products, consisting of PRE-NAN, NAN-H.A., NAN-1, and NAN-2. NAN is classified under Class 6 — "diatetic preparations for infant feeding."

Dy, Jr. owns 5M Enterprises. He imports Sunny Boy powdered milk from Australia and repacks the powdered milk into three sizes of plastic packs bearing the name "NANNY." The packs weigh 80, 180 and 450 grams and are sold for ₱8.90, ₱17.50 and ₱39.90, respectively. NANNY is also classified under Class 6 — “full cream milk for adults in [sic] all ages.” Dy, Jr. distributes and sells the powdered milk in Dumaguete, Negros Oriental, Cagayan de Oro, and parts of Mindanao.

In a letter, Nestle requested Dy, Jr. to refrain from using "NANNY" and to undertake that he would stop infringing the "NAN" trademark. Dy, Jr. did not act on Nestle’s request. On 1 March 1990, Nestle filed a complaint against Dy, Jr. for infringement. Dy, Jr. filed a motion to dismiss alleging that the complaint did not state a cause of action.

The trial court found Dy, Jr. liable for infringement, but it was reversed by the CA.

ISSUE

Whether Dy, Jr. is liable for infringement.

RULING

Yes.

In accordance with Section 22 of R.A. No. 166, as well as Sections 2, 2-A, 9-A, and 20 thereof, the following constitute the elements of trademark infringement:

"(a) A trademark actually used in commerce in the Philippines and registered in the principal register of the Philippine Patent Office[:]

(b) [It] is used by another person in connection with the sale, offering for sale, or advertising of any goods, business or services 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 such trademark is reproduced, counterfeited, copied or colorably imitated by another person and such reproduction, counterfeit, copy or colorable imitation is applied to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon
or in connection with such goods, business or services as to likely cause confusion or mistake or to deceive purchasers;

(c) [T]he trademark is used for identical or similar goods;

(d) [S]uch act is done without the consent of the trademark registrant or assignee."

On the other hand, the elements of infringement under R.A. No. 8293 are as follows:

· The trademark being infringed is registered in the Intellectual Property Office; however, in infringement of trade name, the same need not be registered;

· The trademark or trade name is reproduced, counterfeited, copied, or colorably imitated by the infringer;

· The infringing mark or trade name is used in connection with the sale, offering for sale, or advertising of any goods, business or services; or the infringing mark or trade name is applied to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services;

· The use or application of the infringing mark or trade name is likely to cause confusion or mistake or to deceive purchasers or others as to the goods or services themselves or as to the source or origin of such goods or services or the identity of such business; and

· It is without the consent of the trademark or trade name owner or the assignee thereof.

Among the elements, the element of likelihood of confusion is the gravamen of trademark infringement.

There are two tests to determine likelihood of confusion: the dominancy test and holistic test. Applying the dominancy test in the present case, the Court finds that "NANNY" is confusingly similar to "NAN." "NAN" is the prevalent feature of Nestle’s line of infant powdered milk products. It is written in bold letters and used in all products. The line consists of PRE-NAN, NAN-H.A., NAN-1, and NAN-2. Clearly, "NANNY" contains the prevalent feature "NAN." The first three letters of "NANNY" are exactly the same as the letters of "NAN." When "NAN" and "NANNY" are pronounced, the aural effect is confusingly similar.

In determining the issue of confusing similarity, the Court takes into account the aural effect of the letters contained in the marks.

The scope of protection afforded to registered trademark owners is not limited to protection from infringers with identical goods. The scope of protection extends to protection from infringers with related goods, and to market areas that are the normal expansion of business of the registered trademark owners.

In *Mighty Corporation v. E. & J. Gallo Winery*, the Court held that, "Non-competing goods may be those which, though they are not in actual competition, are so related to each other that it can reasonably
be assumed that they originate from one manufacturer, in which case, confusion of business can arise out of the use of similar marks.” In that case, the Court enumerated factors in determining whether goods are related: (1) classification of the goods; (2) nature of the goods; (3) descriptive properties, physical attributes or essential characteristics of the goods, with reference to their form, composition, texture or quality; and (4) style of distribution and marketing of the goods, including how the goods are displayed and sold.

NANNY and NAN have the same classification, descriptive properties and physical attributes. Both are classified under Class 6, both are milk products, and both are in powder form. Also, NANNY and NAN are displayed in the same section of stores — the milk section.

The Court agrees with the lower courts that there are differences between NAN and NANNY: (1) NAN is intended for infants while NANNY is intended for children past their infancy and for adults; and (2) NAN is more expensive than NANNY. However, as the registered owner of the “NAN” mark, Nestle should be free to use its mark on similar products, in different segments of the market, and at different price levels.

The registered trademark owner may use his mark on the same or similar products, in different segments of the market, and at different price levels depending on variations of the products for specific segments of the market. The Court has recognized that the registered trademark owner enjoys protection in product and market areas that are the normal potential expansion of his business.

- Sketchers USA vs. Inter Pacific Industrial Trading Corporation, GR No. 164321, March 28, 2011

SKECHERS, U.S.A., INC., Petitioner, vs. INTER PACIFIC INDUSTRIAL TRADING CORP., and/or INTER PACIFIC TRADING CORP. and/or STRONG SPORTS GEAR CO., LTD., and/or STRONGSHOES WAREHOUSE and/or STRONG FASHION SHOES TRADING and/or TAN TUAN HONG and/or VIOLETA T. MAGAYAGA and/or JEFFREY R. MORALES and/or any of its other proprietor/s, directors, officers, employees and/or occupants of its premises located at S-7, Ed & Joe’s Commercial Arcade, No. 153 Quirino Avenue, Parañaque City, Respondents.

- TRENDWORKS INTERNATIONAL CORPORATION, Petitioner-Intervenor, vs. INTER PACIFIC INDUSTRIAL TRADING CORP. and/or INTER PACIFIC TRADING CORP. and/or STRONG SPORTS GEAR CO., LTD., and/or STRONGSHOES WAREHOUSE and/or STRONG FASHION SHOES TRADING and/or TAN TUAN HONG and/or VIOLETA T. MAGAYAGA and/or JEFFREY R. MORALES and/or any of its other proprietor/s, directors, officers, employees and/or occupants of its premises located at S-7, Ed & Joe’s Commercial Arcade, No. 153 Quirino Avenue, Parañaque City, Respondents.

GR No. 164321, SECOND DIVISION, March 28, 2011, PERALTA, J.

The essential element of infringement under R.A. No. 8293 is that the infringing mark is likely to cause confusion. In determining similarity and likelihood of confusion, jurisprudence has developed tests: the Dominancy Test and the Holistic or Totality Test.
Applying the Dominancy Test to the case at bar, this Court finds that the use of the stylized "S" by respondent in its Strong rubber shoes infringes on the mark already registered by petitioner with the IPO. While it is undisputed that petitioner's stylized "S" is within an oval design, to this Court’s mind, the dominant feature of the trademark is the stylized "S," as it is precisely the stylized "S" which catches the eye of the purchaser. Thus, even if respondent did not use an oval design, the mere fact that it used the same stylized "S", the same being the dominant feature of petitioner’s trademark, already constitutes infringement under the Dominancy Test.

FACTS

The present controversy arose when petitioner filed with Branch 24 of the Regional Trial Court (RTC) of Manila an application for the issuance of search warrants against an outlet and warehouse operated by respondents for infringement of trademark under Section 155, in relation to Section 170 of Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines. In the course of its business, petitioner has registered the trademark “SKECHERS” and the trademark “S” (within an oval design) with the Intellectual Property Office (IPO).

Two search warrants were issued by the RTC and were served on the premises of respondents. As a result of the raid, more than 6,000 pairs of shoes bearing the "S" logo were seized. Later, respondents moved to quash the search warrants, arguing that there was no confusing similarity between petitioner’s "Skechers" rubber shoes and its "Strong" rubber shoes.

On November 7, 2002, the RTC issued an Order quashing the search warrants and directing the NBI to return the seized goods. The CA issued a Decision affirming the ruling of the RTC.

ISSUE

Whether or not respondent is guilty of trademark infringement

RULING

Yes. The essential element of infringement under R.A. No. 8293 is that the infringing mark is likely to cause confusion. In determining similarity and likelihood of confusion, jurisprudence has developed tests: the Dominancy Test and the Holistic or Totality Test. The Dominancy Test focuses on the similarity of the prevalent or dominant features of the competing trademarks that might cause confusion, mistake, and deception in the mind of the purchasing public. Duplication or imitation is not necessary; neither is it required that the mark sought to be registered suggests an effort to imitate. Given more consideration are the aural and visual impressions created by the marks on the buyers of goods, giving little weight to factors like prices, quality, sales outlets, and market segments.

In contrast, the Holistic or Totality Test necessitates a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. The discerning eye of the observer must focus not only on the predominant words, but also on the other features appearing on both labels so that the observer may draw conclusion on whether one is confusingly similar to the other.

Applying the Dominancy Test to the case at bar, this Court finds that the use of the stylized "S" by respondent in its Strong rubber shoes infringes on the mark already registered by petitioner with the
IPO. While it is undisputed that petitioner’s stylized "S" is within an oval design, to this Court’s mind, the dominant feature of the trademark is the stylized "S," as it is precisely the stylized "S" which catches the eye of the purchaser. Thus, even if respondent did not use an oval design, the mere fact that it used the same stylized "S", the same being the dominant feature of petitioner’s trademark, already constitutes infringement under the Dominancy Test.

Furthermore, respondent did not simply use the letter "S," but it appears to this Court that based on the font and the size of the lettering, the stylized "S" utilized by respondent is the very same stylized "S" used by petitioner; a stylized "S" which is unique and distinguishes petitioner’s trademark. Indubitably, the likelihood of confusion is present as purchasers will associate the respondent’s use of the stylized "S" as having been authorized by petitioner or that respondent’s product is connected with petitioner’s business.

While there may be dissimilarities between the appearances of the shoes, to this Court’s mind such dissimilarities do not outweigh the stark and blatant similarities in their general features. As can be readily observed by simply comparing petitioner’s Energy model and respondent’s Strong rubber shoes, respondent also used the color scheme of blue, white and gray utilized by petitioner. Even the design and "wavelike" pattern of the midsole and outer sole of respondent’s shoes are very similar to petitioner’s shoes, if not exact patterns thereof. At the side of the midsole near the heel of both shoes are two elongated designs in practically the same location. Even the outer soles of both shoes have the same number of ridges, five at the back and six in front. On the side of respondent’s shoes, near the upper part, appears the stylized "S," placed in the exact location as that of the stylized "S" on petitioner’s shoes. On top of the "tongue" of both shoes appears the stylized "S" in practically the same location and size. Moreover, at the back of petitioner’s shoes, near the heel counter, appears "Skechers Sport Trail" written in white lettering. However, on respondent’s shoes appears "Strong Sport Trail" noticeably written in the same white lettering, font size, direction and orientation as that of petitioner’s shoes. On top of the heel collar of petitioner’s shoes are two grayish-white semi-transparent circles. Not surprisingly, respondent’s shoes also have two grayish-white semi-transparent circles in the exact same location.

Based on the foregoing, this Court is at a loss as to how the RTC and the CA, in applying the holistic test, ruled that there was no colorable imitation, when it cannot be any more clear and apparent to this Court that there is colorable imitation. The dissimilarities between the shoes are too trifling and frivolous that it is indubitable that respondent’s products will cause confusion and mistake in the eyes of the public. Respondent’s shoes may not be an exact replica of petitioner’s shoes, but the features and overall design are so similar and alike that confusion is highly likely.

- Mang Inasal Philippines, Inc. v. IFP Manufacturing Corporation, G.R. No. 221717, June 19, 2017

**MANG INASAL PHILIPPINES, INC. v. IFP MANUFACTURING CORPORATION**

*G.R. No. 221717, June 19, 2017, Third Division, VELASCO, JR., J.*:

Given that the "INASAL" element is, at the same time, the dominant and most distinctive feature of the Mang Inasal mark, the said element's incorporation in the OK Hotdog Inasal mark, thus, has the potential to project the deceptive and false impression that the latter mark is somehow linked or associated with the former mark.
FACTS

IFP Manufacturing Corporation filed an application for the registration of the mark "OK Hotdog Inasal Cheese Hotdog Flavor Mark" which it intended to use on one of its curl snack products. This was opposed by Mang Inasal Philippines, Inc. arguing that it is prohibited under Section 123. (d)(iii) of RA 8293. Mang Inasal explained that (1) The OK Hotdog Inasal mark is similar to the Mang Inasal mark. Both marks feature the same dominant element i.e., the word "INASAL"—printed and stylized in the exact same manner, viz: a. In both marks, the word "INASAL" is spelled using the same font style and red color; b. In both marks, the word "INASAL" is placed inside the same black outline and yellow background; and c. In both marks, the word "INASAL" is arranged in the same staggered format; and (2) That he goods that the OK Hotdog Inasal mark intend to identify are also closely related to the services represented by the Mang Inasal mark (i.e., fast food restaurants).

ISSUES

1. Whether or not "OK Hotdog Inasal Cheese Hotdog Flavor Mark" is confusingly similar with the Mang Inasal mark?
2. Whether or not the curl snack product is related to the restaurant services represented by the Mang Inasal mark, in such a way that it may lead to a confusion of business

RULING

1. YES. Applying the dominancy test, we hold that the OK Hotdog Inasal mark is a colorable imitation of the Mang Inasal mark.

First. The fact that the conflicting marks have exactly the same dominant element is key. It is undisputed that the OK Hotdog Inasal mark copied and adopted as one of its dominant features the "INASAL" element of the Mang Inasal mark. Given that the "INASAL" element is, at the same time, the dominant and most distinctive feature of the Mang Inasal mark, the said element's incorporation in the OK Hotdog Inasal mark, thus, has the potential to project the deceptive and false impression that the latter mark is somehow linked or associated with the former mark.

Second. The differences between the two marks are trumped by the overall impression created by their similarity. The mere fact that there are other elements in the OK Hotdog Inasal mark that are not present in the Mang Inasal mark actually does little to change the probable public perception that both marks are linked or associated. It is worth reiterating that the OK Hotdog Inasal mark actually brandishes a literal copy of the most recognizable feature of the Mang Inasal mark. We doubt that an average buyer catching a casual glimpse of the OK Hotdog Inasal mark would pay more attention to the peripheral details of the said mark than it would to the mark’s more prominent feature, especially when the same invokes the distinctive feature of another more popular brand. All in all, we find that the OK Hotdog Inasal mark is similar to the Mang Inasal mark.

2. YES. The Court took into account the specific kind of restaurant business that the petitioner is engaged in, the reputation of the petitioner's mark, and the particular type of curls sought to be marketed.

First. Petitioner uses the Mang Inasal mark in connection with its restaurant services that is particularly known for its chicken inasal, i.e., grilled chicken doused in a
special *inasal* marinade. The *inasal* marinade is different from the typical barbeque marinade and it is what gives the chicken *inasal* its unique taste and distinct orange color. *Inasal* refers to the manner of grilling meat products using an *inasal* marinade.

*Second.* The Mang Inasal mark has been used for petitioner's restaurant business since 2003. The restaurant started in Iloilo but has since expanded its business throughout the country. Currently, the Mang Inasal chain of restaurants has a total of 464 branches scattered throughout the nation's three major islands. It is, thus, fair to say that a sizeable portion of the population is knowledgeable of the Mang Inasal mark.

*Third.* Respondent, on the other hand, seeks to market under the OK Hotdog *Inasal* mark curl snack products which it publicizes as having a cheese hotdog *inasal* flavor.

Accordingly, it is the fact that the underlying goods and services of both marks deal with *inasal* and *inasal*-flavored products which ultimately fixes the relations between such goods and services. Given the foregoing circumstances and the aforesaid similarity between the marks in controversy, we are convinced that an average buyer who comes across the curls marketed under the OK Hotdog *Inasal* mark is likely to be confused as to the true source of such curls. To our mind, it is not unlikely that such buyer would be led into the assumption that the curls are of petitioner and that the latter has ventured into snack manufacturing or, if not, that the petitioner has supplied the flavorings for respondent's product. Either way, the reputation of petitioner would be taken advantage of and placed at the mercy of respondent.

  

In determining whether or not there is infringement, the Court considered "the main, essential, and dominant features" of the marks in this case, as well as the contexts in which the marks are to be used. Applying the dominancy test, the Court sees that the prevalent feature of respondent's mark, the golden lion's head device, is not present at all in any of petitioner's marks. The only similar feature between respondent's mark and petitioner's collection of marks is the word "CITY" in the former, and the "CITI" prefix found in the latter. This similarity alone is not enough to create a likelihood of confusion.

**FACTS**

Petitioner offers ATM services in the Philippines since 1995. It has 29 ATMs and issues ATM cards labelled "CITICARD." The trademark CITICARD is owned by Citibank N.A. and is registered in the Intellectual Property Office (IPO) of the Philippines on September 27, 1995. In addition, petitioner or Citibank N.A., a wholly-owned subsidiary of petitioner, owns the following other trademarks currently registered with the IPO to wit: "CITI and arc design," "CITIBANK," "CITIBANK PAYLINK," "CITIBANK SPEEDCOLLECT," "CITIBANKING," "CITICARD," "CITICORP," "CITIFINANCIAL," "CITIGOLD," "CITIGROUP," "CITIPHONE BANKING," and "CITISERVICE."

On the other hand, sometime in the mid-nineties, a group of Filipinos and Singaporean companies formed a consortium to establish respondent Citystate Savings Bank, Inc. Respondent's registered mark has in its name affixed a lion's head, which is likened to the national symbol of Singapore, the
Merlion. In 1997, respondent opened its initial branch in Makati City. From then on, it endeavored to expand its branch network. At present it has 19 branches in key cities and municipalities including 3 branches in the province of Bulacan and 1 in Cebu City. Respondent had also established off-site ATMs in key locations in the Philippines as one of its banking products and services. In line with this, respondent led an application for registration with the IPO on June 21, 2005 of the trademark “CITY CASH WITH GOLDEN LION’S HEAD” for its ATM service. This caused the petitioner to file an opposition against the said application. Citigroup claimed that the "CITY CASH WITH GOLDEN LION'S HEAD" mark is confusingly similar to its own "CITI" marks.

ISSUE

Whether or not there exists a confusing similarity between the petitioner and respondent’s marks.

RULING

None. There is no objective test for determining whether the confusion is likely. Likelihood of confusion must be determined according to the particular circumstances of each case. To aid in determining the similarity and likelihood of confusion between marks, our jurisprudence has developed two (2) tests: the dominancy test and the holistic test.

The dominancy test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion and deception, thus constituting infringement. If the competing trademark contains the main, essential, and dominant features of another, and confusion or deception is likely to result, infringement occurs. Exact duplication or imitation is not required. The question is whether the use of the marks involved is likely to cause confusion or mistake in the mind of the public or to deceive consumers. In contrast, the holistic test entails a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing on both marks in order that the observer may draw his conclusion whether one is confusingly similar to the other.

With these guidelines in mind, the Court considered "the main, essential, and dominant features" of the marks in this case, as well as the contexts in which the marks are to be used. The Court finds that the use of the "CITY CASH WITH GOLDEN LION'S HEAD" mark will not result in the likelihood of confusion in the minds of customers. A visual comparison of the marks reveals no likelihood of confusion. The most noticeable part of respondent's mark is the golden lion's head device, and after noticing the image of the lion's head, the words "CITY" and "CASH" are equally prominent. On the other hand, petitioner's marks often include the red arc device. Petitioner's marks can best be described as consisting of the prefix "CITI" added to other words.

Applying the dominancy test, the Court sees that the prevalent feature of respondent's mark, the golden lion's head device, is not present at all in any of petitioner's marks. The only similar feature between respondent's mark and petitioner's collection of marks is the word "CITY" in the former, and the "CITI" prefix found in the latter. This similarity alone is not enough to create a likelihood of confusion.

The SC also agrees with the CA that the context where respondent's mark is to be used, namely, for its ATM services, which could only be secured at respondent's premises and not in an open market of ATM services, further diminishes the possibility of confusion on the part of prospective customers.
b. Holistic Test

- Fruit of the Loom, Inc. vs. Court of Appeals, G.R. No. L-32747, November 29, 1984

**FRUIT OF THE LOOM, INC., petitioner, vs. COURT OF APPEALS and GENERAL GARMENTS CORPORATION, respondents.**

G.R. No. L-32747, SECOND DIVISION, November 29, 1984, MAKASIAR, J.

In cases involving infringement of trademark brought before this Court it has been consistently held that 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.

In the trademarks FRUIT OF THE LOOM and FRUIT FOR EVE, the lone similar word is FRUIT. WE agree with the respondent court that 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.

**FACTS**

Petitioner, a corporation duly organized and existing under the laws of the State of Rhode Island, United States of America, is the registrant of a trademark, FRUIT OF THE LOOM, in the Philippines Patent Office and was issued two Certificates of Registration. The classes of merchandise covered by Registration Certificate No. 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 No. 6680 covers knitted, netted and textile fabrics.

Private respondent, a domestic corporation, is the registrant of a trademark FRUIT FOR EVE in the Philippine Patent Office and was issued a Certificate of Registration covering garments similar to petitioner’s products like women’s panties and pajamas.

Petitioner filed before the lower court, a complaint for infringement of trademark and unfair competition against the herein private respondent. Petitioner 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 private respondent’s hang tag consisting of a big red apple is a colorable imitation to the hang tag of petitioner.

On April 19, 1965, private respondent filed an answer invoking the special defense that its registered trademark is not confusingly similar to that of petitioner as the latter alleged. Likewise, private respondent stated that the trademark FRUIT FOR EVE is being used on ladies’ panties and pajamas only whereas petitioner’s trademark is used even on men’s underwear and pajamas.
The trial court held in favor of petitioner. Respondent then appealed to the CA wherein the decision was reversed. The CA held that the word Fruit is a generic word, thus is not capable of exclusive appropriation and that petitioner is not entitled to the exclusive use of every word in their trademark.

**ISSUE**

Whether private respondent’s trademark FRUIT FOR EVE and its hang tag are confusingly similar to petitioner’s trademark FRUIT OF THE LOOM and its hang tag so as to constitute an infringement of the latter’s trademark rights and justify the cancellation of the former.

**RULING**

No. In cases involving infringement of trademark brought before this Court it has been consistently held that 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.

In the trademarks FRUIT OF THE LOOM and FRUIT FOR EVE, the lone similar word is FRUIT. We agree with the respondent court that 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.

The similarities of the competing trademarks in this case are completely lost in the substantial differences in the design and general appearance of their respective hang tags. We have examined the two trademarks as they appear in the hang tags submitted by the parties and we are impressed more by the dissimilarities than by the similarities appearing therein. We hold that 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. Furthermore, we believe that a person who buys petitioner’s products and starts to have a liking for it, will not get confused and reach out for private respondent’s products when she goes to a garment store.

- Emerald Garment Manufacturing Corporation vs. Court of Appeals, G.R. No. 100098, December 29, 1995

**EMERALD GARMENT MANUFACTURING CORPORATION, petitioner, vs. HON. COURT OF APPEALS, BUREAU OF PATENTS, TRADEMARKS AND TECHNOLOGY TRANSFER and H.D. LEE COMPANY, INC., respondents.**

G.R. No. 100098, FIRST DIVISION, December 29, 1995, KAPUNAN, J.
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 and its proponent cases.

Applying the foregoing tenets to the present controversy and taking into account the factual circumstances of this case, we considered the trademarks involved as a whole and rule that petitioner's "STYLISTIC MR. LEE" is not confusingly similar to private respondent's "LEE" trademark.

FACTS

Private respondent H.D. Lee Co., Inc., a foreign corporation organized under the laws of Delaware, U.S.A., filed with the Bureau of Patents, Trademarks & Technology Transfer (BPTTT) a Petition for Cancellation of Registration 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 in the name of petitioner Emerald Garment Manufacturing Corporation, a domestic corporation organized and existing under Philippine laws.

Private respondent, invoking Sec. 37 of R.A. No. 166 (Trademark Law) and Art. VIII of the Paris Convention for the Protection of Industrial Property, averred that petitioner's trademark "so closely resembled its own trademark, 'LEE' as previously registered and used in the Philippines, and not abandoned, as to be likely, when applied to or used in connection with petitioner's goods, to cause confusion, mistake and deception on the part of the purchasing public as to the origin of the goods.

Petitioner contended that its trademark was entirely and unmistakably different from that of private respondent and that its certificate of registration was legally and validly granted.

The Director of Patents found private respondent to be the prior registrant of the trademark “LEE” in the Philippines and that it had been using said mark in the Philippines. Moreover, the Director of Patents, using the test of dominancy, declared that petitioner's trademark was confusingly similar to private respondent's mark because "it is the word 'Lee' which draws the attention of the buyer and leads him to conclude that the goods originated from the same manufacturer. It is undeniably the dominant feature of the mark." The CA affirmed the decision of the Director of Patents.

ISSUE

Whether or not petitioner’s trademark Stylistic Mr. Lee, is confusingly similar with the private respondent’s trademark Lee or Lee-Rider, Lee-Leens and Lee-Sures.

RULING

No. Proceeding to the task at hand, 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."
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* and its proponent cases.

Applying the foregoing tenets to the present controversy and taking into account the factual circumstances of this case, we considered the trademarks involved as a whole and rule that petitioner’s "STYLISTIC MR. LEE” is not confusingly similar to private respondent’s "LEE” trademark.

Petitioner'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 the following variables that must be factored in.

For lack of adequate proof of actual use of its trademark in the Philippines prior to petitioner's use of its own mark and for failure to establish confusing similarity between said trademarks, private respondent's action for infringement must necessarily fail.

• Philip Morris, Inc. vs. Fortune Tobacco Corporation, G.R. No. 158589, June 27, 2006

**PHILIP MORRIS, INC., BENSON & HEDGES (CANADA), INC., and FABRIQUES DE TABAC REUNIES, S.A., (now known as PHILIP MORRIS PRODUCTS S.A.), Petitioners, vs. FORTUNE TOBACCO CORPORATION, Respondent.**

G.R. No. 158589, June 27, 2006, GARCIA, J.

In determining similarity and likelihood of confusion, jurisprudence has developed two tests: the dominancy test and the holistic test. The dominancy test sets sight on the similarity of the prevalent features of the competing trademarks that might cause confusion and deception, thus constitutes infringement. Under this norm, the question at issue turns on whether the use of the marks involved would be likely to cause confusion or mistake in the mind of the public or deceive purchasers. In contrast, the holistic test entails a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity.

Upon consideration of the foregoing in the light of the peculiarity of this case, we rule against the likelihood of confusion resulting in infringement arising from the respondent’s use of the trademark "MARK" for its particular cigarette product.

**FACTS**

Petitioner Philip Morris, Inc., a corporation organized under the laws of the State of Virginia, United States of America, is the registered owner of the trademark "MARK VII" for cigarettes. Similarly, petitioner Benson & Hedges (Canada), Inc., a subsidiary of Philip Morris, Inc., is the registered owner of the trademark "MARK TEN" for cigarettes. And as can be seen in Trademark Certificate of Registration No. 19053, another subsidiary of Philip Morris, Inc., the Swiss company Fabriques de Tabac Reunies, S.A., is the assignee of the trademark "LARK," which was originally registered in 1964 by Ligget and Myers Tobacco Company. On the other hand, respondent Fortune Tobacco Corporation,
a company organized in the Philippines, manufactures and sells cigarettes using the trademark "MARK."

The legal dispute between the parties started when the herein petitioners, on the claim that an infringement of their respective trademarks had been committed, filed a Complaint for Infringement of Trademark and Damages against respondent Fortune Tobacco Corporation.

In the Complaint xxx with prayer for the issuance of a preliminary injunction, [petitioners] alleged that they are foreign corporations not doing business in the Philippines and are suing on an isolated transaction. xxx they averred that the countries in which they are domiciled grant xxx to corporate or juristic persons of the Philippines the privilege to bring action for infringement, xxx without need of a license to do business in those countries. Imputing bad faith on the part of the [respondent], petitioners claimed that the [respondent], without any previous consent from any of the [petitioners], manufactured and sold cigarettes bearing the identical and/or confusingly similar trademark "MARK" xxx Accordingly, they argued that [respondent's] use of the trademark "MARK" in its cigarette products have caused and is likely to cause confusion or mistake, or would deceive purchasers and the public in general into buying these products under the impression and mistaken belief that they are buying [petitioners'] products.

The trial court dismissed the complaint and counterclaim after making a finding that the [respondent] did not commit trademark infringement against the [petitioners]. The CA affirmed the trial court’s decision.

ISSUE

Whether there is infringement

RULING

No. The "likelihood of confusion" is the gravamen of trademark infringement. But likelihood of confusion is a relative concept, the particular, and sometimes peculiar, circumstances of each case being determinative of its existence. Thus, in trademark infringement cases, more than in other kinds of litigation, precedents must be evaluated in the light of each particular case.

In determining similarity and likelihood of confusion, jurisprudence has developed two tests: the dominancy test and the holistic test. The dominancy test sets sight on the similarity of the prevalent features of the competing trademarks that might cause confusion and deception, thus constitutes infringement. Under this norm, the question at issue turns on whether the use of the marks involved would be likely to cause confusion or mistake in the mind of the public or deceive purchasers. In contrast, the holistic test entails a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity.

Upon consideration of the foregoing in the light of the peculiarity of this case, we rule against the likelihood of confusion resulting in infringement arising from the respondent's use of the trademark "MARK" for its particular cigarette product.
For one, as rightly concluded by the CA after comparing the trademarks involved in their entirety as they appear on the products, the striking dissimilarities are significant enough to warn any purchaser that one is different from the other. Indeed, although the perceived offending word "MARK" is itself prominent in petitioners’ trademarks "MARK VII" and "MARK TEN," the entire marking system should be considered as a whole and not dissected, because a discerning eye would focus not only on the predominant word but also on the other features appearing in the labels. Only then would such discerning observer draw his conclusion whether one mark would be confusingly similar to the other and whether or not sufficient differences existed between the marks.

This said, the CA then, in finding that respondent's goods cannot be mistaken as any of the three cigarette brands of the petitioners, correctly relied on the holistic test.

But, even if the dominancy test were to be used, as urged by the petitioners, but bearing in mind that a trademark serves as a tool to point out distinctly the origin or ownership of the goods to which it is affixed, the likelihood of confusion tantamount to infringement appears to be farfetched. The reason for the origin and/or ownership angle is that unless the words or devices do so point out the origin or ownership, the person who first adopted them cannot be injured by any appropriation or imitation of them by others, nor can the public be deceived.

Since the word "MARK," be it alone or in combination with the word "TEN" and the Roman numeral "VII," does not point to the origin or ownership of the cigarettes to which they apply, the local buying public could not possibly be confused or deceived that respondent’s "MARK" is the product of petitioners and/or originated from the U.S.A., Canada or Switzerland. And lest it be overlooked, no actual commercial use of petitioners’ marks in local commerce was proven. There can thus be no occasion for the public in this country, unfamiliar in the first place with petitioners’ marks, to be confused.

For lack of convincing proof on the part of the petitioners of actual use of their registered trademarks prior to respondent's use of its mark and for petitioners' failure to demonstrate confusing similarity between said trademarks, the dismissal of their basic complaint for infringement and the concomitant plea for damages must be affirmed. The law, the surrounding circumstances and the equities of the situation call for this disposition.

- Victorio Diaz vs. People of the Philippines, G.R. No. 180677, February 18, 2013

**VICTORIO P. DIAZ, Petitioner, vs. PEOPLE OF THE PHILIPPINES AND LEVI STRAUSS [PHILS.], INC., Respondents.**

G.R. No. 180677, FIRST DIVISION, February 18, 2013, BERSAMIN, J.

It is the tendency of the allegedly infringing mark to be confused with the registered trademark that is the gravamen of the offense of infringement of a registered trademark. The acquittal of the accused should follow if the allegedly infringing mark is not likely to cause confusion. Thereby, the evidence of the State does not satisfy the quantum of proof beyond reasonable doubt.

**FACTS**

Levi Strauss and Company (Levi's), a foreign corporation based in the State of Delaware, United States of America, had been engaged in the apparel business. It is the owner of trademarks and
designs of Levi’s jeans like LEVI’S 501, the arcuate design, the two-horse brand, the two-horse patch, the two-horse patch with pattern arcuate, and the composite tab arcuate. LEVI’S 501 has the following registered trademarks, to wit: (1) the leather patch showing two horses pulling a pair of pants; (2) the arcuate pattern with the inscription “LEVI STRAUSS & CO;” (3) the arcuate design that refers to "the two parallel stitching curving downward that are being sewn on both back pockets of a Levi’s jeans;" and (4) the tab or piece of cloth located on the structural seam of the right back pocket, upper left side. All these trademarks were registered in the Philippine Patent Office in the 1970’s, 1980’s and early part of 1990’s.

Levi Strauss Philippines, Inc. (Levi’s Philippines) is a licensee of Levi’s. After receiving information that Diaz was selling counterfeit LEVI’S 501 jeans in his tailoring shops in Almanza and Talon, Las Piñas City, Levi’s Philippines hired a private investigation group to verify the information. Surveillance and the purchase of jeans from the tailoring shops of Diaz established that the jeans bought from the tailoring shops of Diaz were counterfeit or imitations of LEVI’S 501. Levi’s Philippines then sought the assistance of the National Bureau of Investigation (NBI) for purposes of applying for a search warrant against Diaz to be served at his tailoring shops. The search warrants were issued in due course. Armed with the search warrants, NBI agents searched the tailoring shops of Diaz and seized several fake LEVI’S 501 jeans from them. Levi’s Philippines claimed that it did not authorize the making and selling of the seized jeans; that each of the jeans were mere imitations of genuine LEVI’S 501 jeans by each of them bearing the registered trademarks, like the arcuate design, the tab, and the leather patch; and that the seized jeans could be mistaken for original LEVI’S 501 jeans due to the placement of the arcuate, tab, and two-horse leather patch.

Diaz stated that he did not manufacture Levi’s jeans, and that he used the label "LS Jeans Tailoring" in the jeans that he made and sold; that the label "LS Jeans Tailoring" was registered with the Intellectual Property Office; that his shops received clothes for sewing or repair; that his shops offered made-to-order jeans, whose styles or designs were done in accordance with instructions of the customers; that since the time his shops began operating in 1992, he had received no notice or warning regarding his operations; that the jeans he produced were easily recognizable because the label "LS Jeans Tailoring," and the names of the customers were placed inside the pockets, and each of the jeans had an "LSJT" red tab; that "LS" stood for "Latest Style;" and that the leather patch on his jeans had two buffaloes, not two horses.

The RTC ruled against Diaz. The CA dismissed the appeal on the ground that Diaz had not filed his appellant’s brief on time despite being granted his requested several extension periods.

ISSUE

Whether Diaz is liable for infringement

RULING

No. The elements of the offense of trademark infringement under the Intellectual Property Code are, therefore, the following:

1. The trademark being infringed is registered in the Intellectual Property Office;

2. The trademark is reproduced, counterfeited, copied, or colorably imitated by the infringer;
3. The infringing mark is used in connection with the sale, offering for sale, or advertising of any goods, business or services; or the infringing mark is applied to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services;

4. The use or application of the infringing mark is likely to cause confusion or mistake or to deceive purchasers or others as to the goods or services themselves or as to the source or origin of such goods or services or the identity of such business; and

5. The use or application of the infringing mark is without the consent of the trademark owner or the assignee thereof

As can be seen, the likelihood of confusion is the gravamen of the offense of trademark infringement. There are two tests to determine likelihood of confusion, namely: the dominancy test, and the holistic test. The dominancy test focuses on the similarity of the main, prevalent or essential features of the competing trademarks that might cause confusion. Infringement takes place when the competing trademark contains the essential features of another. Imitation or an effort to imitate is unnecessary. The question is whether the use of the marks is likely to cause confusion or deceive purchasers. The holistic test considers the entirety of the marks, including labels and packaging, in determining confusing similarity. The focus is not only on the predominant words but also on the other features appearing on the labels.

The holistic test is applicable here considering that the herein criminal cases also involved trademark infringement in relation to jeans products. Accordingly, the jeans trademarks of Levi’s Philippines and Diaz must be considered as a whole in determining the likelihood of confusion between them. The maong pants or jeans made and sold by Levi’s Philippines, which included LEVI’S 501, were very popular in the Philippines. The consuming public knew that the original LEVI’S 501 jeans were under a foreign brand and quite expensive. Such jeans could be purchased only in malls or boutiques as ready-to-wear items, and were not available in tailoring shops like those of Diaz’s as well as not acquired on a "made-to-order" basis. Under the circumstances, the consuming public could easily discern if the jeans were original or fake LEVI’S 501, or were manufactured by other brands of jeans.

Given the foregoing, it should be plain that there was no likelihood of confusion between the trademarks involved. Thereby, the evidence of guilt did not satisfy the quantum of proof required for a criminal conviction, which is proof beyond reasonable doubt. According to Section 2, Rule 133 of the Rules of Court, proof beyond a reasonable doubt does not mean such a degree of proof as, excluding possibility of error, produces absolute certainty. Moral certainty only is required, or that degree of proof which produces conviction in an unprejudiced mind. Consequently, Diaz should be acquitted of the charges.

- Seri Somboonsakdikul v. Orlane S.A., G.R. No. 188996, February 1, 2017

SERI SOMBOONSAKDIKUL v. ORLANE S.A.
G.R. No. 188996, February 1, 2017, Third Division, JARDELEZA, J.:  

There is no colorable imitation between the marks LOLANE and ORLANE which would lead to any likelihood of confusion to the ordinary purchasers.
FACTS

On September 23, 2003, petitioner filed an application for registration of the mark LOLANE with the IPO for goods classified under Class 3 (personal care products) of the International Classification of Goods. Orlane S.A. filed an opposition to petitioner's application, on the ground that the mark LOLANE was similar to ORLANE in presentation, general appearance and pronunciation, and thus would amount to an infringement of its mark. Respondent alleged that: (1) It was the rightful owner of the ORLANE mark which was first used in 1948; (2) the mark was earlier registered in the Philippines on July 26, 1967 under Registration No. 129961 for the following goods: perfumes, toilet water, face powders, lotions, essential oils, cosmetics, lotions for the hair, etc.

In his answer, petitioner denied that the LOLANE mark was confusingly similar to the mark ORLANE. He averred that he was the lawful owner of the mark LOLANE which he has used for various personal care products sold worldwide. He alleged that the first worldwide use of the mark was in Vietnam on July 4, 1995. Petitioner also alleged that he had continuously marketed and advertised Class 3 products bearing LOLANE mark in the Philippines and in different parts of the world and that as a result, the public had come to associate the mark with him as provider of quality personal care products.

ISSUE

Whether there is confusing similarity between ORLANE and LOLANE which would bar the registration of LOLANE before the IPO.

RULING

NO. There is no colorable imitation between the marks LOLANE and ORLANE which would lead to any likelihood of confusion to the ordinary purchasers. Hence, the mark LOLANE is entitled to registration.

Based on the distinct visual and aural differences between LOLANE and ORLANE, we find that there is no confusing similarity between the two marks.

The suffix LANE is not the dominant feature of petitioner's mark. Neither can it be considered as the dominant feature of ORLANE which would make the two marks confusingly similar.

First, an examination of the appearance of the marks would show that there are noticeable differences in the way they are written or printed. There are visual differences between LOLANE and ORLANE since the mark ORLANE is in plain block upper case letters while the mark LOLANE was rendered in stylized word with the second letter L and the letter A co-joined.

Second, as to the aural aspect of the marks, LOLANE and ORLANE do not sound alike. Appeals to the ear in pronouncing ORLANE and LOLANE are dissimilar. The first syllables of each mark, i.e., OR and LO do not sound alike, while the proper pronunciation of the last syllable LANE — "LEYN" for LOLANE and "LAN" for ORLANE, being of French origin, also differ. We take exception to the generalizing statement of the Director General, which was affirmed by the CA, that Filipinos would invariably pronounce ORLANE as "ORLEYN." This is another finding of fact which has no basis, and
thus, justifies our reversal of the decisions of the IPO Director General and the CA. While there is possible aural similarity when certain sectors of the market would pronounce ORLANE as "ORLEYN," it is not also impossible that some would also be aware of the proper pronunciation — especially since, as respondent claims, its trademark ORLANE has been sold in the market for more than 60 years and in the Philippines, for more than 40 years.

Respondent failed to show proof that the suffix LANE has registered in the mind of consumers that such suffix is exclusively or even predominantly associated with ORLANE products. Notably and as correctly argued by petitioner, the IPO previously allowed the registration of the mark GIN LANE for goods also falling under Class 3, i.e. perfume, cologne, skin care preparations, hair care preparations and toiletries.

FACTS

Petitioner Nutri-Asia, Inc. (petitioner) is a corporation duly organized and existing under Philippine laws. It is the emergent entity in a merger with UFC Philippines, Inc. that was completed on February 11, 2009. Respondent Barrio Fiesta Manufacturing Corporation (respondent) is likewise a corporation organized and existing under Philippine laws.
On April 4, 2002, respondent filed Application No. 4-2002-002757 for the mark "PAPA BOY & DEVICE" for goods under Class 30, specifically for "lechon sauce." The Intellectual Property Office (IPO) published said application for opposition in the IP Phil. e-Gazette released on September 8, 2006. Petitioner filed an opposition to his application.

In its verified opposition before the IPO, petitioner contended that "PAPA BOY & DEVICE" is confusingly similar with its "PAPA" marks inasmuch as the former incorporates the term "PAPA," which is the dominant feature of petitioner’s "PAPA" marks. Petitioner averred that respondent's use of "PAPA BOY & DEVICE" mark for its lechon sauce product, if allowed, would likely lead the consuming public to believe that said lechon sauce product originates from or is authorized by petitioner; and that the "PAPA BOY & DEVICE" mark is a variation or derivative of petitioner's "PAPA" marks. Petitioner argued that this was especially true considering that petitioner's ketchup product and respondent's lechon sauce product are related articles that fall under the same Class 30.

Petitioner alleged that the registration of respondent’s challenged mark was also likely to damage the petitioner, considering that its former sister company, Southeast Asia Food, Inc., and the latter’s predecessors-in-interest, had been major manufacturers and distributors of lechon and other table sauces since 1965, such as products employing the registered "Mang Tomas” mark.

In its comment, respondent claims that petitioner’s marks have either expired and/or "that no confusing similarity exists between them and respondent’s "PAPA BOY & DEVICE’ mark. Respondent alleges that under Section 15 of Republic Act No. 166, a renewal application should be filed within six months before the expiration of the period or within three months after such expiration. Respondent avers that the expiration of the 20-year term for the "PAPA" mark under Registration No. 32416 issued on August 11, 1983 was August 11, 2003. The sixth month before August 11, 2003 was February 11, 2003 and the third month after August 11, 2003 was November 11, 2003. Respondent claims that the application that petitioner filed on October 28, 2005 was almost two years late. Thus, it was not a renewal application, but could only be considered a new application under the new Trademark Law, with the filing date reckoned on October 28, 2005. The registrability of the mark under the new application was examined again, and any certificate issued for the registration of "PAPA" could not have been a renewal certificate.

As for petitioner's other mark "PAPA BANANA CATSUP LABEL," respondent claims that its 20-year term also expired on August 11, 2003 and that petitioner only filed its application for the new "PAPA LABEL DESIGN" on November 15, 2006. Having been filed three years beyond the renewal application deadline, petitioner was not able to renew its application on time, and cannot claim a "continuous existence of its rights over the 'PAPA BANANA CATSUP LABEL.’“ Respondent claims that the two marks are different from each other and that the registration of one is independent of the other. Respondent concludes that the certificate of registration issued for "PAPA LABEL DESIGN" is "not and will never be a renewal certificate.

The IPO ruled in favor of the petitioner, applying the dominance test. This was reversed by the CA (using the holistic test); hence, this petition.

**ISSUE**

Whether the CA erred in applying the holistic test
RULING

Yes. The dominancy test should have been applied. This Court has relied on the dominancy test rather than the holistic test. The dominancy test considers the dominant features in the competing marks in determining whether they are confusingly similar. Under the dominancy test, courts give greater weight to the similarity of the appearance of the product arising from the adoption of the dominant features of the registered mark, disregarding minor differences. Courts will consider more the aural and visual impressions created by the marks in the public mind, giving little weight to factors like prices, quality, sales outlets and market segments.

Thus, in the 1954 case of Co Tiong Sa v. Director of Patents, the Court ruled:

It has been consistently held that the question of infringement of a trademark is to be determined by the test of dominancy. 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 Court agreed that respondent’s mark cannot be registered. Respondent’s mark is related to a product, lechon sauce, an everyday all-purpose condiment and sauce, that is not subjected to great scrutiny and care by the casual purchaser, who knows from regular visits to the grocery store under what aisle to find it, in which bottle it is contained, and approximately how much it costs. Since petitioner’s product, catsup, is also a household product found on the same grocery aisle, in similar packaging, the public could think that petitioner had expanded its product mix to include lechon sauce, and that the “PAPA BOY” lechon sauce is now part of the “PAPA” family of sauces, which is not unlikely considering the nature of business that petitioner is in. Thus, if allowed registration, confusion of business may set in, and petitioner’s hard-earned goodwill may be associated to the newer product introduced by respondent, all because of the use of the dominant feature of petitioner’s mark on respondent’s mark, which is the word “PAPA.”

The words “Barrio Fiesta” are not included in the mark, and although printed on the label of respondent’s lechon sauce packaging still do not remove the impression that “PAPA BOY” is a product owned by the manufacturer of “PAPA” catsup, by virtue of the use of the dominant feature. It is possible that petitioner could expand its business to include lechon sauce, and that would be well within petitioner’s rights, but the existence of a “PAPA BOY” lechon sauce would already eliminate this possibility and deprive petitioner of its rights as an owner of a valid mark included in the Intellectual Property Code.

The Court of Appeals likewise erred in finding that “PAPA,” being a common term of endearment for one’s father, is a word over which petitioner could not claim exclusive use and ownership. The Merriam-Webster dictionary defines “Papa” simply as “a person’s father.” True, a person’s father has no logical connection with catsup products, and that precisely makes “PAPA” as an arbitrary mark capable of being registered, as it is distinctive, coming from a family name that started the brand several decades ago. What was registered was not the word “Papa” as defined in the dictionary, but the word “Papa” as the last name of the original owner of the brand. In fact, being part of several of petitioner’s marks, there is no question that the IPO has found “PAPA” to be a registrable mark.
Respondent had an infinite field of words and combinations of words to choose from to coin a mark for its lechon sauce. While its claim as to the origin of the term "PAPA BOY" is plausible, it is not a strong enough claim to overrule the rights of the owner of an existing and valid mark. Furthermore, this Court cannot equitably allow respondent to profit by the name and reputation carefully built by petitioner without running afoul of the basic demands of fair play.

c. Doctrine of unrelated goods

- Hickok Manufacturing, Co., Inc. vs. Court of Appeals, G.R. No. L-44707, August 31, 1982

**HICKOK MANUFACTURING CO., INC., petitioner, vs. COURT OF APPEALS ** and SANTOS LIM BUN LIONG, respondents.

G.R. No. L-44707, FIRST DIVISION, August 31, 1982, TEEHANKEE, J.

While the law does not require that the competing trademarks be identical, the two marks must be considered in their entirety, as they appear in the respective labels, in relation to the goods to which they are attached.

FACTS

The Court affirms on the strength of controlling doctrine as reaffirmed in the companion case of *Esso Standard Eastern Inc. vs. Court of Appeals* promulgated also on this date and the recent case of *Philippine Refining Co., Inc. vs. Ng Sam and Director of Parents* the appealed decision of the Court of Appeals reversing the patent director’s decision and instead dismissing petitioner’s petition to cancel private respondent’s registration of the trademark of HICKOK for its Marikina shoes as against petitioner’s earlier registration of the same trademark for its other non-competing products.

ISSUE

Whether there is infringement

RULING

No. An examination of the trademark of petitioner-appellee and that of registrant-appellant convinces us that there is a difference in the design and the coloring of, as well as in the words on the ribbons, the two trademarks.

In petitioner-appellee’s trademark for handkerchiefs (Exhibit ‘Q’), the word ‘HICKOK’ is in red with white background in the middle of two branches of laurel in light gold. At the lower part thereof is a ribbon on which are the words 'POSITIVELY FINER' in light gold. In the trademark for underwear (Exhibit ‘R’), the word 'HICKOK' is also in red with white background in the middle of two branches of laurel in dark gold with similar ribbons and the words 'POSITIVELY FINER' in dark gold. And in the trademark for briefs (Exhibit ‘S’), the word 'HICKOK' is in white but with red background in the middle of two branches of laurel, the leaves being in dark gold with white edges, and with similar ribbon and words 'POSITIVELY FINER' in dark gold. In contrast, in respondent-appellant’s trademark (Exhibit ‘J’), the word 'HICKOK' is in white with gold background between the two branches of laurel
in red, with the word 'SHOES' also in red below the word 'HICKOK.' The ribbon is in red with the words 'QUALITY AT YOUR FEET,' likewise in red.

While the law does not require that the competing trademarks be identical, the two marks must be considered in their entirety, as they appear in the respective labels, in relation to the goods to which they are attached.

It is established doctrine, as held in the above-cited cases, that "emphasis should be on the similarity of the products involved and not on the arbitrary classification or general description of their properties or characteristics" and that "the mere fact that one person has adopted and used a trademark on his goods does not prevent the adoption and use of the same trademark by others on unrelated articles of a different kind." Taking into account the facts of record that petitioner, a foreign corporation registered the trademark for its diverse articles of men's wear such as wallets, belts and men's briefs which are all manufactured here in the Philippines by a licensee Quality House, Inc. (which pays a royalty of 1-1/2% of the annual net sales) but are so labelled as to give the misimpression that the said goods are of foreign (stateside) manufacture and that respondent secured its trademark registration exclusively for shoes (which neither petitioner nor the licensee ever manufactured or traded in) and which are clearly labelled in block letters as "Made in Marikina, Rizal, Philippines," no error can be attributed to the appellate court in upholding respondent's registration of the same trademark for his unrelated and non-competing product of Marikina shoes.

- Faberge, Inc. vs. Intermediate Appellate Court, G.R. No. 71189, November 4, 1992

FABERGE, INCORPORATED, petitioner, vs. THE INTERMEDIATE APPELLATE COURT and CO BENG KAY, respondents.
G.R. No. 71189, THIRD DIVISION, November 4, 1992, MELO, J.

Having thus reviewed the laws applicable to the case before Us, it is not difficult to discern from the foregoing statutory enactments that private respondent may be permitted to register the trademark "BRUTE" for briefs produced by it notwithstanding petitioner's vehement protestations of unfair dealings in marketing its own set of items which are limited to: after-shave lotion, shaving cream, deodorant, talcum powder and toilet soap. In as much as petitioner has not ventured in the production of briefs, an item which is not listed in its certificate of registration, petitioner can not and should not be allowed to feign that private respondent had invaded petitioner's exclusive domain.

FACTS

In essence, it appears that in the course of marketing petitioner's "BRUT" products and during the pendency of its application for registration of the trademark "BRUT 33 and DEVICE" for antiperspirant, personal deodorant, cream shave, after shave/shower lotion, hair spray, and hair shampoo (page 236, Rollo), respondent Co Beng Kay of Webengton Garments Manufacturing applied for registration of the disputed emblem "BRUTE" for briefs. Opposition raised by petitioner anchored on similarity with its own symbol and irreparable injury to the business reputation of the first user was to no avail.

The Director of Patents authorized herein private respondent Co Beng Kay to register the trademark "BRUTE" for the briefs manufactured and sold by his Corporation in the domestic market vis-a-vis petitioner's opposition grounded on similarity of said trademark with petitioner's own symbol
"BRUT" which it previously registered for after shave lotion, shaving cream, deodorant, talcum powder, and toilet soap. Thereafter, respondent court, through Justice Gopengco with Justices Patajo and Racela, Jr. concurring, was initially persuaded by petitioner's plea for reversal directed against the permission granted by the Director of Patents, but the decision of the Second Special Cases Division handed down on April 29, 1983 was later reconsidered in favor of herein private respondent.

Hence, the petition at bar assailing the action of respondent court in affirming the ruling of the Director of Patents.

ISSUE

Whether there is confusing similarity with the marks

RULING

No. Having thus reviewed the laws applicable to the case before Us, it is not difficult to discern from the foregoing statutory enactments that private respondent may be permitted to register the trademark "BRUTE" for briefs produced by it notwithstanding petitioner’s vehement protestations of unfair dealings in marketing its own set of items which are limited to: after-shave lotion, shaving cream, deodorant, talcum powder and toilet soap. In as much as petitioner has not ventured in the production of briefs, an item which is not listed in its certificate of registration, petitioner can not and should not be allowed to feign that private respondent had invaded petitioner’s exclusive domain.

To be sure, it is significant that petitioner failed to annex in its Brief the so-called "eloquent proof that petitioner indeed intended to expand its mark "BRUT" to other goods" (Page 27, Brief for the Petitioner; Page 202, Rollo). Even then, a mere application by petitioner in this aspect does not suffice and may not vest an exclusive right in its favor that can ordinarily be protected by the Trademark Law. In short, paraphrasing Section 20 of the Trademark Law as applied to the documentary evidence adduced by petitioner, the certificate of registration issued by the Director of Patents can confer upon petitioner the exclusive right to use its own symbol only to those goods specified in the certificate, subject to any conditions and limitations stated therein. This basic point is perhaps the unwritten rationale of Justice Escolin in Philippine Refining Co., Inc. vs. Ng Lam (115 SCRA 472 [1982]), when he stressed the principle enunciated by the United States Supreme Court in American Foundries vs. Robertson (269 U.S. 372, 381, 70 L ed 317, 46 Sct. 160) that one who has adopted and used a trademark on his goods does not prevent the adoption and use of the same trademark by other for products which are of different description.

The glaring discrepancies between the two products had been amply portrayed to such an extent that indeed, "a purchaser who is out in the market for the purpose of buying respondent's BRUTE brief would definitely be not mistaken or misled into buying BRUT after shave lotion or deodorant" as categorically opined in the decision of the Director of Patents relative to the inter-partes case.

- Canon Kabushiki Kaisha vs. Court of Appeals, G.R. No. 120900, July 20, 2004

CANON KABUSHIKI KAISHA, petitioner, vs. COURT OF APPEALS and NSR RUBBER CORPORATION, respondents.
G.R. No. 120900, THIRD DIVISION, July 20, 2004, GONZAGA-REYES, J.
Ordinarily, the ownership of a trademark or tradename is a property right that the owner is entitled to protect as mandated by the Trademark Law. However, when a trademark is used by a party for a product in which the other party does not deal, the use of the same trademark on the latter's product cannot be validly objected to.

FACTS

Private respondent NSR Rubber Corporation (private respondent) filed an application for registration of the mark CANON for sandals. A Verified Notice of Opposition was filed by petitioner, a foreign corporation duly organized and existing under the laws of Japan, alleging that it will be damaged by the registration of the trademark CANON in the name of private respondent.

Based on the records, the evidence presented by petitioner consisted of its certificates of registration for the mark CANON in various countries covering goods belonging to class 2 (paints, chemical products, toner, and dye stuff). Petitioner also submitted in evidence its Philippine Trademark Registration No. 39398, showing its ownership over the trademark CANON also under class 2.

The BPTTT, on November 10, 1992, issued its decision dismissing the opposition of petitioner and giving due course to NSR’s application for the registration of the trademark CANON. Canon Kabushiki Kaisha filed an appeal with the Court of Appeals that eventually affirmed the decision of the BPTTT.

ISSUE

Whether private respondent can use the trademark CANON

RULING

Yes. Ordinarily, the ownership of a trademark or tradename is a property right that the owner is entitled to protect as mandated by the Trademark Law. However, when a trademark is used by a party for a product in which the other party does not deal, the use of the same trademark on the latter's product cannot be validly objected to.

A review of the records shows that with the order of the BPTTT declaring private respondent in default for failure to file its answer, petitioner had every opportunity to present ex-parte all of its evidence to prove that its certificates of registration for the trademark CANON cover footwear. The certificates of registration for the trademark CANON in other countries and in the Philippines as presented by petitioner, clearly showed that said certificates of registration cover goods belonging to class 2 (paints, chemical products, toner, dyestuff). On this basis, the BPTTT correctly ruled that since the certificate of registration of petitioner for the trademark CANON covers class 2 (paints, chemical products, toner, dyestuff), private respondent can use the trademark CANON for its goods classified as class 25 (sandals). Clearly, there is a world of difference between the paints, chemical products, toner, and dyestuff of petitioner and the sandals of private respondent.
We are mindful that product classification alone cannot serve as the decisive factor in the resolution of whether or not wines and cigarettes are related goods. Emphasis should be on the similarity of the products involved and not on the arbitrary classification or general description of their properties or characteristics. But the mere fact that one person has adopted and used a particular trademark for his goods does not prevent the adoption and use of the same trademark by others on articles of a different description.

FACTS

Respondent Gallo Winery is a foreign corporation not doing business in the Philippines but organized and existing under the laws of the State of California, United States of America (U.S.), where all its wineries are located. Gallo Winery produces different kinds of wines and brandy products and sells them in many countries under different registered trademarks, including the GALLO and ERNEST & JULIO GALLO wine trademarks.

Respondent domestic corporation, Andresons, has been Gallo Winery's exclusive wine importer and distributor in the Philippines since 1991, selling these products in its own name and for its own account.

Gallo Winery's GALLO wine trademark was registered in the principal register of the Philippine Patent Office (now Intellectual Property Office) which was renewed for another 20 years. Gallo Winery also applied for registration of its ERNEST & JULIO GALLO wine trademark but the records do not disclose if it was ever approved by the Director of Patents.

On the other hand, petitioners Mighty Corporation and La Campana and their sister company, Tobacco Industries of the Philippines (Tobacco Industries), are engaged in the cultivation, manufacture, distribution and sale of tobacco products for which they have been using the GALLO cigarette trademark since 1973.

Respondents sued petitioners in the Makati RTC for trademark and tradename infringement and unfair competition, with a prayer for damages and preliminary injunction. They claimed that petitioners adopted the GALLO trademark to ride on Gallo Winery's GALLO and ERNEST & JULIO GALLO trademarks' established reputation and popularity, thus causing confusion, deception and mistake on the part of the purchasing public who had always associated GALLO and ERNEST & JULIO GALLO trademarks with Gallo Winery's wines.

In their answer, petitioners alleged, among other affirmative defenses, that: petitioner's GALLO cigarettes and Gallo Winery's wines were totally unrelated products; Gallo Winery's GALLO trademark registration certificate covered wines only, not cigarettes; GALLO cigarettes and GALLO wines were sold through different channels of trade; GALLO cigarettes, sold at P4.60 for GALLO filters
and P3 for GALLO menthols, were low-cost items compared to Gallo Winery's high-priced luxury wines which cost between P98 to P242.50; the target market of Gallo Winery's wines was the middle or high-income bracket with at least P10,000 monthly income while GALLO cigarette buyers were farmers, fishermen, laborers and other low-income workers; the dominant feature of the GALLO cigarette mark was the rooster device with the manufacturer's name clearly indicated as MIGHTY CORPORATION while, in the case of Gallo Winery's wines, it was the full names of the founders-owners ERNEST & JULIO GALLO or just their surname GALLO; by their inaction and conduct, respondents were guilty of laches and estoppel; and petitioners acted with honesty, justice and good faith in the exercise of their right to manufacture and sell GALLO cigarettes.

After the trial on the merits, however, the Makati RTC held petitioners liable for committing trademark infringement and unfair competition with respect to the GALLO trademark. CA affirmed the Makati RTC's decision.

ISSUE

Whether GALLO cigarettes and GALLO wines were identical, similar or related goods for the reason alone that they were purportedly forms of vice

RULING

No. Confusion of goods is evident where the litigants are actually in competition; but confusion of business may arise between non-competing interests as well.

Thus, apart from the strict application of Section 20 of the Trademark Law and Article 6bis of the Paris Convention which proscribe trademark infringement not only of goods specified in the certificate of registration but also of identical or similar goods, we have also uniformly recognized and applied the modern concept of "related goods." Simply stated, when goods are so related that the public may be, or is actually, deceived and misled that they come from the same maker or manufacturer, trademark infringement occurs.

Non-competing goods may be those which, though they are not in actual competition, are so related to each other that it can reasonably be assumed that they originate from one manufacturer, in which case, confusion of business can arise out of the use of similar marks. They may also be those which, being entirely unrelated, cannot be assumed to have a common source; hence, there is no confusion of business, even though similar marks are used. Thus, there is no trademark infringement if the public does not expect the plaintiff to make or sell the same class of goods as those made or sold by the defendant.

In resolving whether goods are related, several factors come into play:

(a) the business (and its location) to which the goods belong 
(b) the class of product to which the goods belong 
(c) the product’s quality, quantity, or size, including the nature of the package, wrapper or container
(d) the nature and cost of the articles  
(e) the descriptive properties, physical attributes or essential characteristics with reference to their form, composition, texture or quality  
(f) the purpose of the goods  
(g) whether the article is bought for immediate consumption, that is, day-to-day household items  
(h) the fields of manufacture  
(i) the conditions under which the article is usually purchased; and  
(j) the channels of trade through which the goods flow, how they are distributed, marketed, displayed and sold.

Hence, in the adjudication of trademark infringement, we give due regard to the goods’ usual purchaser’s character, attitude, habits, age, training and education.

Applying these legal precepts to the present case, petitioner’s use of the GALLO cigarette trademark is not likely to cause confusion or mistake, or to deceive the "ordinarily intelligent buyer" of either wines or cigarettes or both as to the identity of the goods, their source and origin, or identity of the business of petitioners and respondents.

Obviously, wines and cigarettes are not identical or competing products. Neither do they belong to the same class of goods. Respondents’ GALLO wines belong to Class 33 under Rule 84[a] Chapter III, Part II of the Rules of Practice in Trademark Cases while petitioners’ GALLO cigarettes fall under Class 34.

We are mindful that product classification alone cannot serve as the decisive factor in the resolution of whether or not wines and cigarettes are related goods. Emphasis should be on the similarity of the products involved and not on the arbitrary classification or general description of their properties or characteristics. But the mere fact that one person has adopted and used a particular trademark for his goods does not prevent the adoption and use of the same trademark by others on articles of a different description.

All told, after applying all the tests provided by the governing laws as well as those recognized by jurisprudence, we conclude that petitioners are not liable for trademark infringement, unfair competition or damages.

**PRIBHDAS J. MIRPURI, petitioner, vs. COURT OF APPEALS, DIRECTOR OF PATENTS and the BARBIZON CORPORATION, respondents.**

G.R. No. 114508, FIRST DIVISION, November 19, 1999, PUNO, J.

*Article 6bis governs protection of well-known trademarks. Under the first paragraph, each country of the Union bound itself to undertake to refuse or cancel the registration, and prohibit the use of a trademark which is a reproduction, imitation or translation, or any essential part of which trademark constitutes a reproduction, liable to create confusion, of a mark considered by the competent authority of the country where protection is sought, to be well-known in the country.*
as being already the mark of a person entitled to the benefits of the Convention, and used for identical or similar goods.

The essential requirement under Article 6bis is that the trademark to be protected must be "well-known in the country where protection is sought. The power to determine whether a trademark is well-known lies in the "competent authority of the country of registration or use." This competent authority would be either the registering authority if it has the power to decide this, or the courts of the country in question if the issue comes before a court.

Whether the trademark under consideration is well-known in the Philippines or is a mark already belonging to a person entitled to the benefits of the CONVENTION, this should be established, pursuant to Philippine Patent Office procedures in inter partes and ex parte cases, according to any of the following criteria or any combination thereof:

(a) a declaration by the Minister of Trade and Industry that the trademark being considered is already well-known in the Philippines such that permission for its use by other than its original owner will constitute a reproduction, imitation, translation or other infringement;

(b) that the trademark is used in commerce internationally, supported by proof that goods bearing the trademark are sold on an international scale, advertisements, the establishment of factories, sales offices, distributorships, and the like, in different countries, including volume or other measure of international trade and commerce;

(c) that the trademark is duly registered in the industrial property office(s) of another country or countries, taking into consideration the date of such registration;

(d) that the trademark has long been established and obtained goodwill and international consumer recognition as belonging to one owner or source;

(e) that the trademark actually belongs to a party claiming ownership and has the right to registration under the provisions of the aforesaid PARIS CONVENTION.

FACTS

On June 15, 1970, one Lolita Escobar, the predecessor-in-interest of petitioner Pribhadas J. Mirpuri, filed an application with the Bureau of Patents for the registration of the trademark "Barbizon" for use in brassieres and ladies undergarments. Escobar alleged that she had been manufacturing and selling these products under the firm name "L & BM Commercial" since March 3, 1970.

Private respondent Barbizon Corporation, a corporation organized and doing business under the laws of New York, U.S.A., opposed the application.

On June 18, 1974, the Director of Patents rendered judgment dismissing the opposition and giving due course to Escobar's application.
Escobar later assigned all her rights and interest over the trademark to petitioner Pribhdas J. Mirpuri who, under his firm name then, the "Bonito Enterprises," was the sole and exclusive distributor of Escobar's "Barbizon" products.

In 1979, however, Escobar failed to file with the Bureau of Patents the Affidavit of Use of the trademark required under Section 12 of Republic Act (R.A.) No. 166, the Philippine Trademark Law. Due to this failure, the Bureau of Patents cancelled Escobar's certificate of registration.

On May 27, 1981, Escobar reapplied for registration of the cancelled trademark. Mirpuri filed his own application for registration of Escobar's trademark. Escobar later assigned her application to herein petitioner and this application was opposed by private respondent.

In its opposition, private respondent alleged, among others, that:

- The Opposer's goods bearing the trademark BARBIZON have been used in many countries, including the Philippines, for at least 40 years and has enjoyed international reputation and good will for their quality. To protect its registrations in countries where the goods covered by the registrations are being sold, Opposer has procured the registration of the trademark BARBIZON in the following countries: Australia, Austria, Abu Dhabi, Argentina, Belgium, Bolivia, Bahrain, Canada, Chile, Colombia, Denmark, Ecuador, France, West Germany, Greece, Guatemala, Hongkong, Honduras, Italy, Japan, Jordan, Lebanon, Mexico, Morocco, Panama, New Zealand, Norway, Sweden, Switzerland, Syria, El Salvador, South Africa, Zambia, Egypt, and Iran, among others; and

- Opposer's BARBIZON as well as its BARBIZON and Bee Design and BARBIZON and Representation of a Woman trademarks qualify as well-known trademarks entitled to protection under Article 6bis of the Convention of Paris for the Protection of Industrial Property and further amplified by the Memorandum of the Minister of Trade to the Honorable Director of Patents dated October 25, 1983 [sic], Executive Order No. 913 dated October 7, 1963 and the Memorandum of the Minister of Trade and Industry to the Honorable Director of Patents dated October 25, 1983.

**ISSUE**

Whether a well-known mark is entitled to protection. (YES)

**RULING**

The Convention of Paris for the Protection of Industrial Property, otherwise known as the Paris Convention, is a multilateral treaty that seeks to protect industrial property consisting of patents, utility models, industrial designs, trademarks, service marks, trade names and indications of source or appellations of origin, and at the same time aims to repress unfair competition. The Convention is essentially a compact among various countries which, as members of the Union, have pledged to accord to citizens of the other member countries trademark and other rights comparable to those accorded their own citizens by their domestic laws for an effective protection against unfair competition. In short, foreign nationals are to be given the same treatment in each of the member countries as that country makes available to its own citizens. Nationals of the various member
nations are thus assured of a certain minimum of international protection of their industrial property.

Both the Philippines and the United States of America, herein private respondent's country, are signatories to the Convention. The United States acceded on May 30, 1887 while the Philippines, through its Senate, concurred on May 10, 1965. The Philippines' adhesion became effective on September 27, 1965, and from this date, the country obligated itself to honor and enforce the provisions of the Convention.

Article 6bis of the Paris Convention provides:

**Article 6bis**

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, an imitation, or a 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 this 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.

2. A period of at least five years from the date of registration shall be allowed for seeking the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be sought.

3. No time limit shall be fixed for seeking the cancellation or the prohibition of the use of marks registered or used in bad faith.

This Article governs protection of well-known trademarks. Under the first paragraph, each country of the Union bound itself to undertake to refuse or cancel the registration, and prohibit the use of a trademark which is a reproduction, imitation or translation, or any essential part of which trademark constitutes a reproduction, liable to create confusion, of a mark considered by the competent authority of the country where protection is sought, to be well-known in the country as being already the mark of a person entitled to the benefits of the Convention, and used for identical or similar goods.

Art. 6bis was first introduced at The Hague in 1925 and amended in Lisbon in 1952. It is a self-executing provision and does not require legislative enactment to give it effect in the member country. It may be applied directly by the tribunals and officials of each member country by the mere publication or proclamation of the Convention, after its ratification according to the public law of each state and the order for its execution.

The essential requirement under Article 6bis is that **the trademark to be protected must be "well-known" in the country where protection is sought.** The power to determine whether a trademark is well-known lies in the "competent authority of the country of registration or use." This competent
authority would be either the registering authority if it has the power to decide this, or the courts of the country in question if the issue comes before a court.

On October 25, 1983, then Minister Roberto Ongpin issued another Memorandum to the Director of Patents, viz:

Pursuant to Executive Order No. 913 dated 7 October 1983 which strengthens the rule-making and adjudicatory powers of the Minister of Trade and Industry and provides inter alia, that "such rule-making and adjudicatory powers should be revitalized in order that the Minister of Trade and Industry can . . . apply more swift and effective solutions and remedies to old and new problems . . . such as infringement of internationally-known tradenames and trademarks . . ." and in view of the decision of the Intermediate Appellate Court in the case of LA CHEMISE LACOSTE, S.A., versus RAM SADWHANI [AC-G.R. SP. NO. 13359 (17) June 1983] 56 which affirms the validity of the MEMORANDUM of then Minister Luis R. Villafuerte dated 20 November 1980 confirming our obligations under the PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY to which the Republic of the Philippines is a signatory, you are hereby directed to implement measures necessary to effect compliance with our obligations under said Convention in general, and, more specifically, to honor our commitment under Section 6bis thereof, as follows:

1. Whether the trademark under consideration is well-known in the Philippines or is a mark already belonging to a person entitled to the benefits of the CONVENTION, this should be established, pursuant to Philippine Patent Office procedures in inter partes and ex parte cases, according to any of the following criteria or any combination thereof:

   (a) a declaration by the Minister of Trade and Industry that the trademark being considered is already well-known in the Philippines such that permission for its use by other than its original owner will constitute a reproduction, imitation, translation or other infringement;

   (b) that the trademark is used in commerce internationally, supported by proof that goods bearing the trademark are sold on an international scale, advertisements, the establishment of factories, sales offices, distributorships, and the like, in different countries, including volume or other measure of international trade and commerce;

   (c) that the trademark is duly registered in the industrial property office(s) of another country or countries, taking into consideration the date of such registration;

   (d) that the trademark has long been established and obtained goodwill and international consumer recognition as belonging to one owner or source;

   (e) that the trademark actually belongs to a party claiming ownership and has the right to registration under the provisions of the aforesaid PARIS CONVENTION.

In the Ongpin Memorandum, the Minister of Trade and Industry did not enumerate well-known trademarks but laid down guidelines for the Director of Patents to observe in determining whether a trademark is entitled to protection as a well-known mark in the Philippines under Article 6bis of the Paris Convention. This was to be established through Philippine Patent Office procedures in inter partes and ex parte cases pursuant to the criteria enumerated therein. The Philippine Patent Office
was ordered to refuse applications for, or cancel the registration of, trademarks which constitute a reproduction, translation or imitation of a trademark owned by a person who is a citizen of a member of the Union. All pending applications for registration of world-famous trademarks by persons other than their original owners were to be rejected forthwith. The Ongpin Memorandum was issued pursuant to Executive Order No. 913 dated October 7, 1983 of then President Marcos which strengthened the rule-making and adjudicatory powers of the Minister of Trade and Industry for the effective protection of consumers and the application of swift solutions to problems in trade and industry.

Both the Villafuerte and Ongpin Memoranda were sustained by the Supreme Court in the 1984 landmark case of La Chemise Lacoste, S.A. v. Fernandez. This court ruled therein that under the provisions of Article 6bis of the Paris Convention, the Minister of Trade and Industry was the "competent authority" to determine whether a trademark is well-known in this country.

MIGHTY CORPORATION and LA CAMPANA FABRICA DE TABACO, INC., Petitioner, vs. E. & J. GALLO WINERY and THE ANDRESONS GROUP, INC., Respondents.

G. R. No. 154342, THIRD DIVISION, July 14, 2004, CORONA, J.

The then Minister of Trade and Industry, the Hon. Roberto V. Ongpin, issued a memorandum dated 25 October 1983 to the Director of Patents, a set of guidelines in the implementation of Article 6bis of the Treaty of Paris. These conditions are:

a) the mark must be internationally 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.

Pursuant to our ruling in Canon Kabushiki Kaisha vs. Court of Appeals and NSR Rubber Corporation, "GALLO" cannot be considered a "well-known" mark within the contemplation and protection of the Paris Convention in this case since wines and cigarettes are not identical or similar goods.

FACTS

Gallo Winery was organized under the laws of the State of California where all its wineries are located. It sells its products in different countries using various trademarks, including GALLO. The GALLO wine trademark was registered with the Philippine Patent Office in 1971. Despite said registration, GALLO wines were introduced in the Philippines only in 1974 within the U.S. military facilities. In 1979, GALLO wines saw a bigger Philippine market through distributors and independent outlets. However, in 1992, a distributor's employee found GALLO cigarettes on display in the wine cellar section of a supermarket in Davao City.

GALLO cigarettes were products of Mighty Corp. and its sister company, Tobacco Industries, which have been manufacturing, selling, and distributing GALLO cigarettes throughout the Philippines since 1973. That same year, the Bureau of Internal Revenue approved Tobacco Industries’ use of the
GALLO 100’s cigarette mark, and three years later or in 1976, of the GALLO filter cigarette mark. The GALLO cigarette trademark was registered with the Philippine Patent Office in 1985.

Gallo Winery filed suit for trademark infringement and unfair competition against Mighty Corp. and Tobacco Industries, claiming that the use of GALLO cigarettes caused confusion on the part of the purchasing public who had always associated GALLO with Gallo Winery’s products, thus constituting a violation of the Paris Convention for the Protection of Industrial Property and Republic Act No. 166 or the Trademark Law.

The RTC decided the case in favor of Gallo Winery, applying not only the Paris Convention and Republic Act No. 166, but also Republic Act No. 8293 or the Intellectual Property Code of the Philippines, and reasoning that GALLO cigarettes and GALLO wines were identical, similar or related goods since they were “forms of vice.”

The Court of Appeals affirmed the RTC decision. Mighty Corp. and Tobacco Industries elevated the matter to the Supreme Court.

**ISSUE**

Whether the Gallo Wine trademark is a well-known mark in the context of the Paris Convention. (NO)

**RULING**

The Gallo Wine trademark is not a well-known mark in the context of the Paris Convention in this case since wines and cigarettes are not identical or similar goods.

First, the records bear out that most of the trademark registrations took place in the late 1980s and the 1990s, that is, after Tobacco Industries use of the GALLO cigarette trademark in 1973 and petitioners use of the same mark in 1984.

GALLO wines and GALLO cigarettes are neither the same, identical, similar nor related goods, a requisite element under both the Trademark Law and the Paris Convention.

Second, the GALLO trademark cannot be considered a strong and distinct mark in the Philippines. Respondents do not dispute the documentary evidence that aside from Gallo Winerys GALLO trademark registration, the Bureau of Patents, Trademarks and Technology Transfer also issued on September 4, 1992 Certificate of Registration No. 53356 under the Principal Register approving Productos Alimenticios Gallo, S.A.s April 19, 1990 application for GALLO trademark registration and use for its “noodles, prepared food or canned noodles, ready or canned sauces for noodles, semolina, wheat flour and bread crumbs, pastry, confectionery, ice cream, honey, molasses syrup, yeast, baking powder, salt, mustard, vinegar, species and ice.” 122

Third and most important, pursuant to our ruling in Canon Kabushiki Kaisha vs. Court of Appeals and NSR Rubber Corporation,123 ”GALLO” cannot be considered a "well-known" mark within the contemplation and protection of the Paris Convention in this case since wines and cigarettes are not identical or similar goods:
We agree with public respondents that the controlling doctrine with respect to the applicability of Article 8 of the Paris Convention is that established in Kabushiki Kaisha Isetan vs. Intermediate Appellate Court (203 SCRA 59 [1991]). As pointed out by the BPTTT:

"Regarding the applicability of Article 8 of the Paris Convention, this Office believes that there is no automatic protection afforded an entity whose tradename is alleged to have been infringed through the use of that name as a trademark by a local entity.

In Kabushiki Kaisha Isetan vs. The Intermediate Appellate Court, et. al., G.R. No. 75420, 15 November 1991, the Honorable Supreme Court held that:

The Paris Convention for the Protection of Industrial Property does not automatically exclude all countries of the world which 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.

This office is not unmindful that in (sic) the Treaty of Paris for the Protection of Intellectual Property regarding well-known marks and possible application thereof in this case. Petitioner, as this office sees it, is trying to seek refuge under its protective mantle, claiming that the subject mark is well known in this country at the time the then application of NSR Rubber was filed.

However, the then Minister of Trade and Industry, the Hon. Roberto V. Ongpin, issued a memorandum dated 25 October 1983 to the Director of Patents, a set of guidelines in the implementation of Article 6bis of the Treaty of Paris. These conditions are:

a) the mark must be internationally 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. Bogsch, Director General of the World Intellectual Property Organization, Geneva, Switzerland, 1985)

From the set of facts found in the records, it is ruled that the Petitioner failed to comply with the third requirement of the said memorandum that is the mark must be for use in the same or similar kinds of goods. The Petitioner is using the mark "CANON" for products belonging to class 2 (paints, chemical products) while the Respondent is using the same mark for sandals (class 25).

Hence, Petitioner's contention that its mark is well-known at the time the Respondent filed its application for the same mark should fail."
The fact that respondent's marks are neither registered nor used in the Philippines is of no moment. The scope of protection initially afforded by Article 6bis of the Paris Convention has been expanded in the 1999 Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, wherein the World Intellectual Property Organization (WIPO) General Assembly and the Paris Union agreed to a nonbinding recommendation that a well-known mark should be protected in a country even if the mark is neither registered nor used in that country. Part I, Article 2(3) thereof provides:

(3) [Factors Which Shall Not Be Required] (a) A Member State shall not require, as a condition for determining whether a mark is a well-known mark:

(i) that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, the Member State;

(ii) that the mark is well known in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, any jurisdiction other than the Member State; or

(iii) that the mark is well known by the public at large in the Member State.

FACTS

Respondent IN-N-OUT Burger, Inc., a foreign corporation organized under the laws of California, U.S.A., and not doing business in the Philippines, filed before the Bureau of Legal Affairs of the IPO (BLA-IPO), an administrative complaint against petitioners Sehwani, Inc. and Benita's Frites, Inc. for violation of intellectual property rights, attorney’s fees and damages with prayer for the issuance of a restraining order or writ of preliminary injunction.

Respondent alleged that it is the owner of the tradename "IN-N-OUT" and trademarks "IN-N-OUT," "IN-N-OUT Burger & Arrow Design" and "IN-N-OUT Burger Logo," which are used in its business since 1948 up to the present. These tradename and trademarks were registered in the United States as well as in other parts of the world.

On June 2, 1997, respondent applied with the IPO for the registration of its trademark "IN-N-OUT Burger & Arrow Design" and servicemark "IN-N-OUT." In the course of its application, respondent discovered that petitioner Sehwani, Inc. had obtained Trademark Registration No. 56666 for the mark "IN N OUT" (THE INSIDE OF THE LETTER "O" FORMED LIKE A STAR) on December 17, 1993 without its authority. Respondent thus demanded that petitioner Sehwani, Inc. desist from claiming ownership of the mark "IN-N-OUT" and to voluntarily cancel its Trademark Registration No. 56666. Petitioner Sehwani, Inc. however refused to accede to the demand and even entered into a Licensing Agreement granting its co-petitioner Benita's Frites, Inc. license to use for a period of five years the trademark "IN-N-OUT BURGER" in its restaurant in Pasig City. Hence, respondent filed a complaint for violation of intellectual property rights.
In their answer with counterclaim, petitioners alleged that respondent lack the legal capacity to sue because it was not doing business in the Philippines and that it has no cause of action because its mark is not registered or used in the Philippines.

**ISSUE**

Whether respondent has no cause of action because its mark is not registered or used in the Philippines. (NO)

**RULING**

Respondent anchors its causes of action under Articles 6bis and 8 of The Convention of Paris for the Protection of Industrial Property, otherwise known as the Paris Convention, wherein both the United States and the Philippines are signatories. The Articles read:

Article 6bis

(1) The countries of the Union undertake, ex officio 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, an imitation, or a 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 this 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.

x x x x.

Article 8

A tradename shall be protected in all countries of the Union without the obligation of filing or registration whether or not it forms part of a trademark.

Article 6bis which governs the protection of well-known trademarks, is a self-executing provision and does not require legislative enactment to give it effect in the member country. It may be applied directly by the tribunals and officials of each member country by the mere publication or proclamation of the Convention, after its ratification according to the public law of each state and the order for its execution. The essential requirement under this Article is that the trademark to be protected must be "well-known" in the country where protection is sought. The power to determine whether a trademark is well-known lies in the "competent authority of the country of registration or use." This competent authority would be either the registering authority if it has the power to decide this, or the courts of the country in question if the issue comes before a court.

The question of whether or not respondent's trademarks are considered "well-known" is factual in nature, involving as it does the appreciation of evidence adduced before the BLA-IPO. The settled rule is that the factual findings of quasi-judicial agencies, like the IPO, which have acquired expertise
because their jurisdiction is confined to specific matters, are generally accorded not only respect, but, at times, even finality if such findings are supported by substantial evidence.

Director Beltran-Abelardo found that:

Arguing mainly that it is the owner of an internationally well-known mark, complainant presented its United States trademark registrations, namely: United States Trademark Registration No. 1,514,689 for the mark "IN-N-OUT Burger and Arrow Design" under class 25 dated November 29, 1988 for the shirts (Exhibit "L"); United States Trademark Registration No. 1,528,456 for the mark "IN-N-OUT Burger and Arrow Design" under class 29, 30, 32 and 42 dated March 7, 1989 for milk and french-fried potatoes for consumption on or off the premises, for hamburger sandwiches, cheeseburger sandwiches, hot coffee and milkshakes for consumption on or off the premises, lemonade and softdrinks for consumption on and off the premises, restaurant services respectively (Exhibit "M"); US Trademark Registration No. 1,101,638 for the mark "IN-N-OUT" under Class No. 30 dated September 5, 1978 for cheeseburgers, hamburgers, hot coffee and milkshake for consumption on or off premises (Exhibit "N"); US Trademark Registration No. 1,085,163 "IN-N-OUT" under Class 42 dated February 7, 1978 for Restaurant Services and carry-out restaurant services (Exhibit "Q"). For its mark "Double-Double" it submitted Certificates of Registration of said mark in several countries (Exhibits "MM" and submarkings).

Moreover, complainant also cites our decision in Inter Pares Case No. 14-1998-00045 dated 12 September 2000, an opposition case involving the mark "IN-N-OUT" between IN-N-OUT Burger (herein complainant) and Nestor SJ Bonjales where we ruled:

"And last but not the lease, the herein Opposer was able to prove substantially that its mark "IN-N-OUT Burger and Arrow Design" is an internationally well-known mark as evidenced by its trademark registrations around the world and its comprehensive advertisements therein."

The nub of complainant's reasoning is that the Intellectual Property Office as a competent authority had declared in previous inter partes case that "IN-N-OUT Burger and Arrow Design" is an internationally well-known mark.

In the aforementioned case, we are inclined to favor the declaration of the mark "IN-N-OUT" as an internationally well-known mark on the basis of "registrations in various countries around the world and its comprehensive advertisements therein."

The Ongpin Memorandum dated 25 October 1983 which was the basis for the decision in the previous inter partes case and which set the criteria for determining whether a mark is well known, takes into consideration the extent of registration of a mark. Similarly, the implementing rules of Republic Act 8293, specifically Section (e) Rule 102 Criteria for determining whether a mark is well known, also takes into account the extent to which the mark has been registered in the world in determining whether a mark is well known.

Likewise, as shown by the records of the instant case, Complainant submitted evidence consisting of articles about "IN-N-OUT Burger" appearing in magazines, newspapers and print-out of what appears to be printed representations of its internet website (www.innout.com) (Exhibits "CCC" to
"QQQ"), as well as object evidence consisting of videotapes of famous celebrities mentioning IN-N-OUT burgers in the course of their interviews (Exhibits "EEEE" and "FFFF") showing a tremendous following among celebrities.

The quality image and reputation acquired by the complainant’s IN-N-OUT mark is unmistakable. With this, complainant’s mark have met other criteria set in the Implementing Rules of Republic Act 8293, namely, 'a' and 'd' of Rule 102, to wit:

"Rule 102:

(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 publicity and the presentation at fairs or exhibitions, of the goods and/or services to which the mark applies;

x x x

(d) the quality image or reputation acquired by the mark"

Hence, on the basis of evidence presented consisting of worldwide registration of mark "IN-N-OUT" almost all of which were issued earlier than the respondent’s date of filing of its application and the subsequent registration of the mark "IN-N-OUT" in this Office, as well as the advertisements therein by the complainant, this Office hereby affirms its earlier declaration that indeed, the mark "IN-N-OUT BURGER LOGO" is an internally well-known mark.

We find the foregoing findings and conclusions of Director Beltran-Abelardo fully substantiated by the evidence on record and in accord with law.

The fact that respondent’s marks are neither registered nor used in the Philippines is of no moment. The scope of protection initially afforded by Article 6bis of the Paris Convention has been expanded in the 1999 Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, wherein the World Intellectual Property Organization (WIPO) General Assembly and the Paris Union agreed to a nonbinding recommendation that a well-known mark should be protected in a country even if the mark is neither registered nor used in that country. Part I, Article 2(3) thereof provides:

(3) [Factors Which Shall Not Be Required] (a) A Member State shall not require, as a condition for determining whether a mark is a well-known mark:

(i) that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, the Member State;

(ii) that the mark is well known in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, any jurisdiction other than the Member State; or

(iii) that the mark is well known by the public at large in the Member State.
FREDCO MANUFACTURING CORPORATION, Petitioner, vs. PRESIDENT AND FELLOWS OF HARVARD COLLEGE (HARVARD UNIVERSITY), Respondents.
G.R. No. 185917, SECOND DIVISION, June 1, 2011, CARPIO, J.

The fact that respondent's marks are neither registered nor used in the Philippines is of no moment. The scope of protection initially afforded by Article 6bis of the Paris Convention has been expanded in the 1999 Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, wherein the World Intellectual Property Organization (WIPO) General Assembly and the Paris Union agreed to a nonbinding recommendation that a well-known mark should be protected in a country even if the mark is neither registered nor used in that country.

Indeed, Section 123.1(e) of R.A. No. 8293 now categorically states that "a mark which is considered by the competent authority of the Philippines to be well-known internationally and in the Philippines, whether or not it is registered here," cannot be registered by another in the Philippines. Section 123.1(e) does not require that the well-known mark be used in commerce in the Philippines but only that it be well-known in the Philippines.

Thus, while under the territoriality principle a mark must be used in commerce in the Philippines to be entitled to protection, internationally well-known marks are the exceptions to this rule.

There is no question then, and this Court so declares, that "Harvard" is a well-known name and mark not only in the United States but also internationally, including the Philippines. The mark "Harvard" is rated as one of the most famous marks in the world. It has been registered in at least 50 countries. It has been used and promoted extensively in numerous publications worldwide. It has established a considerable goodwill worldwide since the founding of Harvard University more than 350 years ago. It is easily recognizable as the trade name and mark of Harvard University of Cambridge, Massachusetts, U.S.A., internationally known as one of the leading educational institutions in the world. As such, even before Harvard University applied for registration of the mark "Harvard" in the Philippines, the mark was already protected under Article 6bis and Article 8 of the Paris Convention. Again, even without applying the Paris Convention, Harvard University can invoke Section 4(a) of R.A. No. 166 which prohibits the registration of a mark "which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs.

FACTS

Fredco Manufacturing Corporation (Fredco), filed a Petition for Cancellation of Registration No. 56561 before the Bureau of Legal Affairs of the Intellectual Property Office (IPO) against President and Fellows of Harvard College (Harvard University), a corporation organized and existing under the laws of Massachusetts, United States of America.

Fredco alleged that Registration No. 56561 was issued to Harvard University for the mark "Harvard Veritas Shield Symbol" for decals, tote bags, serving trays, sweatshirts, t-shirts, hats and flying discs under Classes 16, 18, 21, 25 and 28 of the Nice International Classification of Goods and Services. Fredco alleged that the mark "Harvard" for t-shirts, polo shirts, sandos, briefs, jackets and slacks was first used in the Philippines by New York Garments Manufacturing & Export Co., Inc. (New York Garments), Fredco's predecessor-in-interest.
Harvard University, on the other hand, alleged that it is the lawful owner of the name and mark "Harvard" in numerous countries worldwide, including the Philippines. Harvard University further alleged that the name and the mark have been rated as one of the most famous brands in the world, valued between US $750,000,000 and US $1,000,000,000.

The Director General noted that the mark covered by Harvard University's Registration No. 56561 is not only the word "Harvard" but also the logo, emblem or symbol of Harvard University. The Director General ruled that Fredco failed to explain how its predecessor New York Garments came up with the mark "Harvard." In addition, there was no evidence that Fredco or New York Garments was licensed or authorized by Harvard University to use its name in commerce or for any other use. The Court of Appeals ruled that Harvard University was able to substantiate that it appropriated and used the marks "Harvard" and "Harvard Veritas Shield Symbol" in Class 25 way ahead of Fredco and its predecessor New York Garments.

**ISSUE**

Whether Respondent Harvard is entitled to protection. (YES)

**RULING**

There are two compelling reasons why Fredco's petition must fail.

First, Fredco's registration of the mark "Harvard" and its identification of origin as "Cambridge, Massachusetts" falsely suggest that Fredco or its goods are connected with Harvard University, which uses the same mark "Harvard" and is also located in Cambridge, Massachusetts. This can easily be gleaned from the following oblong logo of Fredco that it attaches to its clothing line:

Fredco's registration of the mark "Harvard" should not have been allowed because Section 4(a) of R.A. No. 166 prohibits the registration of a mark "which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs x x x." Section 4(a) of R.A. No. 166 provides:

> Section 4. Registration of trade-marks, trade-names and service-marks on the principal register. – There is hereby established a register of trade-mark, trade-names and service-marks which shall be known as the principal register. The owner of a trade-mark, a 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:

> (a) Consists of or comprises immoral, deceptive or scandalous manner, or matter which may disparage or **falsely suggest a connection with** persons, living or dead, **institutions**, beliefs, or national symbols, or bring them into contempt or disrepute;

Fredco’s use of the mark "Harvard," coupled with its claimed origin in Cambridge, Massachusetts, obviously suggests a false connection with Harvard University. On this ground alone, Fredco's registration of the mark "Harvard" should have been disallowed.

Indisputably, Fredco does not have any affiliation or connection with Harvard University, or even with Cambridge, Massachusetts. Fredco or its predecessor New York Garments was not established
in 1936, or in the U.S.A. as indicated by Fredco in its oblong logo. Fredco offered no explanation to the Court of Appeals or to the IPO why it used the mark "Harvard" on its oblong logo with the words "Cambridge, Massachusetts," "Established in 1936," and "USA." Fredco now claims before this Court that it used these words "to evoke a 'lifestyle' or suggest a 'desirable aura' of petitioner's clothing lines." Fredco's belated justification merely confirms that it sought to connect or associate its products with Harvard University, riding on the prestige and popularity of Harvard University, and thus appropriating part of Harvard University’s goodwill without the latter’s consent.

Second, the Philippines and the United States of America are both signatories to the Paris Convention for the Protection of Industrial Property (Paris Convention). The Philippines became a signatory to the Paris Convention on 27 September 1965. Articles 6bis and 8 of the Paris Convention state:

ARTICLE 6bis

(i) 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 or a mark considered by the competent authority of the 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.

ARTICLE 8

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. (Emphasis supplied)

Thus, this Court has ruled that the Philippines is obligated to assure nationals of countries of the Paris Convention that they are afforded an effective protection against violation of their intellectual property rights in the Philippines in the same way that their own countries are obligated to accord similar protection to Philippine nationals.

Article 8 of the Paris Convention has been incorporated in Section 37 of R.A. No. 166, as follows:

Section 37. Rights of foreign registrants. — 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 any international convention or treaty relating to marks or trade-names, or 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 to the extent and under the conditions essential to give effect to any such convention and treaties so long as the Philippines shall continue to be a party thereto, except as provided in the following paragraphs of this section.

x x x x
Trade-names 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.

Thus, under Philippine law, a trade name of a national of a State that is a party to the Paris Convention, whether or not the trade name forms part of a trademark, is protected "without the obligation of filing or registration."

"Harvard" is the trade name of the world famous Harvard University, and it is also a trademark of Harvard University. Under Article 8 of the Paris Convention, as well as Section 37 of R.A. No. 166, Harvard University is entitled to protection in the Philippines of its trade name "Harvard" even without registration of such trade name in the Philippines. This means that no educational entity in the Philippines can use the trade name "Harvard" without the consent of Harvard University. Likewise, no entity in the Philippines can claim, expressly or impliedly through the use of the name and mark "Harvard," that its products or services are authorized, approved, or licensed by, or sourced from, Harvard University without the latter's consent.

In a Memorandum dated 25 October 1983, then Minister of Trade and Industry Roberto Ongpin affirmed the earlier Memorandum of Minister Villafuerte. Minister Ongpin directed the Director of Patents to implement measures necessary to comply with the Philippines' obligations under the Paris Convention, thus:

1. Whether the trademark under consideration is well-known in the Philippines or is a mark already belonging to a person entitled to the benefits of the CONVENTION, this should be established, pursuant to Philippine Patent Office procedures in inter partes and ex parte cases, according to any of the following criteria or any combination thereof:

   (a) a declaration by the Minister of Trade and Industry that the trademark being considered is already well-known in the Philippines such that permission for its use by other than its original owner will constitute a reproduction, imitation, translation or other infringement;

   (b) that the trademark is used in commerce internationally, supported by proof that goods bearing the trademark are sold on an international scale, advertisements, the establishment of factories, sales offices, distributorships, and the like, in different countries, including volume or other measure of international trade and commerce;

   (c) that the trademark is duly registered in the industrial property office(s) of another country or countries, taking into consideration the dates of such registration;

   (d) that the trademark has been long established and obtained goodwill and general international consumer recognition as belonging to one owner or source;

   (e) that the trademark actually belongs to a party claiming ownership and has the right to registration under the provisions of the aforesaid PARIS CONVENTION.
2. The word trademark, as used in this MEMORANDUM, shall include tradenames, service marks, logos, signs, emblems, insignia or other similar devices used for identification and recognition by consumers.

3. The Philippine Patent Office shall refuse all applications for, or cancel the registration of, trademarks which constitute a reproduction, translation or imitation of a trademark owned by a person, natural or corporate, who is a citizen of a country signatory to the PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY.

In Mirpuri, the Court ruled that the essential requirement under Article 6bis of the Paris Convention is that the trademark to be protected must be "well-known" in the country where protection is sought. The Court declared that the power to determine whether a trademark is well-known lies in the competent authority of the country of registration or use. The Court then stated that the competent authority would either be the registering authority if it has the power to decide this, or the courts of the country in question if the issue comes before the courts.

To be protected under the two directives of the Ministry of Trade, an internationally well-known mark need not be registered or used in the Philippines. All that is required is that the mark is well-known internationally and in the Philippines for identical or similar goods, whether or not the mark is registered or used in the Philippines. The Court ruled in Sehwani, Incorporated v. In-N-Out Burger, Inc.:

The fact that respondent's marks are neither registered nor used in the Philippines is of no moment. The scope of protection initially afforded by Article 6bis of the Paris Convention has been expanded in the 1999 Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, wherein the World Intellectual Property Organization (WIPO) General Assembly and the Paris Union agreed to a nonbinding recommendation that a well-known mark should be protected in a country even if the mark is neither registered nor used in that country. Part I, Article 2(3) thereof provides:

(3) [Factors Which Shall Not Be Required] (a) A Member State shall not require, as a condition for determining whether a mark is a well-known mark:

(i) that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, the Member State:

(ii) that the mark is well known in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, any jurisdiction other than the Member State; or

(iii) that the mark is well known by the public at large in the Member State.34 (Italics in the original decision; boldface supplied)

Indeed, Section 123.1(e) of R.A. No. 8293 now categorically states that "a mark which is considered by the competent authority of the Philippines to be well-known internationally and in the Philippines, whether or not it is registered here," cannot be registered by another in the Philippines. Section 123.1(e) does not require that the well-known mark be used in commerce in the Philippines but only that it be well-known in the Philippines. Moreover, Rule 102 of the Rules and
Regulations on Trademarks, Service Marks, Trade Names and Marked or Stamped Containers, which implement R.A. No. 8293, provides:

Rule 102. Criteria for determining whether a mark is well-known. 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 the 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 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 or 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. (Emphasis supplied)

Since "any combination" of the foregoing criteria is sufficient to determine that a mark is well-known, it is clearly not necessary that the mark be used in commerce in the Philippines. Thus, while under the territoriality principle a mark must be used in commerce in the Philippines to be entitled to protection, internationally well-known marks are the exceptions to this rule.

In the assailed Decision of the Office of the Director General dated 21 April 2008, the Director General found that:

Traced to its roots or origin, HARVARD is not an ordinary word. It refers to no other than Harvard University, a recognized and respected institution of higher learning located in Cambridge, Massachusetts, U.S.A. Initially referred to simply as "the new college," the institution was named "Harvard College" on 13 March 1639, after its first principal donor, a young clergyman named John Harvard. A graduate of Emmanuel College, Cambridge in England, John Harvard bequeathed about
four hundred books in his will to form the basis of the college library collection, along with half his personal wealth worth several hundred pounds. The earliest known official reference to Harvard as a "university" rather than "college" occurred in the new Massachusetts Constitution of 1780.

Records also show that the first use of the name HARVARD was in 1638 for educational services, policy courses of instructions and training at the university level. It has a Charter. Its first commercial use of the name or mark HARVARD for Class 25 was on 31 December 1953 covered by UPTON Reg. No. 2,119,339 and 2,101,295. Assuming in arguendo, that the Appellate may have used the mark HARVARD in the Philippines ahead of the Appellant, it still cannot be denied that the Appellant's use thereof was decades, even centuries, ahead of the Appellee's. More importantly, the name HARVARD was the name of a person whose deeds were considered to be a cornerstone of the university. The Appellant's logos, emblems or symbols are owned by Harvard University. The name HARVARD and the logos, emblems or symbols are endemic and cannot be separated from the institution.

There is no question then, and this Court so declares, that "Harvard" is a well-known name and mark not only in the United States but also internationally, including the Philippines. The mark "Harvard" is rated as one of the most famous marks in the world. It has been registered in at least 50 countries. It has been used and promoted extensively in numerous publications worldwide. It has established a considerable goodwill worldwide since the founding of Harvard University more than 350 years ago. It is easily recognizable as the trade name and mark of Harvard University of Cambridge, Massachusetts, U.S.A., internationally known as one of the leading educational institutions in the world. As such, even before Harvard University applied for registration of the mark "Harvard" in the Philippines, the mark was already protected under Article 6bis and Article 8 of the Paris Convention. Again, even without applying the Paris Convention, Harvard University can invoke Section 4(a) of R.A. No. 166 which prohibits the registration of a mark "which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs.

BERRIS AGRICULTURAL CO., INC., Petitioner, vs. NORVY ABYADANG, Respondent.
G.R. No. 183404, SECOND DIVISION, October 13, 2010, NACHURA, J.

Berris, as prior user and prior registrant, is the owner of the mark "D-10 80 WP." As such, Berris has in its favor the rights conferred by Section 147 of R.A. No. 8293, which provides—

Sec. 147. Rights Conferred.

147.1. The owner of a registered mark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.

147.2. The exclusive right of the owner of a well-known mark defined in Subsection 123.1(e) which is registered in the Philippines, shall extend to goods and services which are not similar to those in respect of which the mark is registered: Provided, That use of that 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 interests of the owner of the registered mark are likely to be damaged by such use.
FACTS

Norvy A. Abyadang, proprietor of NS Northern Organic Fertilizer, filed with the Intellectual Property Office (IPO) a trademark application for the mark “NS D-10 PLUS” for use in connection with Fungicide (Class 5) with active ingredient 80% Mancozeb. Berris Agricultural Co., Inc. (Berris), with business address in Barangay Masiit, Calauan, Laguna, filed with the IPO Bureau of Legal Affairs (IPOBLA) a Verified Notice of Opposition against the mark under application allegedly because “NS D-10 PLUS” is similar and/or confusingly similar to its registered trademark “D-10 80 WP,” also used for Fungicide (Class 5) with active ingredient 80% Mancozeb.

The IPO-BLA ruled in favor of Berris holding that Abyadang’s mark “NS D-10 PLUS” is confusingly similar to the Berris’ mark. On appeal, Director General of the IPPDG rendered a decision denying the appeal. Undeterred, Abyadang filed a petition for review before the CA, which reversed the IPPDG decision reasoning that Abyadang’s mark “NS D-10 PLUS” is not confusingly similar with respondent’s trademark “D-10 80 WP”; and Berris failed to establish its ownership of the mark “D10 80 WP” and 3) respondent’s trademark registration for “D-10 80 WP” may be cancelled in the present case to avoid multiplicity of suits. Berris’ Mr was denied, hence this petition.

Culled from the records, Berris, as oppositor to Abyadang’s application for registration of his trademark, presented the following evidence: (1) its trademark application dated November 29, 2002 with Application No. 4-2002-0010272; (2) its IPO certificate of registration dated October 25, 2004, with Registration No. 4-2002-010272 and July 8, 2004 as the date of registration; (3) a photocopy of its packaging bearing the mark “D-10 80 WP”; (4) photocopies of its sales invoices and official receipts; and (5) its notarized DAU dated April 23, 2003, stating that the mark was first used on June 20, 2002, and indicating that, as proof of actual use, copies of official receipts or sales invoices of goods using the mark were attached as Annex “B.”

ISSUE

Whether Berris is entitled to protection. (YES)

RULING

Berris was able to establish that it was using its mark ”D-10 80 WP” since June 20, 2002, even before it filed for its registration with the IPO on November 29, 2002, as shown by its DAU which was under oath and notarized, bearing the stamp of the Bureau of Trademarks of the IPO on April 25, 2003, and which stated that it had an attachment as Annex ”B” sales invoices and official receipts of goods bearing the mark. Indeed, the DAU, being a notarized document, especially when received in due course by the IPO, is evidence of the facts it stated and has the presumption of regularity, entitled to full faith and credit upon its face. Thus, the burden of proof to overcome the presumption of authenticity and due execution lies on the party contesting it, and the rebutting evidence should be clear, strong, and convincing as to preclude all controversy as to the falsity of the certificate. What is more, the DAU is buttressed by the Certification dated April 21, 2006 issued by the Bureau of Trademarks that Berris’ mark is still valid and existing.

Hence, we cannot subscribe to the contention of Abyadang that Berris’ DAU is fraudulent based only on his assumption that Berris could not have legally used the mark in the sale of its goods way back in June 2002 because it registered the product with the FPA only on November 12, 2004. As correctly
held by the IPPDG in its decision on Abyadang's appeal, the question of whether or not Berris violated P.D. No. 1144, because it sold its product without prior registration with the FPA, is a distinct and separate matter from the jurisdiction and concern of the IPO. Thus, even a determination of violation by Berris of P.D. No. 1144 would not controvert the fact that it did submit evidence that it had used the mark "D-10 80 WP" earlier than its FPA registration in 2004.

Furthermore, even the FPA Certification dated October 11, 2005, stating that the office had neither encountered nor received reports about the sale of the fungicide "D-10 80 WP" within Region I and the Cordillera Administrative Region, could not negate the fact that Berris was selling its product using that mark in 2002, especially considering that it first traded its goods in Calauan, Laguna, where its business office is located, as stated in the DAU.

Therefore, Berris, as prior user and prior registrant, is the owner of the mark "D-10 80 WP." As such, Berris has in its favor the rights conferred by Section 147 of R.A. No. 8293, which provides—

Sec. 147. Rights Conferred.—

147.1. The owner of a registered mark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.

147.2. The exclusive right of the owner of a well-known mark defined in Subsection 123.1(e) which is registered in the Philippines, shall extend to goods and services which are not similar to those in respect of which the mark is registered: Provided, That use of that 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 interests of the owner of the registered mark are likely to be damaged by such use.

CONRAD AND COMPANY, INC., petitioner, vs. HON. COURT OF APPEALS, FITRITE INC., and VICTORIA BISCUITS CO., INC., respondents.
G.R. No. 115115, THIRD DIVISION, July 18, 1995, VITUG, J.

It might be mentioned that while an application for the administrative cancellation of a registered trademark on any of the grounds enumerated in Section 17 of Republic Act No. 166, as amended, otherwise known as the Trade-Mark Law, falls under the exclusive cognizance of BPTTT (Sec. 19, Trade-Mark Law), an action, however, for infringement or unfair competition, as well as the remedy of injunction and relief for damages, is explicitly and unquestionably within the competence and jurisdiction of ordinary courts.

Sec. 23. Actions, and damages and injunction for infringement. — 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 infringe 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, then the court may award as damages a 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.

Sec. 27. Jurisdiction of [Regional Trial Court]. All actions under this Chapter and Chapters VI and VII hereof shall be brought before the proper [Regional Trial Court].

FACTS

Respondents FITRITE, INC. and VICTORIA BISCUIT CO., INC., both domestic corporations, are engaged in the business of manufacturing, selling and distributing biscuits and cookies bearing the trademark "SUNSHINE" in the Philippines. Petitioner CONRAD AND COMPANY is also engaged in the business of importing, selling and distributing biscuits and cookies in the Philippines.

Sometime in April 1982, plaintiff FITRITE filed in the Bureau of Patents, Trademarks and Technology Transfer (hereinafter referred to as BPTTT) applications for registration of the trademark "SUNSHINE," both in the Supplemental and Principal Registers, to be used on biscuits and cookies. Since March 31, 1981 FITRITE had exclusively used this trademark in the concept of owner on its biscuits and cookies. On May 20, 1983 FITRITE’s application for this trademark in the Supplemental Register was approved by the BPTTT and FITRITE was issued a Certificate of Registration No. SR-6217 for a term of 20 years from the date of approval. On March 22, 1990 FITRITE’s application for the same trademark in the Principal Register was approved by BPTTT and FITRITE was issued a Certificate of Registration No. 47590 for a term of 20 years from said date of approval. On June 28, 1984 FITRITE authorized its sister company, co-plaintiff VICTORIA BISCUIT CO., to use this trademark on its biscuits and cookies, as well as to manufacture, promote, sell and distribute products bearing said trademark.

On September 7, 1990, FITRITE assigned its trademark "SUNSHINE AND DEVICE LABEL," together with its interest and business goodwill to said VICTORIA BISCUIT. From the time FITRITE was issued the Certificate of Registration for this trademark on May 20, 1983 up to the filing of the complaint a quo FITRITE and VICTORIA BISCUIT have been manufacturing, selling and distributing on a massive scale biscuits and cookies bearing this trademark; so that through the years of extensive marketing of plaintiffs’ biscuits and cookies with this trademark, their products have become popularly known and enjoyed wide acceptability in Metro Manila and in the provinces.

Then sometime in June 1990, through the affidavit executed on May 30, 1990 by defendant CONRAD’s own Import Manager and Executive Assistant by the name of Raul Olaya, plaintiffs succeeded in tracing and discovered that CONRAD had been importing, selling and distributing biscuits and cookies, and other food items bearing this trademark in the Philippines. Although CONRAD had never before been engaged in the importation, sale and distribution of products similar to those of plaintiffs, on April 18, 1988 CONRAD was suddenly designated exclusive importer and dealer of the products of "Sunshine Biscuits, Inc." for sale in the Philippine market; and on April 21, 1988, per the affidavit of said Raul Olaya, CONRAD made its first importation, which was continuously repeated up to the
present (May 30, 1990 [date of the affidavit]), altogether consisting of 51,575 cartons and amounting to $579,224.35.

Those acts of CONRAD, done without plaintiffs’ consent, were deliberately calculated to mislead and deceive the purchasers by making them believe that its (CONRAD’S) "Sunshine" products had originated from plaintiffs and thereby inducing them to patronize those products, all to the damage and prejudice of both the purchasing public and plaintiffs. Through their counsel, plaintiffs addressed a letter to CONRAD demanding, among other things, that it cease and desist from continuing with those acts, but the demand was ignored. Being acts of infringement and unfair competition in violation of plaintiffs' rights, plaintiffs can validly avail themselves of the remedies against infringement under Sec. 23 of Republic Act No. 166, as amended, as well as of the remedies against unfair competition under Sec. 29 of the same statute.

In seeking the dismissal of the complaint filed by private respondents with the trial court, petitioner invoked, among other grounds, the doctrine of primary jurisdiction.

**ISSUE**

Whether the RTC has jurisdiction over an action for infringement. (YES)

**RULING**

It might be mentioned that while an application for the administrative cancellation of a registered trademark on any of the grounds enumerated in Section 17 of Republic Act No. 166, as amended, otherwise known as the Trade-Mark Law, falls under the exclusive cognizance of BPTTT (Sec. 19, Trade-Mark Law), an action, however, for infringement or unfair competition, as well as the remedy of injunction and relief for damages, is explicitly and unquestionably within the competence and jurisdiction of ordinary courts.

Private respondents are the holder of Certificate of Registration No. 47590 (Principal Register) for the questioned trademark. In Lorenzana vs. Macagba, 154 SCRA 723, cited with approval in Del Monte Corporation vs. Court of Appeals, 181 SCRA 410, we have declared that registration in the Principal Register gives rise to a presumption of validity of the registration and of the registrant’s ownership and right to the exclusive use of the mark. It is precisely such a registration that can serve as the basis for an action for infringement. An invasion of this right entitles the registrant to court protection and relief. Section 23 and Section 27, Chapter V, of the Trade-Mark Law provides:

Sec. 23. Actions, and damages and injunction for infringement. — 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 infringe 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, then the court may award as damages a 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.

Sec. 27. Jurisdiction of [Regional Trial Court]. All actions under this Chapter and Chapters VI and VII hereof shall be brought before the proper [Regional Trial Court].

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

SHANGRI-LA INTERNATIONAL HOTEL MANAGEMENT LTD., SHANGRI-LA PROPERTIES, INC., MAKATI SHANGRI-LA HOTEL AND RESORT, INC. and KUOK PHILIPPINE PROPERTIES, INC., petitioners, v. THE COURT OF APPEALS, HON. FELIX M. DE GUZMAN, as Judge, RTC of Quezon City, Branch 99 and DEVELOPERS GROUP OF COMPANIES, INC., respondents.

G.R. No. 111580, FIRST DIVISION, June 21, 2001, YNARES-SANTIAGO, J.

DEVELOPERS GROUP OF COMPANIES, INC., petitioner, v. THE COURT OF APPEALS, HON. IGNACIO S. SAPALO, in his capacity as Director, Bureau of Patents, Trademarks and Technology Transfer, and SHANGRI-LA INTERNATIONAL HOTEL MANAGEMENT, LTD., respondents.

G.R. No. 114802, FIRST DIVISION, June 21, 2001, YNARES-SANTIAGO, J.

Following both law and the jurisprudence enunciated in Conrad and Company, Inc. v. Court of Appeals, the infringement case can and should proceed independently from the cancellation case with the Bureau so as to afford the owner of certificates of registration redress and injunctive writs. In the same light, so must the cancellation case with the BPTTT (now the Bureau of Legal Affairs, Intellectual Property Office) continue independently from the infringement case so as to determine whether a registered mark may ultimately be cancelled.

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

FACTS

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

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

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

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

The Shangri-La Group filed a petition for certiorari before the Court of Appeals. The Court of Appeals rendered its decision dismissing the petition for certiorari.

Meanwhile, on October 28, 1991, the Developers Group filed in Inter Partes Case No. 3145 an Urgent Motion to Suspend Proceedings, invoking the pendency of the infringement case it filed before the Regional Trial Court of Quezon City. On January 10, 1992, the BPTTT issued an Order denying the Motion.

**ISSUE**

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

**RULING**

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

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

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

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

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

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

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

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

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

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

Following both law and the jurisprudence enunciated in Conrad and Company, Inc. v. Court of Appeals, the infringement case can and should proceed independently from the cancellation case with the Bureau so as to afford the owner of certificates of registration redress and injunctive writs. In the same light, so must the cancellation case with the BPTTT (now the Bureau of Legal Affairs, Intellectual Property Office) continue independently from the infringement case so as to determine whether a registered mark may ultimately be cancelled.

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

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

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

MELBAROSE R. SASOT and ALLANDALE R. SASOT, petitioners, vs. PEOPLE OF THE PHILIPPINES, The Honorable court of of appeals, and REBECCA G. SALVADOR, Presiding Judge, RTC, Branch 1, Manila, respondents.
G.R. No. 143193, SECOND DIVISION, June 29, 2005, AUSTRIA-MARTINEZ, J.

More important is the nature of the case which led to this petition. What preceded this 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 the petitioner 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. Petitioner’s capacity to sue would become, therefore, of not much significance in the main case. We cannot allow a possible violator of our criminal statutes to escape prosecution upon a far-fetched contention that the aggrieved party or victim of a crime has no standing to sue.

FACTS
Sometime in May 1997, the National Bureau of Investigation (NBI) conducted an investigation pursuant to a complaint by the NBA Properties, Inc., against petitioners for possible violation of Article 189 of the Revised Penal Code on unfair competition. NBA Properties, Inc., is a foreign corporation organized under the laws of the United States of America, and is the registered owner of NBA trademarks and names of NBA basketball teams. These names are used on hosiery, footwear, t-shirts, sweatshirts, tank tops, pajamas, sport shirts, and other garment products, which are allegedly registered with the Bureau of Patents, Trademarks and Technology Transfer. The Report further stated that during the investigation, it was discovered that petitioners are engaged in the manufacture, printing, sale, and distribution of counterfeit "NBA" garment products. Hence, it recommended petitioners’ prosecution for unfair competition under Article 189 of the Revised Penal Code.

Before arraignment, petitioners filed a Motion to Quash the Information. The petitioners contend that the complainant is a foreign corporation not doing business in the Philippines, and cannot be protected by Philippine patent laws since it is not a registered patentee. Petitioners aver that they have been using the business name ALLANDALE SPORTSLINE, INC. since 1972, and their designs are original and do not appear to be similar to complainants, and they do not use complainants logo or design. The trial court and the Court of Appeals both ruled against the petitioner.

**ISSUE**

Whether a foreign corporation not engaged and licensed to do business in the Philippines may maintain a cause of action for unfair competition. (YES)

**RULING**

More importantly, the crime of Unfair Competition punishable under Article 189 of the Revised Penal Code is a public crime. It is essentially an act against the State and it is the latter which principally stands as the injured party. The complainant’s capacity to sue in such case becomes immaterial.

In La Chemise Lacoste, S.A. vs. Fernandez, a case akin to the present dispute, as it involved the crime of Unfair Competition under Article 189 of the Revised Penal Code, and the quashal of search warrants issued against manufacturers of garments bearing the same trademark as that of the petitioner, the Court succinctly ruled that:

More important is the nature of the case which led to this petition. What preceded this 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 the petitioner 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. Petitioner’s capacity to sue would become, therefore, of not much significance in the main case. We cannot allow a possible violator of our criminal statutes to escape prosecution upon a far-fetched contention that the aggrieved party or victim of a crime has no standing to sue.

In upholding the right of the petitioner to maintain the present suit before our courts for unfair competition or infringement of trademarks of a foreign corporation, we are moreover recognizing
our duties and the rights of foreign states under the Paris Convention for the Protection of Industrial Property to which the Philippines and France are parties. We are 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 our national interest to do so.

**LEVI STRAUSS & CO., & LEVI STRAUSS (PHILS.), INC., Petitioners, vs. CLINTON APPARELLE, INC., Respondent.**

G.R. No. 138900, SECOND DIVISION, September 20, 2005, Tinga, J.

According to Section 138 of Republic Act No. 8293, this Certificate of Registration is prima facie evidence of the validity of the registration, the registrant's ownership of the mark and of the exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate. Section 147.1 of said law likewise grants the owner of the registered mark the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered if such use results in a likelihood of confusion.

However, petitioners' registered trademark consists of two elements: (1) the word mark "Dockers" and (2) the wing-shaped design or logo. Notably, there is only one registration for both features of the trademark giving the impression that the two should be considered as a single unit. CLINTON's trademark, on the other hand, uses the "Paddocks" word mark on top of a logo which according to petitioners is a slavish imitation of the "Dockers" design. The two trademarks apparently differ in their word marks ("Dockers" and "Paddocks"), but again according to petitioners, they employ similar or identical logos. It could thus be said that respondent only "appropriates" petitioners' logo and not the word mark "Dockers"; it uses only a portion of the registered trademark and not the whole. The single registration of the trademark "Dockers and Design" and considering that respondent only uses the assailed device but a different word mark, the right to prevent the latter from using the challenged "Paddocks" device is far from clear. Stated otherwise, it is not evident whether the single registration of the trademark "Dockers and Design" confers on the owner the right to prevent the use of a fraction thereof in the course of trade. It is also unclear whether the use without the owner's consent of a portion of a trademark registered in its entirety constitutes material or substantial invasion of the owner's right.

In addition, the damages the petitioners had suffered or continue to suffer may be compensated in terms of monetary consideration. As held in Government Service Insurance System v. Florendo, a writ of injunction should never have been issued when an action for damages would adequately compensate the injuries caused. The very foundation of the jurisdiction to issue the writ of injunction rests in the probability of irreparable injury, inadequacy of pecuniary estimation and the prevention of the multiplicity of suits, and where facts are not shown to bring the case within these conditions, the relief of injunction should be refused.

**FACTS**

This case stemmed from the Complaint for Trademark Infringement, Injunction and Damages filed by petitioners LS & Co. and LSPI against respondent Clinton Apparelle, Inc. (Clinton Aparelle) together with an alternative defendant, Olympian Garments, Inc. (Olympian Garments). The Complaint alleged that LS & Co., a foreign corporation duly organized and existing under the laws of the State of Delaware, U.S.A., and engaged in the apparel business, is the owner by prior adoption and
use since 1986 of the internationally famous "Dockers and Design" trademark. This ownership is evidenced by its valid and existing registrations in various member countries of the Paris Convention. In the Philippines, it has a Certificate of Registration No. 46619 in the Principal Register for use of said trademark on pants, shirts, blouses, skirts, shorts, sweatshirts and jackets.

LS & Co. and LSPI alleged that they discovered the presence in the local market of jeans under the brand name "Paddocks" using a device which is substantially, if not exactly, similar to the "Dockers and Design" trademark owned by and registered in the name of LS & Co., without its consent. Based on their information and belief, they added, Clinton Apparelle manufactured and continues to manufacture such "Paddocks" jeans and other apparel.

The trial court issued a TRO in favor of LEVI after CLINTON and OLYMPIAN failed to appear. Thereafter, the issuance of a writ of preliminary injunction was granted in favor of LEVI. However, the appellate court reserved the decision of the trial court and granted the petition of CLINTON for certiorari, prohibition and mandamus with prayer for the issuance of a temporary restraining order and/or writ of preliminary injunction.

In its defense, CLINTON maintained among others that it was not validly served with summons since the same was only served upon OLYMPIAN; hence, the TRO was void. It also asserted that there was no confusion between the two marks and that the erosion of petitioners’ trademark may not be protected by injunction. It believes that the issued writ in effect disturbed the status quo and disposed of the main case without trial.

ISSUE

Whether the issuance of the writ of preliminary injunction by the trial court was proper

RULING

No, the issuance of the writ of preliminary injunction is not proper.

Section 1, Rule 58 of the Rules of Court defines a preliminary injunction as an order granted at any stage of an action prior to the judgment or final order requiring a party or a court, agency or a person to refrain from a particular act or acts. Injunction is accepted as the strong arm of equity or a transcendent remedy to be used cautiously as it affects the respective rights of the parties, and only upon full conviction on the part of the court of its extreme necessity. An extraordinary remedy, injunction designed to preserve or maintain the status quo of things and is generally availed of to prevent actual or threatened acts until the merits of the case can be heard. It may be resorted to only by a litigant for the preservation or protection of his rights or interests and for no other purpose during the pendency of the principal action. It is resorted to only when there is a pressing necessity to avoid injurious consequences, which cannot be remedied under any standard compensation. The resolution of an application for a writ of preliminary injunction rests upon the existence of an emergency or of a special recourse before the main case can be heard in due course of proceedings.

According to Section 138 of Republic Act No. 8293, this Certificate of Registration is prima facie evidence of the validity of the registration, the registrant’s ownership of the mark and of the exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate. Section 147.1 of said law likewise grants the owner of the registered mark
the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered if such use results in a likelihood of confusion.

However, petitioners' registered trademark consists of two elements: (1) the word mark "Dockers" and (2) the wing-shaped design or logo. Notably, there is only one registration for both features of the trademark giving the impression that the two should be considered as a single unit. CLINTON's trademark, on the other hand, uses the "Paddocks" word mark on top of a logo which according to petitioners is a slavish imitation of the "Dockers" design. The two trademarks apparently differ in their word marks ("Dockers" and "Paddocks"), but again according to petitioners, they employ similar or identical logos. It could thus be said that respondent only "appropriates" petitioners' logo and not the word mark "Dockers"; it uses only a portion of the registered trademark and not the whole. The single registration of the trademark "Dockers and Design" and considering that respondent only uses the assailed device but a different word mark, the right to prevent the latter from using the challenged "Paddocks" device is far from clear. Stated otherwise, it is not evident whether the single registration of the trademark "Dockers and Design" confers on the owner the right to prevent the use of a fraction thereof in the course of trade. It is also unclear whether the use without the owner's consent of a portion of a trademark registered in its entirety constitutes material or substantial invasion of the owner's right.

It is likewise not settled whether the wing-shaped logo, as opposed to the word mark, is the dominant or central feature of petitioners' trademark—the feature that prevails or is retained in the minds of the public—an imitation of which creates the likelihood of deceiving the public and constitutes trademark infringement. In sum, there are vital matters which have yet and may only be established through a full-blown trial. Hence, petitioners' right to injunctive relief has not been clearly and unmistakably demonstrated. The right has yet to be determined. Petitioners also failed to show proof that there is material and substantial invasion of their right to warrant the issuance of an injunctive writ. Neither were petitioners able to show any urgent and permanent necessity for the writ to prevent serious damage.

In addition, the damages the petitioners had suffered or continue to suffer may be compensated in terms of monetary consideration. As held in Government Service Insurance System v. Florendo, a writ of injunction should never have been issued when an action for damages would adequately compensate the injuries caused. The very foundation of the jurisdiction to issue the writ of injunction rests in the probability of irreparable injury, inadequacy of pecuniary estimation and the prevention of the multiplicity of suits, and where facts are not shown to bring the case within these conditions, the relief of injunction should be refused.

TANDUAY DISTILLERS, INC., Petitioner, vs. GINEBRA SAN MIGUEL, INC., Respondent.
G.R. No. 164324, FIRST DIVISION, August 14, 2009, CARPIO, J.

Before an injunctive writ is issued, it is essential that the following requisites are present: (1) the existence of a right to be protected and (2) the acts against which the injunction is directed are violative of the right. The onus probandi is on the movant to show that the invasion of the right sought to be protected is material and substantial, that the right of the movant is clear and unmistakable, and that there is an urgent and paramount necessity for the writ to prevent serious damage.
In this case, a cloud of doubt exists over San Miguel's exclusive right relating to the word "Ginebra." San Miguel's claim to the exclusive use of the word "Ginebra" is clearly still in dispute because of Tanduay's claim that it has, as others have, also registered the word "Ginebra" for its gin products. This issue can be resolved only after a full-blown trial.

A writ of injunction should never issue when an action for damages would adequately compensate the injuries caused. The very foundation of the jurisdiction to issue the writ of injunction rests in the probability of irreparable injury, inadequacy of pecuniary compensation and the prevention of the multiplicity of suits, and where facts are not shown to bring the case within these conditions, the relief of injunction should be refused.

FACTS

Tanduay, a corporation organized and existing under Philippine laws, has been engaged in the liquor business since 1854. In 2002, Tanduay developed a new gin product distinguished by its sweet smell, smooth taste, and affordable price. The brand name eventually chosen was "Ginebra Kapitan" with the representation of a revolutionary Kapitan on horseback as the dominant feature of its label. Tanduay points out that the label design of "Ginebra Kapitan" in terms of color scheme, size and arrangement of text, and other label features were precisely selected to distinguish it from the leading gin brand in the Philippine market, "Ginebra San Miguel."

Tanduay received a letter from San Miguel's counsel. The letter informed Tanduay to immediately cease and desist from using the mark "Ginebra" and from committing acts that violate San Miguel's intellectual property rights. San Miguel filed a complaint for trademark infringement, unfair competition and damages, with applications for issuance of TRO and Writ of Preliminary Injunction against Tanduay.

ISSUE

Whether San Miguel is entitled to the writ of preliminary injunction. (NO)

RULING

Clear and Unmistakable Right

Before an injunctive writ is issued, it is essential that the following requisites are present: (1) the existence of a right to be protected and (2) the acts against which the injunction is directed are violative of the right. The onus probandi is on the movant to show that the invasion of the right sought to be protected is material and substantial, that the right of the movant is clear and unmistakable, and that there is an urgent and paramount necessity for the writ to prevent serious damage.

In Levi Strauss & Co. v. Clinton Apparelle, Inc, we held:

While the matter of the issuance of a writ of preliminary injunction is addressed to the sound discretion of the trial court, this discretion must be exercised based upon the grounds and in the manner provided by law. The exercise of discretion by the trial court in injunctive matters is generally not interfered with save in cases of manifest abuse. And to determine whether there was grave abuse
of discretion, a scrutiny must be made of the bases, if any, considered by the trial court in granting injunctive relief. Be it stressed that injunction is the strong arm of equity which must be issued with great caution and deliberation, and only in cases of great injury where there is no commensurate remedy in damages.

The CA upheld the trial court’s ruling that San Miguel has sufficiently established its right to prior use and registration of the word "Ginebra" as a dominant feature of its trademark. The CA ruled that based on San Miguel’s extensive, continuous, and substantially exclusive use of the word "Ginebra," it has become distinctive of San Miguel’s gin products; thus, a clear and unmistakable right was shown.

We hold that the CA committed a reversible error. The issue in the main case is San Miguel’s right to the exclusive use of the mark "Ginebra." The two trademarks "Ginebra San Miguel" and "Ginebra Kapitan" apparently differ when taken as a whole, but according to San Miguel, Tanduay appropriates the word "Ginebra" which is a dominant feature of San Miguel’s mark.

It is not evident whether San Miguel has the right to prevent other business entities from using the word "Ginebra." It is not settled (1) whether "Ginebra" is indeed the dominant feature of the trademarks, (2) whether it is a generic word that as a matter of law cannot be appropriated, or (3) whether it is merely a descriptive word that may be appropriated based on the fact that it has acquired a secondary meaning.

The issue that must be resolved by the trial court is whether a word like "Ginebra" can acquire a secondary meaning for gin products so as to prohibit the use of the word "Ginebra" by other gin manufacturers or sellers. This boils down to whether the word "Ginebra" is a generic mark that is incapable of appropriation by gin manufacturers.

In Asia Brewery, Inc. v. Court of Appeals, the Court ruled that “pale pilsen” are generic words, “pale” being the actual name of the color and “pilsen” being the type of beer, a light bohemian beer with a strong hops flavor that originated in Pilsen City in Czechoslovakia and became famous in the Middle Ages, and hence incapable of appropriation by any beer manufacturer. Moreover, Section 123.1(h) of the IP Code states that a mark cannot be registered if it "consists exclusively of signs that are generic for the goods or services that they seek to identify."

In this case, a cloud of doubt exists over San Miguel’s exclusive right relating to the word "Ginebra." San Miguel’s claim to the exclusive use of the word "Ginebra" is clearly still in dispute because of Tanduay’s claim that it has, as others have, also registered the word "Ginebra" for its gin products. This issue can be resolved only after a full-blown trial.

In Ong Ching Kian Chuan v. Court of Appeals, we held that in the absence of proof of a legal right and the injury sustained by the movant, the trial court’s order granting the issuance of an injunctive writ will be set aside, for having been issued with grave abuse of discretion.

We find that San Miguel’s right to injunctive relief has not been clearly and unmistakably demonstrated. The right to the exclusive use of the word "Ginebra" has yet to be determined in the main case. The trial court’s grant of the writ of preliminary injunction in favor of San Miguel, despite the lack of a clear and unmistakable right on its part, constitutes grave abuse of discretion amounting to lack of jurisdiction.
Prejudging the Merits of the Case

The instructive ruling in Manila International Airport Authority v. Court of Appeals states:

Considering the far-reaching effects of a writ of preliminary injunction, the trial court should have exercised more prudence and judiciousness in its issuance of the injunction order. We remind trial courts that while generally the grant of a writ of preliminary injunction rests on the sound discretion of the court taking cognizance of the case, extreme caution must be observed in the exercise of such discretion. The discretion of the court a quo to grant an injunctive writ must be exercised based on the grounds and in the manner provided by law. Thus, the Court declared in Garcia v. Burgos:

"It has been consistently held that there is no power the exercise of which is more delicate, which requires greater caution, deliberation and sound discretion, or more dangerous in a doubtful case, than the issuance of an injunction. It is the strong arm of equity that should never be extended unless to cases of great injury, where courts of law cannot afford an adequate or commensurate remedy in damages.

Every court should remember that an injunction is a limitation upon the freedom of action of the defendant and should not be granted lightly or precipitately. It should be granted only when the court is fully satisfied that the law permits it and the emergency demands it."

We believe that the issued writ of preliminary injunction, if allowed, disposes of the case on the merits as it effectively enjoins the use of the word “Ginebra” without the benefit of a full-blown trial. In Rivas v. Securities and Exchange Commission, we ruled that courts should avoid issuing a writ of preliminary injunction which would in effect dispose of the main case without trial. The issuance of the writ of preliminary injunction had the effect of granting the main prayer of the complaint such that there is practically nothing left for the trial court to try except the plaintiff’s claim for damages.

Irreparable Injury

In Levi Strauss & Co. v. Clinton Apparelle, Inc., this Court upheld the appellate court’s ruling that the damages Levi Strauss & Co. had suffered or continues to suffer may be compensated in terms of monetary consideration. This Court, quoting Government Service Insurance System v. Florendo, held:

x x x a writ of injunction should never issue when an action for damages would adequately compensate the injuries caused. The very foundation of the jurisdiction to issue the writ of injunction rests in the probability of irreparable injury, inadequacy of pecuniary compensation and the prevention of the multiplicity of suits, and where facts are not shown to bring the case within these conditions, the relief of injunction should be refused.

Based on the affidavits and market survey report submitted during the injunction hearings, San Miguel has failed to prove the probability of irreparable injury which it will stand to suffer if the sale of "Ginebra Kapitan" is not enjoined. San Miguel has not presented proof of damages incapable of pecuniary estimation. At most, San Miguel only claims that it has invested hundreds of millions over a period of 170 years to establish goodwill and reputation now being enjoyed by the "Ginebra San Miguel" mark such that the full extent of the damage cannot be measured with reasonable accuracy. Without the submission of proof that the damage is irreparable and incapable of pecuniary estimation, San Miguel’s claim cannot be the basis for a valid writ of preliminary injunction.
W LAND HOLDINGS, INC., Petitioner, v. STARWOOD HOTELS AND RESORTS WORLDWIDE, INC., Respondent.
G.R. No. 222366, SECOND DIVISION, December 04, 2017, PERLAS-BERNABE, J.

RULE 205. Contents of the Declaration and Evidence of Actual Use.—

(c) The following shall be accepted as proof of actual use of the mark: (1) labels of the mark as these are used; (2) downloaded pages from the website of the applicant or registrant clearly showing that the goods are being sold or the services are being rendered in the Philippines; (3) photographs (including digital photographs printed on ordinary paper) of goods bearing the marks as these are actually used or of the stamped or marked container of goods and of the establishment/s where the services are being rendered; (4) brochures or advertising materials showing the actual use of the mark on the goods being sold or services being rendered in the Philippines; (5) for online sale, receipts of sale of the goods or services rendered or other similar evidence of use, showing that the goods are placed on the market or the services are available in the Philippines or that the transaction took place in the Philippines; (6) copies of contracts for services showing the use of the mark. Computer printouts of the drawing or reproduction of marks will not be accepted as evidence of use.

The Court therefore agrees with the IPO DG, as affirmed by the CA, that the use of a registered mark representing the owner's goods or services by means of an interactive website may constitute proof of actual use that is sufficient to maintain the registration of the same. Since the internet has turned the world into one vast marketplace, the owner of a registered mark is clearly entitled to generate and further strengthen his commercial goodwill by actively marketing and commercially transacting his wares or services throughout multiple platforms on the internet.

It must be emphasized, however, that the mere exhibition of goods or services over the internet, without more, is not enough to constitute actual use. To reiterate, the "use" contemplated by law is genuine use - that is, a bona fide kind of use tending towards a commercial transaction in the ordinary course of trade. Since the internet creates a borderless marketplace, it must be shown that the owner has actually transacted, or at the very least, intentionally targeted customers of a particular jurisdiction in order to be considered as having used the trade mark in the ordinary course of his trade in that country. A showing of an actual commercial link to the country is therefore imperative. Otherwise, an unscrupulous registrant would be able to maintain his mark by the mere expedient of setting up a website, or by posting his goods or services on another's site, although no commercial activity is intended to be pursued in the Philippines.

In this case, Starwood has proven that it owns Philippine registered domain names, i.e., www.whotels.ph, www.wreservations.ph, www.whotel.ph, www.wreservation.ph, for its website that showcase its mark. The website is readily accessible to Philippine citizens and residents, where they can avail and book amenities and other services in any of Starwood's W Hotels worldwide. Its website also readily provides a phone number for Philippine consumers to call for information or other concerns. The website further uses the English language - considered as an official language in this country - which the relevant market in the Philippines understands and often uses in the daily conduct of affairs. In addition, the prices for its hotel accommodations and/or services can be converted into the local currency or the Philippine Peso. Amidst all of these features, Starwood's "W" mark is prominently displayed in the
website through which consumers in the Philippines can instantaneously book and pay for their accommodations, with immediate confirmation, in any of its W Hotels.

FACTS

On December 2, 2005, Starwood filed before the IPO an application for registration of the trademark "W" for Classes 43 and 44 of the International Classification of Goods and Services for the Purposes of the Registration of Marks (Nice Classification). On February 26, 2007, Starwood's application was granted and thus, the "W" mark was registered in its name. However, on April 20, 2006, W Land applied for the registration of its own "W" mark for Class 36, which thereby prompted Starwood to oppose the same. In a Decision dated April 23, 2008, the BLA found merit in Starwood's opposition, and ruled that W Land's "W" mark is confusingly similar with Starwood's mark, which had an earlier filing date. W Land filed a motion for reconsideration on June 11, 2008, which was denied by the BLA in a Resolution dated July 23, 2010.

On May 29, 2009, W Land filed a Petition for Cancellation of Starwood's mark for non-use under Section 151.1 of Republic Act No. 8293 or the "Intellectual Property Code of the Philippines" (IP Code), claiming that Starwood has failed to use its mark in the Philippines because it has no hotel or establishment in the Philippines rendering the services covered by its registration; and that Starwood's "W" mark application and registration barred its own "W" mark application and registration for use on real estate.

In its defense, Starwood denied having abandoned the subject mark on the ground of non-use, asserting that it filed with the Director of Trademarks a notarized Declaration of Actual Use (DAU) with evidence of use on December 2, 2008, which was not rejected. In this relation, Starwood argued that it conducts hotel and leisure business both directly and indirectly through subsidiaries and franchisees, and operates interactive websites for its W Hotels in order to accommodate its potential clients worldwide. According to Starwood, apart from viewing agents, discounts, promotions, and other marketing fields being offered by it, these interactive websites allow Philippine residents to make reservations and bookings, which presuppose clear and convincing use of the "W" mark in the Philippines.

ISSUE

Whether the CA correctly affirmed the IPO DG's dismissal of W Land's Petition for Cancellation of Starwood's "W" mark. (YES)

RULING

In Berris Agricultural Co., Inc. v. Abyadang, this Court explained that "[t]he ownership of a trademark is acquired by its registration and its actual use by the manufacturer or distributor of the goods made available to the purchasing public. x x x. A certificate of registration of a mark, once issued, constitutes prima facie evidence of the validity of the registration, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate." However, "the prima facie presumption brought about by the registration of a mark may be challenged and overcome, in an appropriate action, by proof of, among others, non-use of the mark, except when excused."
The actual use of the mark representing the goods or services introduced and transacted in commerce over a period of time creates that goodwill which the law seeks to protect. For this reason, the IP Code, under Section 124.2, requires the registrant or owner of a registered mark to declare "actual use of the mark" (DAU) and present evidence of such use within the prescribed period. Failing in which, the IPO DG may cause the motu proprio removal from the register of the mark's registration. Also, any person, believing that "he or she will be damaged by the registration of a mark," which has not been used within the Philippines, may file a petition for cancellation.

The IP Code and the Trademark Regulations have not specifically defined "use." However, it is understood that the "use which the law requires to maintain the registration of a mark must be genuine," and not merely token. Based on foreign authorities, genuine use may be characterized as a bona fide use which results or tends to result, in one way or another, into a commercial interaction or transaction "in the ordinary course of trade."

What specific act or acts would constitute use of the mark sufficient to keep its registration in force may be gleaned from the Trademark Regulations, Rule 205 of which reads:

RULE 205. Contents of the Declaration and Evidence of Actual Use. — The declaration shall be under oath, must refer to only one application or registration, must contain the name and address of the applicant or registrant declaring that the mark is in actual use in the Philippines, list of goods where the mark is attached; list the name or names and the exact location or locations of the outlet or outlets where the products are being sold or where the services are being rendered, recite sufficient facts to show that the mark described in the application or registration is being actually used in the Philippines and, specifying the nature of such use. The declarant shall attach five labels as actually used on the goods or the picture of the stamped or marked container visibly and legibly showing the mark as well as proof of payment of the prescribed fee. [As amended by Office Order No. 08 (2000)] (Emphases supplied)

The Trademark Regulations was amended by Office Order No. 056-13. Particularly, Rule 205 now mentions certain items which "shall be accepted as proof of actual use of the mark:"

RULE 205. Contents of the Declaration and Evidence of Actual Use.—

(c) The following shall be accepted as proof of actual use of the mark: (1) labels of the mark as these are used; (2) downloaded pages from the website of the applicant or registrant clearly showing that the goods are being sold or the services are being rendered in the Philippines; (3) photographs (including digital photographs printed on ordinary paper) of goods bearing the marks as these are actually used or of the stamped or marked container of goods and of the establishment/s where the services are being rendered; (4) brochures or advertising materials showing the actual use of the mark on the goods being sold or services being rendered in the Philippines; (5) for online sale, receipts of sale of the goods or services rendered or other similar evidence of use, showing that the goods are placed on the market or the services are available in the Philippines or that the transaction took place in the Philippines; (6) copies of contracts for services showing the use of the mark. Computer printouts of the drawing or reproduction of marks will not be accepted as evidence of use.

(d) The Director may, from time to time, issue a list of acceptable evidence of use and those that will not be accepted by the Office. (Emphases and underscoring supplied)
Based on the amended Trademark Regulations, it is apparent that the IPO has now given due regard to the advent of commerce on the internet. Specifically, it now recognizes, among others, "downloaded pages from the website of the applicant or registrant clearly showing that the goods are being sold or the services are being rendered in the Philippines," as well as "for online sale, receipts of sale of the goods or services rendered or other similar evidence of use, showing that the goods are placed on the market or the services are available in the Philippines or that the transaction took place in the Philippines," as acceptable proof of actual use. Truly, the Court discerns that these amendments are but an inevitable reflection of the realities of the times. In *Mirpuri v. CA*,

The Internet is a decentralized computer network linked together through routers and communications protocols that enable anyone connected to it to communicate with others likewise connected, regardless of physical location. Users of the Internet have a wide variety of communication methods available to them and a tremendous wealth of information that they may access. The growing popularity of the Net has been driven in large part by the World Wide Web, *i.e.*, a system that facilitates use of the Net by sorting through the great mass of information available on it. *Advertising on the Net and cybershopping are turning the Internet into a commercial marketplace.* (Emphasis and underscoring supplied)

Cognizant of this current state of affairs, the Court therefore agrees with the IPO DG, as affirmed by the CA, that the use of a registered mark representing the owner's goods or services by means of an interactive website may constitute proof of actual use that is sufficient to maintain the registration of the same. Since the internet has turned the world into one vast marketplace, the owner of a registered mark is clearly entitled to generate and further strengthen his commercial goodwill by actively marketing and commercially transacting his wares or services throughout multiple platforms on the internet.

It must be emphasized, however, that the mere exhibition of goods or services over the internet, without more, is not enough to constitute actual use. To reiterate, the "use" contemplated by law is genuine use - that is, a *bona fide* kind of use tending towards a commercial transaction in the ordinary course of trade. Since the internet creates a borderless marketplace, it must be shown that the owner has actually transacted, or at the very least, intentionally targeted customers of a particular jurisdiction in order to be considered as having used the trade mark in the ordinary course of his trade in that country. A showing of an actual commercial link to the country is therefore imperative. Otherwise, an unscrupulous registrant would be able to maintain his mark by the mere expedient of setting up a website, or by posting his goods or services on another's site, although no commercial activity is intended to be pursued in the Philippines. This type of token use renders inutile the commercial purpose of the mark, and hence, negates the reason to keep its registration active. *As the IP Code expressly requires, the use of the mark must be "within the Philippines."* This is embedded in Section 151 of the IP Code on cancellation, which reads:

SECTION 151. Cancellation. — 151.1. A petition to cancel a registration of a mark under this Act may be filed with the Bureau of Legal Affairs by any person who believes that he is or will be damaged by the registration of a mark under this Act as follows:

(a) Within five (5) years from the date of the registration of the mark under this Act.
(b) At any time, if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of this Act, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.

(c) At any time, if the registered owner of the mark without legitimate reason fails to use the mark within the Philippines, or to cause it to be used in the Philippines by virtue of a license during an uninterrupted period of three (3) years or longer. (Emphasis and underscoring supplied)

A hotel’s website has now become an integral element of a hotel business. Especially with the uptrend of international travel and tourism, the hotel’s website is now recognized as an efficient and necessary tool in advertising and promoting its brand in almost every part of the world. More so, interactive websites that allow customers or clients to instantaneously book and pay for, in advance, accommodations and other services of a hotel anywhere in the world, regardless of the hotel’s actual location, dispense with the need for travel agents or hotel employees to transact the reservations for them. In effect, the hotel’s website acts as a bridge or portal through which the hotel reaches out and provides its services to the client/customer anywhere in the world, with the booking transaction completed at the client/customer’s own convenience. It is in this sense that the CA noted that the "actual existence or presence of a hotel in one place is not necessary before it can be considered as doing business therein."

As earlier intimated, mere use of a mark on a website which can be accessed anywhere in the world will not automatically mean that the mark has been used in the ordinary course of trade of a particular country. Thus, the use of mark on the internet must be shown to result into a within-State sale, or at the very least, discernibly intended to target customers that reside in that country. This being so, the use of the mark on an interactive website, for instance, may be said to target local customers when they contain specific details regarding or pertaining to the target State, sufficiently showing an intent towards realizing a within-State commercial activity or interaction. These details may constitute a local contact phone number, specific reference being available to local customers, a specific local webpage, whether domestic language and currency is used on the website, and/or whether domestic payment methods are accepted. Notably, this paradigm of ascertaining local details to evince within-state commercial intent is subscribed to by a number of jurisdictions, namely, the European Union, Hong Kong, Singapore, Malaysia, Japan, Australia, Germany, France, Russia, and the United Kingdom. As for the U.S. - where most of our intellectual property laws have been patterned - there have been no decisions to date coming from its Trademark Trial and Appeal Board involving cases challenging the validity of mark registrations through a cancellation action based on the mark’s internet use. However, in International Bancorp LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, it was ruled that mere advertising
In the U.S. combined with rendering of services to American customers in a foreign country constituted "use" for the purpose of establishing trademark rights in the U.S.

In this case, Starwood has proven that it owns Philippine registered domain names, i.e., www.whotels.ph, www.wreservations.ph, www.whotel.ph, www.wreservation.ph, for its website that showcase its mark. The website is readily accessible to Philippine citizens and residents, where they can avail and book amenities and other services in any of Starwood's W Hotels worldwide. Its website also readily provides a phone number for Philippine consumers to call for information or other concerns. The website further uses the English language - considered as an official language in this country - which the relevant market in the Philippines understands and often uses in the daily conduct of affairs. In addition, the prices for its hotel accommodations and/or services can be converted into the local currency or the Philippine Peso. Amidst all of these features, Starwood’s "W" mark is prominently displayed in the website through which consumers in the Philippines can instantaneously book and pay for their accommodations, with immediate confirmation, in any of its W Hotels. Furthermore, it has presented data showing a considerably growing number of internet users in the Philippines visiting its website since 2003, which is enough to conclude that Starwood has established commercially-motivated relationships with Philippine consumers.

Taken together, these facts and circumstances show that Starwood’s use of its "W" mark through its interactive website is intended to produce a discernable commercial effect or activity within the Philippines, or at the very least, seeks to establish commercial interaction with local consumers. Accordingly, Starwood’s use of the "W" mark in its reservation services through its website constitutes use of the mark sufficient to keep its registration in force.

In the case at bar, the common element in the acts constituting unfair competition under Section 168 of R.A. No. 8293 is fraud. Pursuant to Article 33 of the Civil Code, in cases of defamation, fraud, and physical injuries, a civil action for damages, entirely separate and distinct from the criminal action, may be brought by the injured party. Hence, Civil Case No. Q-00-41446, which as admitted by private respondent also relate to unfair competition, is an independent civil action under Article 33 of the Civil Code. As such, it will not operate as a prejudicial question that will justify the suspension of the criminal cases at bar.

An action for the cancellation of trademark is a remedy available to a person who believes that he is or will be damaged by the registration of a mark. On the other hand, the criminal actions for unfair competition involved the determination of whether or not Samson had given his goods the general appearance of the goods of Caterpillar, with the intent to deceive the public or defraud Caterpillar as his competitor. In the suit for the cancellation of trademark, the issue of lawful registration should necessarily be determined, but registration was not a consideration necessary in unfair competition. Indeed, unfair competition is committed if the effect of the act is "to pass off to the public the goods of one man as the goods of another;” it is independent of registration. As fittingly
put in R.F. & Alexander & Co. v. Ang, "one may be declared unfair competitor even if his competing trade-mark is registered."

FACTS

Caterpillar is a foreign corporation engaged in the manufacture and distribution of footwear, clothing and related items, among others. Its products are known for six core trademarks, namely, "CATERPILLAR", "CAT" "CATERPILLAR & DESIGN" "CAT AND DESIGN", "WALKING MACHINES" and "TRACK-TYPE TRACTOR & DESIGN (Core Marks), all of which are alleged as internationally known. On the other hand, Samson, doing business under the names and styles of Itti Shoes Corporation, Kolm’s Manufacturing Corporation and Caterpillar Boutique and General Merchandise, is the proprietor of various retail outlets in the Philippines selling footwear, bags, clothing, and related items under the trademark "CATERPILLAR", registered in 1997 under Trademark Registration No. 64705 issued by the Intellectual Property Office (IPO).

On July 26, 2000, the Regional Trial Court (RTC), Branch 56, in Makati City issued Search Warrants for unfair competition, to search the establishments owned, controlled and operated by Samson. The implementation of the search warrants on July 27, 2000 led to the seizure of various products bearing Caterpillar's Core Marks.

Caterpillar filed against Samson several criminal complaints for unfair competition in the Department of Justice (DOJ).

Additionally, on July 31, 2000, Caterpillar commenced a civil action against Samson and his business entities, with the IPO as a nominal party - for Unfair Competition, Damages and Cancellation of Trademark with Application for Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction with the RTC in Quezon City.

The DOJ, issued a joint resolution recommending that Samson be criminally charged with unfair competition under Section 168.3 (a), in relation to Section 123.1(e), Section 131.1 and Section 170, all of Republic Act No. 8293, or the Intellectual Property Code of the Philippines (IP Code).

Caterpillar filed 26 criminal complaints for unfair competition on January 31, 2001 against Samson and/or the occupants of his affiliate entities before the DOJ. Accordingly, six criminal complaints were filed in the RTC, Branch 256, in Muntinlupa City.

Samson filed a motion to suspend arraignment on the ground of prejudicial question.

ISSUE

Whether an action for the cancellation of trademark is a prejudicial question to a criminal action for unfair competition. (NO)

RULING

The appeal is meritorious.
We note, to begin with, that Civil Case No. Q-00-41446, the civil case filed by Caterpillar in the RTC in Quezon City, was for unfair competition, damages and cancellation of trademark, while Criminal Cases Nos. Q-02-108043-44 were the criminal prosecution of Samson for unfair competition. A common element of all such cases for unfair competition - civil and criminal - was fraud. Under Article 33 of the Civil Code, a civil action entirely separate and distinct from the criminal action may be brought by the injured party in cases of fraud, and such civil action shall proceed independently of the criminal prosecution. In view of its being an independent civil action, Civil Case No. Q-00-41446 did not operate as a prejudicial question that justified the suspension of the proceedings in Criminal Cases Nos. Q-02-108043-44.

In fact, this issue has already been raised in relation to the suspension of the arraignment of Samson in Samson v. Daway, and the Court resolved it against Samson and in favor of Caterpillar thusly:

Anent the second issue, petitioner failed to substantiate his claim that there was a prejudicial question. In his petition, he prayed for the reversal of the March 26, 2003 order which sustained the denial of his motion to suspend arraignment and other proceedings in Criminal Case Nos. Q-02-108043-44. For unknown reasons, however, he made no discussion in support of said prayer in his petition and reply to comment. Neither did he attach a copy of the complaint in Civil Case No. Q-00-41446 nor quote the pertinent portion thereof to prove the existence of a prejudicial question.

At any rate, there is no prejudicial question if the civil and the criminal action can, according to law, proceed independently of each other. Under Rule 111, Section 3 of the Revised Rules on Criminal Procedure, in the cases provided in Articles 32, 33, 34 and 2176 of the Civil Code, the independent civil action may be brought by the offended party. It shall proceed independently of the criminal action and shall require only a preponderance of evidence.

In the case at bar, the common element in the acts constituting unfair competition under Section 168 of R.A. No. 8293 is fraud. Pursuant to Article 33 of the Civil Code, in cases of defamation, fraud, and physical injuries, a civil action for damages, entirely separate and distinct from the criminal action, may be brought by the injured party. Hence, Civil Case No. Q-00-41446, which as admitted by private respondent also relate to unfair competition, is an independent civil action under Article 33 of the Civil Code. As such, it will not operate as a prejudicial question that will justify the suspension of the criminal cases at bar.

Secondly, a civil action for damages and cancellation of trademark cannot be considered a prejudicial question by which to suspend the proceedings in the criminal cases for unfair competition. A prejudicial question is that which arises in a civil case the resolution of which is a logical antecedent of the issues to be determined in the criminal case. It must appear not only that the civil case involves facts upon which the criminal action is based, but also that the resolution of the issues raised in the civil action will necessarily be determinative of the criminal case. As stated in Librod v. Judge Coscolluela, Jr.:

A prejudicial question is one based on a fact distinct and separate from the crime but so intimately connected with it that it determines the guilt or innocence of the accused, and for it to suspend the criminal action, it must appear not only that said case involves facts intimately related to those upon which the criminal prosecution would be based but also that in the resolution of the issue or issues raised in the civil case, the guilt or innocence of the
accused would necessarily be determined. It comes into play generally in a situation where a civil action and a criminal action are both pending and there exists in the former an issue which must be preemptively resolved before the criminal action may proceed, because howsoever the issue raised in the civil action is resolved would be determinative juris et de jure of the guilt or innocence of the accused in the criminal case.

The elements of a prejudicial question are provided in Section 7 of Rule 111, Rules of Court, to wit: (a) a previously instituted civil action involves an issue similar to or intimately related to the issue raised in the subsequent criminal action, and (b) the resolution of such issue determines whether or not the criminal action may proceed.

An examination of the nature of the two kinds of cases involved is necessary to determine whether a prejudicial question existed.

An action for the cancellation of trademark like Civil Case No. Q-00-41446 is a remedy available to a person who believes that he is or will be damaged by the registration of a mark. On the other hand, the criminal actions for unfair competition (Criminal Cases Nos. Q-02-108043-44) involved the determination of whether or not Samson had given his goods the general appearance of the goods of Caterpillar, with the intent to deceive the public or defraud Caterpillar as his competitor. In the suit for the cancellation of trademark, the issue of lawful registration should necessarily be determined, but registration was not a consideration necessary in unfair competition. Indeed, unfair competition is committed if the effect of the act is "to pass off to the public the goods of one man as the goods of another;" it is independent of registration. As fittingly put in R.F. & Alexander & Co. v. Ang, "one may be declared unfair competitor even if his competing trade-mark is registered."

Clearly, the determination of the lawful ownership of the trademark in the civil action was not determinative of whether or not the criminal actions for unfair competition shall proceed against Samson.

**DELMONTE CORPORATION** and **PHILIPPINE PACKING CORPORATION**, petitioners, vs. COURT OF APPEALS and SUNSHINE SAUCE MANUFACTURING INDUSTRIES, respondents.

G.R. No. L-78325, FIRST DIVISION, January 25, 1990, CRUZ, J.

To arrive at a proper resolution of this case, it is important to bear in mind the following distinctions between infringement of trademark and unfair competition.

(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.

(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.
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 unsuspicious and off his guard, is such as to likely result in his confounding it with the original. As observed in several cases, 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.

At that, even if the labels were analyzed together it is not difficult to see that the Sunshine label is a colorable imitation of the Del Monte trademark. 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.

Coming now to the second issue, we find that the private respondent 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.

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.

FACTS:

Petitioner Del Monte Corporation is a foreign company organized under the laws of the United States and not engaged in business in the Philippines. Petitioner Philippine Packing Corporation (Philpack) is a domestic corporation duly organized under the laws of the Philippines. On April 11, 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 October 27, 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 No. SR-913 by the Philippine Patent Office under the Supplemental Register. On November 20, 1972, Del Monte also obtained two registration certificates for its trademark "DEL MONTE" and its logo.

Respondent Sunshine Sauce Manufacturing Industries was issued a Certificate of Registration by the Bureau of Domestic Trade on April 17, 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 September 20, 1983. The product itself was contained in various kinds of bottles, including the Del Monte bottle, which the private respondent bought from the junk shops for recycling.

Having received reports that the private respondent 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 the private respondent for infringement of trademark and unfair competition, with a prayer for damages and the issuance of a writ of preliminary injunction.
In its answer, Sunshine alleged that it had long ceased to use the Del Monte bottle and that its logo was substantially different from the Del Monte logo and would not confuse the buying public to the detriment of the petitioners.

After trial, the Regional Trial Court of Makati dismissed the complaint. It held that there were substantial differences between the logos or trademarks of the parties; that the defendant had ceased using the petitioners’ bottles; and that in any case the defendant became the owner of the said bottles upon its purchase thereof from the junk yards. Furthermore, the complainants had failed to establish the defendant’s malice or bad faith, which was an essential element of infringement of trademark or unfair competition.

**ISSUE**

1. Whether Sunshine’s label is an infringement of Del Monte’s trademark. (YES)
2. Whether Sunshine is guilty of infringement for having used the Del Monte bottle. (NO)

**RULING**

Section 22 of R.A. No. 166, otherwise known as the Trademark Law, provides in part as follows:

_Sec. 22. Infringement, what constitutes._ — 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.

Sec. 29 of the same law states as follows:

_Sec. 29. Unfair competition, rights and remedies._ — 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.

To arrive at a proper resolution of this case, it is important to bear in mind the following distinctions between infringement of trademark and unfair competition.

(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.

(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.

1. It has been correctly held that 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, as was done by the trial judge. 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.

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 unsuspicious and off his guard, is such as to likely result in his confounding it with the original. As observed in several cases, 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.

A number of courts have held 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. The court therefore 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.

We also note that the respondent court failed to take into consideration several factors which should have affected 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 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.

At that, even if the labels were analyzed together it is not difficult to see that the Sunshine label is a colorable imitation of the Del Monte trademark. 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.

2.

Coming now to the second issue, we find that the private respondent 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. In the case of Lorenzana v. Macagba, we 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.

It can be inferred from the foregoing that although Del Monte has actual use of the bottle's configuration, the petitioners cannot claim exclusive use thereof because it has not been registered.
in the Principal Register. However, we find that 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 the petitioners' bottle to market a product which Philpack also produces. This clearly shows the private respondent’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.

The Court observes that the reasons given by the respondent 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 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 this Court declared that selling oil in containers of another with markings erased, without intent to deceive, was not unfair competition.

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.

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.

On the argument that no unfair competition was committed, the Shell Case is not on all fours with the case at bar because:

1. 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.

2. 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.

3. 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.

As Sunshine’s label is an infringement of the Del Monte's trademark, law and equity call for the cancellation of the private respondent’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, the respondent should be permanently enjoined from the use of such bottles.
ASIA BREWERY, INC., Petitioner, v. THE HON. COURT OF APPEALS and SAN MIGUEL CORPORATION, Respondents.
G.R. No. 103543, EN BANC, July 5, 1993, GRIÑO-AQUINO, J.

Sec. 22. Infringement, what constitutes. — 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.

It has been consistently held that the question of infringement of a trademark is to be determined by the test of dominancy. 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.

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.

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," hence, non-registerable and not appropriable by any beer manufacturer.

FACTS

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.

A decision was rendered by the trial Court dismissing SMC's complaint because ABI "has not committed trademark infringement or unfair competition against" SMC.

SMC appealed to the Court of Appeals which subsequently reversed the trial court decision.

ABI appealed by a petition for certiorari under Rule 45.
ISSUE

Whether ABI's BEER PALE PILSEN label or "design" infringe upon SMC's SAN MIGUEL PALE PILSEN WITH RECTANGULAR MALT AND HOPS DESIGN. (NO)

RULING

Sec. 22. Infringement, what constitutes. — 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."

Does ABI's BEER PALE PILSEN label or "design" infringe upon SMC's SAN MIGUEL PALE PILSEN WITH RECTANGULAR MALT AND HOPS DESIGN? The answer is "No."

Infringement is determined by the "test of dominancy" rather than by differences or variations in the details of one trademark and of another. The rule was formulated in Co Tiong Sa v. Director of Patents; reiterated in Lim Hoa v. Director of Patents.

It has been consistently held that the question of infringement of a trademark is to be determined by the test of dominancy. 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 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.

In Forbes, Munn & Co. (Ltd.) v. Ang San To, 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. v. Standard Brands Inc., the court was more specific: the test is "similarity in the dominant features of the trademarks."
What are the dominant features of the competing trademarks before us?

There is hardly any dispute that 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 trial court perceptively observed that 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.

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.

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," hence, non-registerable and not appropriable by any beer manufacturer. The Trademark Law provides:

"Sec. 4. . . 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:

"(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."

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. 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 trade-names. 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.

PEARL & DEAN (PHIL.), INCORPORATED, Petitioner, vs. SHOEMART, INCORPORATED, and NORTH EDSA MARKETING, INCORPORATED, Respondents.
G.R. No. 148222, THIRD DIVISION, August 15, 2003, CORONA, J.

Under the circumstances, the Court of Appeals correctly cited Faberge Inc. vs. Intermediate Appellate Court, where we, invoking Section 20 of the old Trademark Law, ruled that "the certificate of registration issued by the Director of Patents can confer (upon petitioner) the exclusive right to use its own symbol only to those goods specified in the certificate, subject to any conditions and limitations specified in the certificate x x x. 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." Faberge, Inc. was correct and was in fact recently reiterated in Canon Kabushiki Kaisha vs. Court of Appeals.

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.

FACTS

Plaintiff-appellant 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 January 20, 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 approved on September 12, 1988.

Sometime in 1985, Pearl and Dean negotiated with defendant-appellant 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.

In a letter dated January 14, 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 February 17, 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 ten (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 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 two (2) reported SM branches, light boxes similar to those it manufactures were also installed in two (2) other SM stores. It further discovered that defendant-appellant 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 December 11, 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 denying the charges hurled against it, SMI maintained that it independently developed its poster panels using commonly known techniques and available technology, without notice of or reference to Pearl and Dean’s copyright. SMI noted that the registration of the mark "Poster Ads" was only for stationeries such as letterheads, envelopes, and the like. Besides, according to SMI, the word "Poster Ads" is a generic term which cannot be appropriated as a trademark, and, as such, registration of such mark is invalid.

ISSUE

Whether there is Trademark Infringement. (NO)

RULING

This issue concerns the use by respondents of the mark "Poster Ads" which petitioner’s president said was a contraction of "poster advertising." P & D was able to secure a trademark certificate for it, but one where the goods specified were "stationeries such as letterheads, envelopes, calling cards and newsletters." Petitioner admitted it did not commercially engage in or market these goods. On the contrary, it dealt in electrically operated backlit advertising units and the sale of advertising spaces thereon, which, however, were not at all specified in the trademark certificate.

Under the circumstances, the Court of Appeals correctly cited Faberge Inc. vs. Intermediate Appellate Court, where we, invoking Section 20 of the old Trademark Law, ruled that "the certificate of registration issued by the Director of Patents can confer (upon petitioner) the exclusive right to use its own symbol only to those goods specified in the certificate, subject to any conditions and limitations specified in the certificate x x x. 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." Faberge, Inc. was correct and was in fact recently reiterated in Canon Kabushiki Kaisha vs. Court of Appeals.
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.


G.R. No. 168306, THIRD DIVISION, June 19, 2007, CHICO-NAZARIO, J.

As can be gleaned in Section 155.1, mere unauthorized use of a container bearing a registered trademark in connection with the sale, distribution or advertising of goods or services which is likely to cause confusion, mistake or deception among the buyers/consumers can be considered as trademark infringement.

Extant from the foregoing testimonial, documentary and object evidence is that Oblanca and Alajar have personal knowledge of the fact that petitioners, through MASAGANA, have been using the LPG cylinders bearing the marks GASUL and SHELLANE without permission from Petron and Pilipinas Shell, a probable cause for trademark infringement.

FACTS

Petitioners are incorporators and officers of MASAGANA GAS CORPORATION (MASAGANA), an entity engaged in the refilling, sale and distribution of LPG products. Private respondents Petron Corporation (Petron) and Pilipinas Shell Petroleum Corporation (Pilipinas Shell) are two of the largest bulk suppliers and producers of LPG in the Philippines. Their LPG products are sold under the marks "GASUL" and "SHELLANE," respectively. Petron is the registered owner in the Philippines of the trademarks GASUL and GASUL cylinders used for its LPG products. It is the sole entity in the Philippines authorized to allow refillers and distributors to refill, use, sell, and distribute GASUL LPG containers, products and its trademarks. Pilipinas Shell, on the other hand, is the authorized user in the Philippines of the tradename, trademarks, symbols, or designs of its principal, Shell International Petroleum Company Limited (Shell International), including the marks SHELLANE and SHELL device in connection with the production, sale and distribution of SHELLANE LPGs. It is the only corporation in the Philippines authorized to allow refillers and distributors to refill, use, sell and distribute SHELLANE LPG containers and products.

On 3 April 2003, National Bureau of Investigation (NBI) agent Ritche N. Oblanca (Oblanca) filed two applications for search warrant with the RTC, Branch 17, Cavite City, against petitioners and other occupants of the MASAGANA compound located at Governor's Drive, Barangay Lapidario, Trece Martires, Cavite City, for alleged violation of Section 155, in relation to Section 170 of Republic Act No. 8293, otherwise known as "The Intellectual Property Code of the Philippines." The two applications for search warrant uniformly alleged that per information, belief, and personal verification of Oblanca, the petitioners are actually producing, selling, offering for sale and/or distributing LPG products using steel cylinders owned by, and bearing the tradenames, trademarks,
and devices of Petron and Pilipinas Shell, without authority and in violation of the rights of the said entities.

ISSUE

Whether there a probable cause for trademark infringement exists. (YES)

RULING

Section 155 of Republic Act No. 8293 identifies the acts constituting trademark infringement, thus:

SEC. 155. Remedies; Infringement. – Any person who shall, without the consent of the owner of the registered mark:

155.1. Use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps necessary to carry out the sale of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

155.2. Reproduce, counterfeit, copy or colorably imitate a registered mark or a dominant feature thereof and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action for infringement by the registrant for the remedies hereinafter set forth:

Provided, That the infringement takes place at the moment any of the acts stated in Subsection 155.1 or this subsection are committed regardless of whether there is actual sale of goods or services using the infringing material.

As can be gleaned in Section 155.1, mere unauthorized use of a container bearing a registered trademark in connection with the sale, distribution or advertising of goods or services which is likely to cause confusion, mistake or deception among the buyers/consumers can be considered as trademark infringement.

In his sworn affidavits, Oblanca stated that before conducting an investigation on the alleged illegal activities of MASAGANA, he reviewed the certificates of trademark registrations issued by the Philippine Intellectual Property Office in favor of Petron and Pilipinas Shell; that he confirmed from Petron and Pilipinas Shell that MASAGANA is not authorized to sell, use, refill or distribute GASUL and SHELLANE LPG cylinder containers; that he and Alajar monitored the activities of MASAGANA in its refilling plant station located within its compound at Governor's Drive, Barangay Lapidario, Trece Martires, Cavite City; that, using different names, they conducted two test-buys therein where they purchased LPG cylinders bearing the trademarks GASUL and SHELLANE; that the said GASUL and SHELLANE LPG cylinders were refilled in their presence by the MASAGANA employees; that while they were inside the MASAGANA compound, he noticed stock piles of multi-branded cylinders including GASUL and SHELLANE LPG cylinders; and that they observed delivery trucks loaded with GASUL and SHELLANE LPG cylinders coming in and out of the MASAGANA compound and making
deliveries to various retail outlets. These allegations were corroborated by Alajar in his separate affidavits.

Extant from the foregoing testimonial, documentary and object evidence is that Oblanca and Alajar have personal knowledge of the fact that petitioners, through MASAGANA, have been using the LPG cylinders bearing the marks GASUL and SHELLANE without permission from Petron and Pilipinas Shell, a probable cause for trademark infringement. Both Oblanca and Alajar were clear and insistent that they were the very same persons who monitored the activities of MASAGANA; that they conducted test-buys thereon; and that in order to avoid suspicion, they used different names during the test-buys. They also personally witnessed the refilling of LPG cylinders bearing the marks GASUL and SHELLANE inside the MASAGANA refilling plant station and the deliveries of these refilled containers to some outlets using mini-trucks.

Indeed, the aforesaid facts and circumstances are sufficient to establish probable cause.

**GEMMA ONG A.K.A. Maria Teresa Gemma Catacutan, Petitioner, vs. PEOPLE OF THE PHILIPPINES, Respondent.**

G.R. No. 169440, FIRST DIVISION, November 23, 2011, LEONARDO-DE CASTRO, J.

To establish trademark infringement, the following elements must be shown: (1) the validity of plaintiff’s mark; (2) the plaintiff’s ownership of the mark; and (3) the use of the mark or its colorable imitation by the alleged infringer results in "likelihood of confusion." Of these, it is the element of likelihood of confusion that is the gravamen of trademark infringement.

The prosecution was able to establish that the trademark "Marlboro" was not only valid for being neither generic nor descriptive, it was also exclusively owned by PMPI, as evidenced by the certificates of registration issued by the Intellectual Property Office of the Department of Trade and Industry. Anent the element of confusion, both the RTC and the Court of Appeals have correctly held that the counterfeit cigarettes seized from Gemma’s possession were intended to confuse and deceive the public as to the origin of the cigarettes intended to be sold, as they not only bore PMPI’s mark, but they were also packaged almost exactly as PMPI’s products.

**FACTS**

On July 28, 2000, petitioner Gemma Ong a.k.a. Maria Teresa Gemma Catacutan (Gemma) was charged before the RTC for Infringement under Section 155 in relation to Section 170 of Republic Act No. 8293 or the Intellectual Property Code. The accusatory portion of the Information reads:

That sometime in September 25, 1998 and prior thereto at Sta. Cruz, Manila and within the jurisdiction of this Honorable Court, the above-named accused did then and there, knowingly, maliciously, unlawfully and feloniously engage in the distribution, sale, [and] offering for sale of counterfeit Marlboro cigarettes which had caused confusion, deceiving the public that such cigarettes [were] Marlboro cigarettes and those of the Telengtan Brothers and Sons, Inc., doing business under the style of La Suerte Cigar and Cigarettes Factory, the exclusive manufacturer of Marlboro Cigarette in the Philippines and that of Philip Morris Products, Inc. (PMP7) the registered owner and proprietor of the MARLBORO trademark together with the devices, including the famous-Root Device, to their damage and prejudice, without the accused seeking their permit or authority to manufacture and distribute the same.
ISSUE

Whether Gemma is guilty of Trademark Infringement. (YES)

RULING

Gemma is guilty of violating Section 155 in relation to Section 170 of Republic Act No. 8293

Gemma was charged and convicted of violating Section 155 in relation to Section 170 of Republic Act No. 8293, or the Intellectual Property Code of the Philippines.

Section 155. Remedies; Infringement. - Any person who shall, without the consent of the owner of the registered mark:

155.1. Use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps necessary to carry out the sale of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

155.2. Reproduce, counterfeit, copy or colorably imitate a registered mark or a dominant feature thereof and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action for infringement by the registrant for the remedies hereinafter set forth: Provided, That the infringement takes place at the moment any of the acts stated in Subsection 155.1 or this subsection are committed regardless of whether there is actual sale of goods or services using the infringing material. (Sec. 22, R.A. No 166a)

Section 170. Penalties. - Independent of the civil and administrative sanctions imposed by law, a criminal penalty of imprisonment from two (2) years to five (5) years and a fine ranging from Fifty thousand pesos (₱ 50,000) to Two hundred thousand pesos (₱ 200,000), shall be imposed on any person who is found guilty of committing any of the acts mentioned in Section 155, Section 168 and Subsection 169.1. (Arts. 188 and 189, Revised Penal Code.)

A "mark" 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 McDonald's Corporation and McGeorge Food Industries, Inc. v. L.C. Big Mak Burger, Inc., this Court held:

To establish trademark infringement, the following elements must be shown: (1) the validity of plaintiff's mark; (2) the plaintiff's ownership of the mark; and (3) the use of the mark or its colorable imitation by the alleged infringer results in "likelihood of confusion." Of these, it is the element of likelihood of confusion that is the gravamen of trademark infringement.
A mark is valid if it is distinctive and not barred from registration. Once registered, not only the mark’s validity, but also the registrant’s ownership of the mark is prima facie presumed.

The prosecution was able to establish that the trademark "Marlboro" was not only valid for being neither generic nor descriptive, it was also exclusively owned by PMPI, as evidenced by the certificates of registration issued by the Intellectual Property Office of the Department of Trade and Industry.

Anent the element of confusion, both the RTC and the Court of Appeals have correctly held that the counterfeit cigarettes seized from Gemma’s possession were intended to confuse and deceive the public as to the origin of the cigarettes intended to be sold, as they not only bore PMPI’s mark, but they were also packaged almost exactly as PMPI’s products.

**REPUBLIC GAS CORPORATION, ARNEL U. TY, MARI ANTONETTE N. TY, ORLANDO REYES, FERRER SUAZO and ALVIN U. TY, Petitioners, vs. PETRON CORPORATION, PILIPINAS SHELL PETROLEUM CORPORATION, and SHELL INTERNATIONAL PETROLEUM COMPANY LIMITED, Respondents.**

G.R. No. 194062, THIRD DIVISION, June 17, 2013, PERALTA, J.

The Court in a very similar case, made it categorically clear that the mere unauthorized use of a container bearing a registered trademark in connection with the sale, distribution or advertising of goods or services which is likely to cause confusion, mistake or deception among the buyers or consumers can be considered as trademark infringement.

Here, petitioners have actually committed trademark infringement when they refilled, without the respondents’ consent, the LPG containers bearing the registered marks of the respondents. As noted by respondents, petitioners’ acts will inevitably confuse the consuming public, since they have no way of knowing that the gas contained in the LPG tanks bearing respondents’ marks is in reality not the latter's LPG product after the same had been illegally refilled. The public will then be led to believe that petitioners are authorized refillers and distributors of respondents’ LPG products, considering that they are accepting empty containers of respondents and refilling them for resale.

**FACTS**

Regasco Gas Corporation is an entity duly licensed to engage in, conduct and carry on, the business of refilling, buying, selling, distributing and marketing at wholesale and retail of Liquefied Petroleum Gas ("LPG").

Respondents, PETRON CORPORATION ("Petron" for brevity) and Pilipinas Shell Petroleum Corporation ("Shell" for brevity) are two of the largest bulk suppliers and producers of LPG in the Philippines. Petron is the registered owner in the Philippines of the trademarks GASUL and GASUL cylinders used for its LPG products. It is the sole entity in the Philippines authorized to allow refillers and distributors to refill, use, sell, and distribute GASUL LPG containers, products and its trademarks. Pilipinas Shell, on the other hand, is the authorized user in the Philippines of the tradename, trademarks, symbols or designs of its principal, Shell International Petroleum Company Limited, including the marks SHELLANE and SHELL device in connection with the production, sale and distribution of SHELLANE LPGs. It is the only corporation in the Philippines authorized to allow refillers and distributors to refill, use, sell and distribute SHELLANE LPG containers and products.
The surveillance conducted by the NBI revealed that REGASCO LPG Refilling Plant in Malabon was engaged in the refilling and sale of LPG cylinders bearing the registered marks of the respondents without authority from the latter. Based on its General Information Sheet filed in the Securities and Exchange Commission, REGASCO’s members of its Board of Directors are: (1) Arnel U. Ty – President, (2) Marie Antoinette Ty – Treasurer, (3) Orlando Reyes – Corporate Secretary, (4) Ferrer Suazo and (5) Alvin Ty.

ISSUE

Whether probable cause exists to hold petitioners liable for the crime of trademark infringement. (YES)

RULING

Section 155 of R.A. No. 8293 identifies the acts constituting trademark infringement as follows:

Section 155. Remedies; Infringement. – Any person who shall, without the consent of the owner of the registered mark:

155.1 Use in commerce any reproduction, counterfeit, copy or colorable imitation of a registered mark of the same container or a dominant feature thereof in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps necessary to carry out the sale of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

155.2 Reproduce, counterfeit, copy or colorably imitate a registered mark or a dominant feature thereof and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action for infringement by the registrant for the remedies hereinafter set forth:

Provided, That the infringement takes place at the moment any of the acts stated in Subsection 155.1 or this subsection are committed regardless of whether there is actual sale of goods or services using the infringing material.

From the foregoing provision, the Court in a very similar case, made it categorically clear that the mere unauthorized use of a container bearing a registered trademark in connection with the sale, distribution or advertising of goods or services which is likely to cause confusion, mistake or deception among the buyers or consumers can be considered as trademark infringement.

Here, petitioners have actually committed trademark infringement when they refilled, without the respondents’ consent, the LPG containers bearing the registered marks of the respondents. As noted by respondents, petitioners’ acts will inevitably confuse the consuming public, since they have no way of knowing that the gas contained in the LPG tanks bearing respondents’ marks is in reality not the latter’s LPG product after the same had been illegally refilled. The public will then be led to believe that petitioners are authorized refillers and distributors of respondents’ LPG products, considering that they are accepting empty containers of respondents and refilling them for resale.
CENTURY CHINESE MEDICINE CO., MING SENG CHINESE DRUGSTORE, XIANG JIAN CHINESE DRUG STORE, TEK SAN CHINESE DRUG STORE, SIM SIM CHINESE DRUG STORE, BAN SHIONG TAY CHINESE DRUG STORE and/or WILCENDO TAN MENDEZ, SHUANG YING CHINESE DRUGSTORE, and BACLARAN CHINESE DRUG STORE, Petitioners, vs. PEOPLE OF THE PHILIPPINES and LING NA LAU, Respondents.

G.R. No. 188526, THIRD DIVISION, November 11, 2013, PERALTA, J.

Sec 155. Remedies; Infringement. – Any person who shall, without the consent of the owner of the registered mark:

155.1 Use in commerce any reproduction, counterfeit, copy or colorable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps necessary to carry out the sale of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

The affidavits of NBI Agent Furing and his witnesses, Esmael and Ling, clearly showed that they are seeking protection for the trademark "TOP GEL T.G. and DEVICE OF A LEAF" registered to respondent under Certificate of Registration 4-2000-009881 issued by the IPO on August 24, 2003, and no other. While petitioners claim that the product they are distributing was owned by Yu with the trademark TOP GEL MCA and MCA DEVISE under Certificate of Registration 4-1996-109957, it was different from the trademark TOP GEL T.G. and DEVICE OF A LEAF subject of the application.

FACTS

Respondent Ling Na Lau, doing business under the name and style Worldwide Pharmacy, is the sole distributor and registered trademark owner of TOP GEL T.G. & DEVICE OF A LEAF papaya whitening soap as shown by Certificate of Registration 4-2000-009881 issued to her by the Intellectual Property Office (IPO) for a period of ten years from August 24, 2003.

On November 7, 2005, her representative, Ping Na Lau, (Ping) wrote a letter addressed to National Bureau of Investigation (NBI) requesting assistance for an investigation on several drugstores which were selling counterfeit whitening papaya soaps bearing the general appearance of their products. NBI Agent Furing was assigned to the case and he executed an affidavit stating that: he conducted his own investigation, and on November 9 and 10, 2005, he, together with Junayd Esmael (Esmael), were able to buy whitening soaps bearing the trademark "TOP-GEL", "T.G." & "DEVICE OF A LEAF" with corresponding receipts from a list of drugstores which included herein petitioners Century Chinese Medicine Co., Min Seng Chinese Drugstore, Xiang Jiang Chinese Drug Store, Tek San Chinese Drug Store, Sim Sim Chinese Drug Store, Ban Shiong Tay Drugstore, Shuang Ying Chinese Drugstore, and Baclaran Chinese Drug Store; while conducting the investigation and test buys, he was able to confirm Ping’s complaint to be true as he personally saw commercial quantities of whitening soap bearing the said trademarks being displayed and offered for sale at the said drugstores; he and Esmael took the purchased items to the NBI, and Ping, as the authorized representative and expert of Worldwide Pharmacy in determining counterfeit and unauthorized reproductions of its products, personally examined the purchased samples, and issued a Certification wherein he confirmed that, indeed, the whitening soaps bearing the trademarks "TOP-GEL", "T.G." & "DEVICE OF A LEAF" from the subject drugstores were counterfeit.
On November 21, 2005, Agent Furing applied for the issuance of search warrants before the Regional Trial Court (RTC), Branch 143, Makati City, against petitioners and other establishments for violations of Sections 168 and 155, both in relation to Section 170 of Republic Act (RA) No. 8293, otherwise known as the Intellectual Property Code of the Philippines. Section 168, in relation to Section 170, penalizes unfair competition; while Section 155, in relation to Section 170, punishes trademark infringement. The RTC granted the applications and issued Search Warrants.

On December 8, 2005, petitioners collectively filed their Motion to Quash the Search Warrants contending that their issuances violated the rule against forum shopping; that Benjamin Yu (Yu) is the sole owner and distributor of the product known as "TOP-GEL"; and there was a prejudicial question posed in Civil Case No. 05-54747 entitled Zenna Chemical Industry v. Ling Na Lau, et al., pending in Branch 93 of the RTC of Quezon City, which is a case filed by Yu against respondent for damages due to infringement of trademark/tradename, unfair competition with prayer for the immediate issuance of a temporary restraining order and/or preliminary prohibitory injunction.

On September 25, 2006, the RTC issued its Order sustaining the Motion to Quash the Search Warrants.

In reversing the RTC’s quashal of the search warrants, the CA found that the search warrants were applied for and issued for violations of Sections 155 and 168, in relation to Section 170, of the Intellectual Property Code and that the applications for the search warrants were in anticipation of criminal actions which are to be instituted against petitioners; thus, Rule 126 of the Rules of Criminal Procedure was applicable. It also ruled that the basis for the applications for issuance of the search warrants on grounds of trademarks infringement and unfair competition was the trademark TOP GEL T.G. & DEVICE OF A LEAF; that respondent was the registered owner of the said trademark, which gave her the right to enforce and protect her intellectual property rights over it by seeking assistance from the NBI.

**ISSUE**

Whether there is probable cause for Trademark Infringement (YES)

**RULING**

The applications for the issuance of the assailed search warrants were for violations of Sections 155 and 168, both in relation to Section 170 of Republic Act (RA) No. 8293, otherwise known as the Intellectual Property Code of the Philippines. Section 155, in relation to Section 170, punishes trademark infringement; while Section 168, in relation to Section 170, penalizes unfair competition, to wit:

Sec 155. Remedies; Infringement. – Any person who shall, without the consent of the owner of the registered mark:

155.1 Use in commerce any reproduction, counterfeit, copy or colorable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps necessary
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to carry out the sale of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

While

Sec. 168. Unfair Competition, Rights, Regulation and Remedies. –

x x x x

168.3. In particular, and without in any way limiting the scope of protection against unfair competition, the following shall be deemed guilty of unfair competition:

(a) Any person, who is selling his goods and gives 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;

And

SEC. 170. Penalties. - Independent of the civil and administrative sanctions imposed by law, a criminal penalty of imprisonment from two (2) years to five (5) years and a fine ranging from Fifty thousand pesos (₱50,000.00) to Two hundred thousand pesos (₱200,000.00) shall be imposed on any person who is found guilty of committing any of the acts mentioned in Section 155 [Infringement], Section 168 [Unfair Competition] and Subsection 169.1 [False Designation of Origin and False Description or Representation].

Thus, we agree with the CA that A.M. No. 02-1-06-SC, which provides for the Rules on the Issuance of the Search and Seizure in Civil Actions for Infringement of Intellectual Property Rights, is not applicable in this case as the search warrants were not applied based thereon, but in anticipation of criminal actions for violation of intellectual property rights under RA 8293. It was established that respondent had asked the NBI for assistance to conduct investigation and search warrant implementation for possible apprehension of several drugstore owners selling imitation or counterfeit TOP GEL T.G. & DEVICE OF A LEAF papaya whitening soap. Also, in his affidavit to support his application for the issuance of the search warrants, NBI Agent Furing stated that "the items to be seized will be used as relevant evidence in the criminal actions that are likely to be instituted." Hence, Rule 126 of the Rules of Criminal Procedure applies.

Rule 126 of the Revised Rules of Court, which governs the issuance of the assailed Search Warrants, provides, to wit:

SEC. 3. Personal property to be seized. - A search warrant may be issued for the search and seizure of personal property:

(a) Subject of the offense;
(b) Stolen or embezzled and other proceeds or fruits of the offense; or

(c) Used or intended to be used as the means of committing an offense.

SEC. 4. Requisites for issuing search warrant. - A search warrant shall not issue except upon probable cause in connection with one specific offense to be determined personally by the judge after examination under oath or affirmation of the complainant and the witnesses he may produce, and particularly describing the place to be searched and the things to be seized which may be anywhere in the Philippines.

SEC. 5. Examination of complainant; record. - The judge must, before issuing the warrant, personally examine in the form of searching questions and answers, in writing and under oath, the complainant and the witnesses he may produce on facts personally known to them and attach to the record their sworn statements together with the affidavits submitted.

A core requisite before a warrant shall validly issue is the existence of a probable cause, meaning "the existence of such facts and circumstances which would lead a reasonably discreet and prudent man to believe that an offense has been committed and that the objects sought in connection with the offense are in the place to be searched." And when the law speaks of facts, the reference is to facts, data or information personally known to the applicant and the witnesses he may present. Absent the element of personal knowledge by the applicant or his witnesses of the facts upon which the issuance of a search warrant may be justified, the warrant is deemed not based on probable cause and is a nullity, its issuance being, in legal contemplation, arbitrary. The determination of probable cause does not call for the application of rules and standards of proof that a judgment of conviction requires after trial on the merits. As implied by the words themselves, "probable cause" is concerned with probability, not absolute or even moral certainty. The prosecution need not present at this stage proof beyond reasonable doubt. The standards of judgment are those of a reasonably prudent man, not the exacting calibrations of a judge after a full-blown trial.

The RTC quashed the search warrants, saying that (1) there exists a prejudicial question pending before Branch 93 of the RTC of Quezon City, docketed as Civil Case No. 05-54747, i.e., the determination as to who between respondent and Yu is the rightful holder of the intellectual property right over the trademark **TOP GEL T.G. & DEVICE OF A LEAF**; and there was also a case for trademark infringement and/or unfair competition filed by respondent against Yu pending before the IPO, docketed as IPV Case No. 10-2005-00001; and (2) Yu's representation that he is the sole distributor of the Top Gel whitening soap, as the latter even presented Registration No. 4-1996-109957 issued by the IPO to Zenna Chemical Industry as the registered owner of the trademark **TOP GEL MCA & DEVICE MCA** for a term of 20 years from November 17, 2000 covering the same product.

We do not agree. We affirm the CA's reversal of the RTC Order quashing the search warrants.

The affidavits of NBI Agent Furing and his witnesses, Esmael and Ling, clearly showed that they are seeking protection for the trademark **"TOP GEL T.G. and DEVICE OF A LEAF"** registered to respondent under Certificate of Registration 4-2000-009881 issued by the IPO on August 24, 2003, and no other. While petitioners claim that the product they are distributing was owned by Yu with the trademark **TOP GEL MCA and MCA DEVISE** under Certificate of Registration 4-1996-109957, it...
was different from the trademark TOP GEL T.G. and DEVICE OF A LEAF subject of the application. We agree with the CA’s finding in this wise:

x x x It bears stressing that the basis for the applications for issuances of the search warrants on grounds of trademark infringement and unfair competition is the trademark TOP GEL T.G. & DEVICE OF A LEAF. Private complainant-appellant was issued a Certificate of Registration No. 4-2000-009881 of said trademark on August 24, 2003 by the Intellectual Property Office, and is thus considered the lawful holder of the said trademark. Being the registrant and the holder of the same, private complainant-appellant had the authority to enforce and protect her intellectual property rights over it. This prompted her to request for assistance from the agents of the NBI, who thereafter conducted a series of investigation, test buys and inspection regarding the alleged trademark infringement by herein respondents-appellees. Subsequently, Ping Na Lau, private complainant-appellant’s representative, issued a certification with the finding that the examined goods were counterfeit. This prompted the NBI agents to apply for the issuances of search warrants against the respondents-appellees. Said applications for the search warrants were granted after by Judge Laguilles after examining under oath the applicant Agent Furing of the NBI and his witnesses Ping Na Lau and Junayd R. Ismael.

Based on the foregoing, it is clear that the requisites for the issuance of the search warrants had been complied with and that there is probable cause to believe that an offense had been committed and that the objects sought in connection with the offense were in the places to be searched. The offense pertains to the alleged violations committed by respondents-appellees upon the intellectual property rights of herein private complainant-appellant, as holder of the trademark TOP GEL T.G. & DEVICE OF A LEAF under Certificate of Registration No. 4-2000-009881, issued on August 24, 2003 by the Intellectual Property Office.

ABS-CBN PUBLISHING, INC., Petitioner, versus DIRECTOR OF THE BUREAU OF TRADEMARKS, Respondent.
G.R. No. 217916, SECOND DIVISION, June 20, 2018, REYES, JR., J.

According to Section 123.1(d) of the Intellectual Property Code of the Philippines (IPC), a mark cannot be registered if it is “identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date,” in respect of the following: (i) the same goods or services, or (ii) closely related goods or services, or (iii) if it nearly resembles such a mark as to be likely to deceive or cause confusion.

In the present case, the dominant feature of the applicant mark is the word "METRO" which is identical, both visually and aurally, to the cited marks already registered with the IPO. As held by the ODG and correctly at that - x x x there is no dispute that the subject and cited marks share the same dominant word, "Metro", (sic) Even if, as the Appellant (petitioner herein) points out, the second cited mark owned by Metro International contains an accompanying device, and the third cited mark contains the terms "Philippine Daily Inquirer", (sic) the dominant feature of the subject and cited marks is still clearly the word "Metro", (sic) spelled and pronounced in exactly the same way. The identity between the marks would indubitably result in confusion of origin as well as goods.

FACTS
In 2004, the petitioner filed with the Intellectual Property Office of the Philippines (IPO) its application for the registration of its trademark "METRO" with specific reference to "magazines." The case was assigned to Examiner Arlene M. Icban (Examiner Icban), who, after a judicious examination of the application, refused the applicant mark's registration.

According to Examiner Icban, the applicant mark is identical with three other cited marks, and is therefore unregistrable according to Section 123.1(d) of the Intellectual Property Code of the Philippines (IPC). The cited marks were identified as (1) "Metro" (word) by applicant Metro International S.A., (2) "Metro" (logo) also by applicant Metro International S.A., and (3) "Inquirer Metro" by applicant Philippine Daily Inquirer, Inc.

The petitioner appealed the assessment of Examiner Icban before the Director of the Bureau of Trademarks of the IPO, who eventually affirmed Examiner Icban's findings. The decision averred that the applicant and cited marks were indeed confusingly similar, so much so that there may not only be a confusion as to the goods but also a confusion as to the source or origin of the goods.

Upon the denial of the petitioner's motion for reconsideration, the petitioner appealed to the Office of the Director General (ODG) of the IPO. After the submission of the memoranda from the parties, the ODG, rendered a Decision which upheld Examiner Icban's assessment and the Bureau Director's decision.

According to the ODG; there is no merit in the petitioner's appeal because (1) the applicant and cited marks are identical and confusingly similar, (2) the petitioner's mark was deemed abandoned under the old Trademark Law, and thus, petitioner's prior use of the same did not create a vested right under the IPC, and (3) the applicant mark has not acquired secondary meaning.

ISSUE

Whether or not the ODG was correct in refusing to register the applicant mark for being identical and confusingly similar with the cited marks already registered with the IPO. (YES)

RULING

YES, ODG was correct in refusing to register the applicant mark for being identical and confusingly similar with the cited marks already registered with the IPO.

According to Section 123.1(d) of the Intellectual Property Code of the Philippines (IPC), a mark cannot be registered if it is "identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date," in respect of the following: (i) the same goods or services, or (ii) closely related goods or services, or (iii) if it nearly resembles such a mark as to be likely to deceive or cause confusion.

To determine whether a mark is to be considered as "identical" or that which is confusingly similar with that of another, the Court has developed two (2) tests: the dominancy and holistic tests. While the Court has time and again ruled that the application of the tests is on a case to case basis, upon the passage of the IPC, the trend has been to veer away from the usage of the holistic test and to focus more on the usage of the dominancy test. As stated by the Court in the case of McDonald's Corporation vs. L.C. Big Mak Burger, Inc., the "test of dominancy is now explicitly incorporated into law in Section
155.1 of the Intellectual Property Code which defines infringement as the 'colorable imitation of a registered mark or a dominant feature thereof.' This is rightly so because Sec. 155.1 provides that:

SECTION 155. Remedies; Infringement. - Any person who shall, without the consent of the owner of the registered mark:
155.1. Use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps necessary to carry out the sale of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or x x x.

In using this test, focus is to be given to the dominant features of the marks in question. In the 1954 case of Co Tiong Sa vs. Director of Patents, the Court, in using the dominancy test, taught that: But differences of variations in the details of one trademark and of another are not the legally accepted tests of similarity in trademarks. It has been consistently held that the question of infringement of a trademark is to be determined by the test of dominancy. **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.**

In other words, in committing the infringing act, the infringer merely introduces negligible changes in an already registered mark, and then banks on these slight differences to state that there was no identity or confusing similarity, which would result in no infringement. This kind of act, which leads to confusion in the eyes of the public, is exactly the evil that the dominancy test refuses to accept. The small deviations from a registered mark are insufficient to remove the applicant mark from the ambit of infringement.

In the present case, the dominant feature of the applicant mark is the word "METRO" which is identical, both visually and aurally, to the cited marks already registered with the IPO. As held by the ODG and correctly at that - x x x **there is no dispute that the subject and cited marks share the same dominant word, "Metro".** (sic) Even if, as the Appellant (petitioner herein) points out, the second cited mark owned by Metro International contains an accompanying device, and the third cited mark contains the terms "Philippine Daily Inquirer", (sic) **the dominant feature of the subject and cited marks is still clearly the word "Metro", (sic) spelled and pronounced in exactly the same way.** The identity between the marks would indubitably result in confusion of origin as well as goods.

The findings of Examiner Icban, reviewed first by the Director of the Bureau of Trademarks, and again by the Director General of the IPO, are the result of a judicious study of the case by no less than the government agency duly empowered to examine applications for the registration of marks. These findings deserve great respect from the Court. Absent any strong justification for the reversal thereof-as in this case-the Court shall not reverse and set aside the same. As such, the prior findings remain: the applicant mark, "METRO," is identical to and confusingly similar with the other cited marks already registered. By authority of the Sec. 123.1(d) of the IPC, the applicant mark cannot be registered. The ODG is correct in upholding the Decision of both the Director of the Bureau of Trademarks and Examiner Icban.
The petitioner asserts that it has a vested right over the applicant mark because Metro Media Publishers, Inc. (Metro Media), the corporation from which the petitioner acquired the applicant mark, first applied for the registration of the same under the old Trademark Law, and since then, actually used the applicant mark in commerce. The petitioner belabors the point that under the old Trademark law, actual use in commerce is a prerequisite to the acquisition of ownership over a trademark and a trade name. The petitioner even went on further in asserting that its actual use of the applicant mark enabled it to automatically acquire trademark rights, which should have extended even upon the promulgation of the IPC in 1998.

First, there is no question that the petitioner’s predecessor already applied for the registration of the applicant mark "METRO" on November 3, 1994. There is likewise no question that as early as 1989, Metro Media has already used the applicant mark "METRO" in its magazine publication. At that point, Metro Media exercised all the rights conferred by law to a trademark applicant. Second, however, the petitioner itself admitted in its petition that its application/registration with the IPO was already "deemed abandoned."

While it is quite noticeable that the petitioner failed to discuss the implications of this abandonment, it remains a fact that once a trademark is considered abandoned, the protection accorded by the IPC, or in this case the old Trademark Law, is also withdrawn. The petitioner, in allowing this abandonment, cannot now come before the Court to cry foul if another entity has, in the time that it has abandoned its trademark and in full cognizance of the IPC and the IPO rules, registered its own.

Also, as correctly pointed out by the ODG, this abandonment is the very reason why the petitioner lost its rights over its trademark, and that it is also the reason why, after twenty years (20) from the initial application and after actual use of the applicant mark, the petitioner once again came before the IPO to apply for registration.

Anent the petitioner’s argument that "confusion between the marks is highly unlikely," the petitioner asserts that the applicant mark "METRO" (word) is covered by class 16 of the Nice classification under "magazines," the copies of which are sold in "numerous retail outlets in the Philippines," whereas the cited mark "METRO" (word) is used in the Philippines only in the internet through its website and does not have any printed circulation.

But like the petitioner's earlier argument, this does not hold water. Section 3, Rule 18 of the Rules of Procedure for Intellectual Property Cases provides for the legal presumption that there is likelihood of confusion if an identical mark is used for identical goods. The provision states:

SEC. 3. Presumption of likelihood of confusion. - Likelihood of confusion shall be presumed in case an identical sign or mark is used for identical goods or services.

In the present case, the applicant mark is classified under "magazines," which is found in class 16 of the Nice classification. A perusal of the records would reveal, however, that the cited marks "METRO" (word) and "METRO" (logo) are also both classified under magazines. In fact, Examiner Icban found that the cited marks were used on the following classification of goods:

Paper, cardboard and goods made from these materials, not included in other classes; newspapers, magazines, printed matter and other printed publications; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists materials; paint
Even then, it must be emphasized that absolute certainty of confusion or even actual confusion is not required to refuse registration. Indeed, it is the mere likelihood of confusion that provides the impetus to accord protection to trademarks already registered with the IPO. The Court cannot emphasize enough that the cited marks "METRO" (word) and "METRO" (logo) are identical with the registrant mark "METRO" both in spelling and in sound. In fact, it is the same exact word. Considering that both marks are used in goods which are classified as magazines, it requires no stretch of imagination that a likelihood of confusion may occur.

FACTS

Petitioner Citigroup, Inc. is a corporation duly organized under the laws of the State of Delaware engaged in banking and financial services.

In 1984, Citibank N.A., Philippine Branch, began the development of its domestic Automated Teller Machine (ATM) network, and started operating ATMs and issuing ATM cards in the Philippines.
2005, Citibank Savings, Inc. became an indirect wholly-owned subsidiary of Citibank, N.A. As a pre-existing thrift bank, it offered ATM services in the Philippines in 1995 and joined Bancnet in 2005. Combining the branches and ATMs of Citibank N.A., Philippine Branch and Citibank Savings, Inc., there are a total of 42 branches and 29 ATMs in the Philippines marketed and identified to the public under the CITI family of marks.

In addition, petitioner or Citibank N.A., a wholly-owned subsidiary of petitioner, owns the following other trademarks currently registered with the Philippine [Intellectual Property Office], to wit: "CITI and arc design", "CITIBANK", "CITIBANK PAYLINK", "CITIBANK SPEEDCOLLECT", "CITIBANKING", "CITICARD", "CITICORP", "CITIFINANCIAL", "CITIGOLD", "CITIGROUP", "CITIPHONE BANKING", and "CITISERVICE".

On the other hand, sometime in the mid-nineties, a group of Filipinos and Singaporean companies formed a consortium to establish respondent Citystate Savings Bank, Inc. The consortium included established Singaporean companies, specifically Citystate Insurance Group and Citystate Management Group Holdings Pte, Ltd. Respondent's registered mark has in its name affixed a lion's head, which is likened to the national symbol of Singapore, the Merlion. On 08 August 1997, respondent opened its initial branch in Makati City. From then on, it endeavored to expand its branch network.

In line with this, respondent filed an application for registration with the [Intellectual Property Office] on 21 June 2005 of the trademark "CITY CASH WITH GOLDEN LION'S HEAD" for its ATM service, under Application Serial No. 42005005673. After respondent Citystate Savings Bank, Inc. (Citystate) applied for registration of its trademark "CITY CASH WITH GOLDEN LION'S HEAD" with the Intellectual Property Office, Citigroup, Inc. (Citigroup) filed an opposition to Citystate's application. Citigroup claimed that the "CITY CASH WITH GOLDEN LION'S HEAD" mark is confusingly similar to its own "CITI" marks. After an exchange of pleadings, the Director of the Bureau of Legal Affairs of the Intellectual Property Office rendered a Decision dated November 20, 2008. The Intellectual Property Office concluded that the dominant features of the marks were the words "CITI" and "CITY," which were almost the same in all aspects. It further ratiocinated that Citigroup had the better right over the mark, considering that its "CITI" and "CITI"-related marks have been registered with the Intellectual Property Office, as well as with the United States Patent and Trademark Office, covering "financial services" under Class 36 of the International Classification of Goods. Thus, applying the dominancy test and considering that Citystate's dominant feature of the applicant's mark was identical or confusingly similar to a registered trademark, the Intellectual Property Office ruled that approving it would be contrary to Section 138 of the Intellectual Property Code and Citigroup's exclusive right to use its marks.

ISSUE

Whether petitioner Citigroup, Inc.'s and respondent Citystate Savings Bank, Inc.'s marks are confusingly similar. (NO)

RULING

There is no objective test for determining whether the confusion is likely. Likelihood of confusion must be determined according to the particular circumstances of each case. To aid in determining the similarity and likelihood of confusion between marks, our jurisprudence has developed two (2) tests:
the dominancy test and the holistic test. This Court explained these tests in Coffee Partners, Inc. v. San Francisco Coffee & Roastery, Inc.:

The dominancy test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion and deception, thus constituting infringement. If the competing trademark contains the main, essential, and dominant features of another, and confusion or deception is likely to result, infringement occurs. Exact duplication or imitation is not required. The question is whether the use of the marks involved is likely to cause confusion or mistake in the mind of the public or to deceive consumers.

In contrast, the holistic test entails a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing on both marks in order that the observer may draw his conclusion whether one is confusingly similar to the other.

With these guidelines in mind, this Court considered "the main, essential, and dominant features" of the marks in this case, as well as the contexts in which the marks are to be used. This Court finds that the use of the "CITY CASH WITH GOLDEN LION'S HEAD" mark will not result in the likelihood of confusion in the minds of customers.

A visual comparison of the marks reveals no likelihood of confusion.

This Court agrees with the observation of Director General Cristobal that the most noticeable part of this mark is the golden lion's head device, and finds that after noticing the image of the lion's head, the words "CITY" and "CASH" are equally prominent.

On the other hand, petitioner's marks, as noted by the Court of Appeals, often include the red arc device. Examining these marks, this Court finds that petitioner's marks can best be described as consisting of the prefix "CITI" added to other words.

Applying the dominancy test, this Court sees that the prevalent feature of respondent's mark, the golden lion's head device, is not present at all in any of petitioner's marks. The only similar feature between respondent's mark and petitioner's collection of marks is the word "CITY" in the former, and the "CITI" prefix found in the latter. This Court agrees with the findings of the Court of Appeals that this similarity alone is not enough to create a likelihood of confusion.

The dis[s]imilarities between the two marks are noticeable and substantial. Respondent's mark, "CITY CASH WITH GOLDEN LION'S HEAD", has an insignia of a golden lion's head at the left side of the words "CITY CASH", while petitioner's "CITI" mark usually has an arc between the two I's. A further scrutiny of the other "CITI" marks of petitioner would show that their font type, font size, and color schemes of the said "CITI" marks vary for each product or service. Most of the time, petitioner's "CITI" mark is joined with another term to form a single word, with each product or service having different font types and color schemes. On the contrary, the trademark of respondent consists of the words "CITY CASH", with a golden lion's head emblem on the left side. It is, therefore, improbable that the public would immediately and naturally conclude that respondent's "CITY CASH WITH GOLDEN LION'S HEAD" is but another variation under petitioner's "CITI" marks.
Verily, the variations in the appearance of the "CITI" marks by petitioner, when conjoined with other words, would dissolve the alleged similarity between them and the trademark of respondent. These dissimilarities, and the insignia of a golden lion’s head before the words "CITY CASH" in the mark of the respondent would sufficiently acquaint and apprise the public that respondent's trademark "CITY CASH WITH GOLDEN LION’S HEAD" is not connected with the "CITI" marks of petitioner.

**L.C. BIG MAK BURGER, INC., Petitioner, v. MCDONALD’S CORPORATION, Respondent.**

G.R. No. 233073, FIRST DIVISION, February 14, 2018, TIJAM, J.

Contempt of court has been defined as a willful disregard or disobedience of a public authority.

Testimonial and documentary evidence were in fact presented to show that petitioner had been using "Super Mak" and/or its corporate name "L.C. Big Mak Burger Inc." in its business operations instead of the proscribed mark "Big Mak" pursuant to the ruling of the Infringement Court. Moreover, petitioner's use of its corporate name in its stalls and products cannot, by itself, be considered to be tantamount to indirect contempt, contrary to the CA's conclusion. Lastly, at any rate, whether or not petitioner's action in complying with the court's order was proper is not an issue in this contempt case. Settled is the rule that in contempt proceedings, what should be considered is the intent of the alleged contemnor to disobey or defy the court.

**FACTS**

The instant petition stemmed from Civil Case No. 90-1507, which McDonald’s Corporation (respondent) filed against L.C. Big Mak Burger, Inc. (petitioner) for trademark infringement and unfair competition raffled to the Regional Trial Court (RTC) of Makati City, Branch 137 (Infringement Court).

In the said case, the Infringement Court, acting on the prayer for the issuance of a writ preliminary injunction, issued an Order dated August 16, 1990, directing petitioner to refrain from:

a) using for its fast food restaurant business the name "Big Mak" or any other mark, word, name, or device, which by colorable imitation is likely to confuse, mislead or deceive the public into believing that the [petitioner's] goods and services originate from, or are sponsored by or affiliated with those of [respondent's], and from otherwise unfairly trading on the reputation and goodwill of the McDonald's Marks, in particular the mark "BIG MAC";

b) selling, distributing, advertising, offering for sale or procuring to be sold, or otherwise disposing of any article described as or purporting to be manufactured by [respondent];

c) directly or indirectly using any mark, or doing any set or thing, likely to induce the belief on the part of the public that [petitioner] and their products and services are in any way connected with [respondent's] and their products and services

in such places within the jurisdiction of the National Capital Judicial Region
After trial, the said court rendered a Decision dated September 5, 1994, in favor of [respondent] McDonald’s Corporation and McGeorge Food Industries Inc. and against [petitioner] L.C. Big Mak Burgers, Inc. The writ of preliminary injunction was made permanent and L.C Big Mak is ordered to pay damages and attorney’s fees. The CA overturned the September 5, 1994 Decision. However, We reversed the CA in Our Decision dated August 18, 2004 in G.R. No. 143993 and thus reinstated the Infringement Court’s Decision.

Thusly, on November 14, 2005, Infringement Court, issued a Writ of Execution to implement its September 5, 1994 Decision.

On May 5, 2008, however, respondent filed a Petition for Contempt against petitioner and Francis Dy, in his capacity as President of L.C. Big Mak Burger, Inc. Basically, respondent averred therein that despite service upon the petitioner and its president of the Writ of Execution in the trademark infringement and unfair competition case, the latter continues to disobey and ignore their judgment obligation by continuously using, as part of their food and restaurant business, the words “Big Mak.” It was also alleged that petitioner refused to fully pay the damages awarded to the respondent in the said case.

Petitioner argued that it is evident from the August 18, 2004 Decision of the Supreme Court, that the prohibition covers only the use of the mark “Big Mak” and not the name “L.C. Big Mak Burger, Inc.” Petitioner then averred that at that time, its stalls were using its company name “L.C. Big Mak Burger, Inc.” and not the mark “Big Mak” and that it had already stopped selling “Big Mak” burgers for several years already. Moreover, petitioner averred that it has already changed the name of some of its stalls and products to “Supermak” as evidenced by pictures of its stalls in Metro Manila. Also, petitioner pointed out that the preliminary injunction issued in Civil Case No. 90-1507 was enforceable only within the National Capital Judicial Region as can be gleaned from its express provision.

The RTC ruled in favor of [petitioner] L.C. BIG MAK BURGER, INC. and FRANCIS DY, and against [respondent]. The CA reversed the Contempt Court’s ruling and instead found petitioner guilty of indirect contempt.

ISSUE

Whether or not petitioner is guilty of indirect contempt (NO)

RULING

In ruling that there was disobedience tantamount to an indirect contempt on the part of the petitioner, the CA found that: (1) there is an express admission on Francis Dy’s judicial affidavit that the company complied with the court’s order only in 2009 or after the petition for indirect contempt was filed against them; (2) that petitioner’s use of its corporate name is likewise an infringement of respondent’s mark, a defiance therefore to the subject injunction order.
We do not agree.

First, contrary to what respondent attempted to impress to the courts, it is not wholly true that petitioner continues to use the mark “Big Mak” in its business, in complete defiance to this Court’s Decision.
Testimonial and documentary evidence were in fact presented to show that petitioner had been using "Super Mak" and/or its corporate name "L.C. Big Mak Burger Inc." in its business operations instead of the proscribed mark "Big Mak" pursuant to the ruling of the Infringement Court.

There is also nothing on record that will show that Francis Dy made an admission that petitioner began to comply with the writ of execution only in 2009. If at all, the CA misinterpreted Francis Dy's allegation in the said judicial affidavit that "by early 2009" petitioner's stalls and vans only reflected "Super Mak" and the corporate name "L.C. Big Mak Burger, Inc." Also, the fact that the photographs presented during trial were taken in 2009 was taken by the CA as the time when the petitioner started to implement changes in their business operations pursuant to the writ of execution.

Second, petitioner's use of its corporate name in its stalls and products cannot, by itself, be considered to be tantamount to indirect contempt, contrary to the CA's conclusion.

It bears stressing that the proscription in the injunction order is against petitioner's use of the mark "Big Mak." However, as established, petitioner had already been using its corporate name instead of the proscribed mark. The use of petitioner's corporate name instead of the words "Big Mak" solely was evidently pursuant to the directive of the court in the injunction order. Clearly, as correctly found by the RTC, petitioner had indeed desisted from the use of "Big Mak" to comply with the injunction order.

Third, at any rate, whether or not petitioner's action in complying with the court's order was proper is not an issue in this contempt case. Settled is the rule that in contempt proceedings, what should be considered is the intent of the alleged contemnor to disobey or defy the court.

Indeed, as can be gleaned from the above-cited jurisprudential definition of contempt, the intent goes to the gravamen of the offense. Thus, the good faith, or lack of it, of the alleged contemnor should be considered. A person should not be condemned for contempt where he contends for what he believes to be right and in good faith however erroneous may be his conclusion as to his rights. To constitute contempt, the act must be done willfully and for an illegitimate or improper purpose.

Petitioner's good faith in complying with the court's order is manifest in this case. In any event, what is relevant and essential in this contempt case is the fact that by virtue of petitioner's reliance upon the said lawful and binding SEC Decision in the use of its corporate name in lieu of the proscribed "Big Mak" mark to comply with the subject injunction order, petitioner's good faith is clearly manifest. Petitioner's justification of its questioned action is not at all implausible. This Court finds no reason to reject petitioner's explanation or doubt its good faith as certainly, the use of its corporate name was warranted by the SEC Decision. It was also not unreasonable for the petitioner, through its officers, to think that the stalls and products bearing its corporate name would send the message to the public that the products were the petitioner's and not those of respondent's, the very evil sought to be prevented and/or eradicated by the decision in the infringement/unfair competition case.

Considering that condemnation for contempt should not be made lightly, and that the power to punish contempt should be exercised on the preservative and not on the vindictive principle, the Court finds no difficulty in reaching the conclusion that there was no willful disregard or defiance of its order/decision.

We are, therefore, one with the Contempt Court in dismissing the contempt case.
ASIA BREWERY, INC., Petitioner, v. THE HON. COURT OF APPEALS and SAN MIGUEL CORPORATION, Respondents.
G.R. No. 103543, EN BANC, July 5, 1993, GRIÑO-AQUINO, J.

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.

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.

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.

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.

FACTS

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.

A decision was rendered by the trial Court dismissing SMC's complaint because ABI "has not committed trademark infringement or unfair competition against" SMC.

SMC appealed to the Court of Appeals which subsequently reversed the trial court decision.

ABI appealed by a petition for certiorari under Rule 45.

ISSUE

Whether ABI is guilty of unfair competition. (NO)

RULING
The fact that BEER PALE PILSEN like SAN MIGUEL PALE PILSEN is bottled in amber-colored steinie bottles of 320 ml capacity and is also advertised in print, broadcast, and television media, does not necessarily constitute unfair competition.

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. The law further enumerates the more common ways of committing unfair competition, thus:

Sec. 29.

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.

In this case, the question to be determined is whether ABI is using a name or mark for its beer that has previously come to designate SMC's beer, or whether ABI is passing off its BEER PALE PILSEN as SMC's SAN MIGUEL PALE PILSEN.

. . . .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.

The use of ABI of the steinie bottle, similar but not identical to the SAN MIGUEL PALE PILSEN bottle, is not unlawful. As pointed out by ABI’s counsel, SMC did not invent but merely borrowed the steinie bottle from abroad and it claims neither patent nor trademark protection for that bottle shape and design. The trial court found no infringement of SMC’s bottle —
The court agrees with defendant that there is no infringement of plaintiff’s bottle, firstly, because according to plaintiff’s witness Deogracias Villadolid, it is a standard type of bottle called steinie, and to witness Jose Antonio Garcia, 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. Secondly, the shape was never registered as a trademark. Exhibit "C" is not a registration of a beer bottle design required under Rep. Act 165 but the registration of the name and other marks of ownership stamped on containers as required by Rep. Act 623. Thirdly, the neck of defendant’s bottle is much larger and has a distinct bulge in its uppermost part.

The petitioner’s contention that bottle size, shape and color may not be the exclusive property of any one beer manufacturer is well taken. 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

... 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."

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. The amber color is a functional feature of the beer bottle. As pointed out by ABI, 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. As was ruled in California Crushed Fruit Corporation vs. Taylor B. and Candy Co., 38 F2d 885, 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.

That the ABI bottle has a 320 ml. capacity is not due to a desire to imitate SMC’s bottle 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.

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. Needless to say, the shape of the bottle and of the label is unimportant. What is all important is the name of the product written on the label of the bottle for that is how one beer may be distinguished from the others.

In Dy Buncio v. Tan Tiao Bok, where two competing tea products were both labelled as Formosan tea, both sold in 5-ounce packages made of ordinary wrapping paper of conventional color, both with
labels containing designs drawn in green ink and Chinese characters written in red ink, one label showing a double-decked jar in the center, the other, a flower pot, this court found that the resemblances between the designs were not sufficient to mislead the ordinary intelligent buyer, hence, there was no unfair competition. The Court held:

. . . . 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.

The main thrust of SMC's complaint if not infringement of its trademark, but unfair competition arising form 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.

However, when as in this case, the names of the competing products are clearly different and their respective sources are prominently printed on the label and on other parts of the bottle, mere similarity in the shape and size of the container and label, does not constitute unfair competition. 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 R.A. No. 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.

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 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 standards 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.

The record does not bear out SMC's apprehension that BEER PALE PILSEN is being passed off as SAN MIGUEL PALE PILSEN. This is unlikely to happen for consumers or buyers of beer generally order their beer by brand. As pointed out by ABI's counsel, 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.

Our decision in this 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".

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.

Our ruling in Del Monte would not apply to beer which is not usually picked from a store shelf but ordered by brand by the beer drinker himself from the storekeeper or waiter in a pub or restaurant.

Moreover, 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 of 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.

Petitioner 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, that competition is neither unfair nor fraudulent. Hence, we must deny SMC’s prayer to suppress it.
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 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.

The essential elements of an action for unfair competition are (1) confusing similarity in the general appearance of the goods, and (2) intent to deceive the public and defraud a competitor. The confusing similarity may or may not result from similarity in the marks, but may result from other external factors in the packaging or presentation of the goods. The intent to deceive and defraud may be inferred from the similarity of the appearance of the goods as offered for sale to the public. Actual fraudulent intent need not be shown.

Unfair competition is broader than trademark infringement and includes passing off goods with or without trademark infringement. Trademark infringement is a form of unfair competition. Trademark infringement constitutes unfair competition when there is not merely likelihood of confusion, but also actual or probable deception on the public because of the general appearance of the goods. There can be trademark infringement without unfair competition as when the infringer discloses on the labels containing the mark that he manufactures the goods, thus preventing the public from being deceived that the goods originate from the trademark owner.

The dissimilarities in the packaging are minor compared to the stark similarities in the words that give respondents’ "Big Mak" hamburgers the general appearance of petitioners’ "Big Mac" hamburgers. Section 29(a) expressly provides that the similarity in the general appearance of the goods may be in the "devices or words" used on the wrappings. Respondents have applied on their plastic wrappers and bags almost the same words that petitioners use on their styrofoam box. What attracts the attention of the buying public are the words "Big Mak" which are almost the same, aurally and visually, as the words "Big Mac." The dissimilarities in the material and other devices are insignificant compared to the glaring similarity in the words used in the wrappings.

FACTS

Petitioner McDonalds Corporation (McDonald’s) is a corporation organized under the laws of Delaware, United States. It owns a family of marks including the “Big Mac” mark for its double-decker hamburger sandwich. McDonalds applied and was allowed to register same mark in the Principal Register of the then Philippine Bureau of Patents, Trademarks and Technology (PBPTT), now the
Intellectual Property Office (IPO). Petitioner McGeorge Food Industries, a domestic corporation, is McDonald's Philippine franchisee.

Respondent L.C. Big Mak Burger, Inc. (L.C. Big Mak) is a domestic corporation which operates fast-food outlets and snack vans in Metro Manila and nearby provinces.

When L.C. Big Mak applied with the PBPTT for the registration of the “Big Mak” mark for its hamburger sandwiches, McDonald’s opposed the former’s application on the ground that “Big Mak” was a colorable imitation of its registered “Big Mac” mark for the same food products.

Petitioners then sued L.C. Big Mak in RTC Makati for trademark infringement and unfair competition. The trial court rendered a judgment finding respondent corporation liable for trademark infringement and unfair competition. The Court of Appeals, however, reversed the decision of the trial court.

**ISSUE**

Whether Respondent is guilty of unfair competition. (YES)

**RULING**

Section 29 (“Section 29”) of RA 166 defines unfair competition, thus:

Any person who will 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 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.
The essential elements of an action for unfair competition are (1) confusing similarity in the general appearance of the goods, and (2) intent to deceive the public and defraud a competitor. The confusing similarity may or may not result from similarity in the marks, but may result from other external factors in the packaging or presentation of the goods. The intent to deceive and defraud may be inferred from the similarity of the appearance of the goods as offered for sale to the public. Actual fraudulent intent need not be shown.

Unfair competition is broader than trademark infringement and includes passing off goods with or without trademark infringement. Trademark infringement is a form of unfair competition. Trademark infringement constitutes unfair competition when there is not merely likelihood of confusion, but also actual or probable deception on the public because of the general appearance of the goods. There can be trademark infringement without unfair competition as when the infringer discloses on the labels containing the mark that he manufactures the goods, thus preventing the public from being deceived that the goods originate from the trademark owner.

To support their claim of unfair competition, petitioners allege that respondents fraudulently passed off their hamburgers as "Big Mac" hamburgers. Petitioners add that respondents' fraudulent intent can be inferred from the similarity of the marks in question.

Passing off (or palming off) takes place where the defendant, by imitative devices on the general appearance of the goods, misleads prospective purchasers into buying his merchandise under the impression that they are buying that of his competitors. Thus, the defendant gives his goods the general appearance of the goods of his competitor with the intention of deceiving the public that the goods are those of his competitor.

The RTC described the respective marks and the goods of petitioners and respondents in this wise:

The mark "B[ig] M[ac]" is used by plaintiff McDonald's to identify its double decker hamburger sandwich. The packaging material is a styrofoam box with the McDonald's logo and trademark in red with block capital letters printed on it. All letters of the "B[ig] M[ac]" mark are also in red and block capital letters. On the other hand, defendants' "B[ig] M[ak]" script print is in orange with only the letter "B" and "M" being capitalized and the packaging material is plastic wrapper. XXXX Further, plaintiffs' logo and mascot are the umbrella "M" and "Ronald McDonald's", respectively, compared to the mascot of defendant Corporation which is a chubby boy called "Macky" displayed or printed between the words "Big" and "Mak."

Respondents point to these dissimilarities as proof that they did not give their hamburgers the general appearance of petitioners' "Big Mac" hamburgers.

The dissimilarities in the packaging are minor compared to the stark similarities in the words that give respondents' "Big Mak" hamburgers the general appearance of petitioners' "Big Mac" hamburgers. Section 29(a) expressly provides that the similarity in the general appearance of the goods may be in the "devices or words" used on the wrappings. Respondents have applied on their plastic wrappers and bags almost the same words that petitioners use on their styrofoam box. What attracts the attention of the buying public are the words "Big Mak" which are almost the same, aurally and visually, as the words "Big Mac." The dissimilarities in the material and other devices are insignificant compared to the glaring similarity in the words used in the wrappings.
Section 29(a) also provides that the defendant gives "his goods the general appearance of goods of another manufacturer." Respondents' goods are hamburgers which are also the goods of petitioners. If respondents sold egg sandwiches only instead of hamburger sandwiches, their use of the "Big Mak" mark would not give their goods the general appearance of petitioners' "Big Mac" hamburgers. In such case, there is only trademark infringement but no unfair competition. However, since respondents chose to apply the "Big Mak" mark on hamburgers, just like petitioner's use of the "Big Mac" mark on hamburgers, respondents have obviously clothed their goods with the general appearance of petitioners' goods.

Moreover, there is no notice to the public that the "Big Mak" hamburgers are products of "L.C. Big Mak Burger, Inc." Respondents introduced during the trial plastic wrappers and bags with the words "L.C. Big Mak Burger, Inc." to inform the public of the name of the seller of the hamburgers. However, petitioners introduced during the injunctive hearings plastic wrappers and bags with the "Big Mak" mark without the name "L.C. Big Mak Burger, Inc." Respondents' belated presentation of plastic wrappers and bags bearing the name of "L.C. Big Mak Burger, Inc." as the seller of the hamburgers is an after-thought designed to exculpate them from their unfair business conduct. As earlier stated, we cannot consider respondents' evidence since petitioners' complaint was based on facts existing before and during the injunctive hearings.

Thus, there is actually no notice to the public that the "Big Mak" hamburgers are products of "L.C. Big Mak Burger, Inc." and not those of petitioners who have the exclusive right to the "Big Mac" mark. This clearly shows respondents' intent to deceive the public. Had respondents' placed a notice on their plastic wrappers and bags that the hamburgers are sold by "L.C. Big Mak Burger, Inc.", then they could validly claim that they did not intend to deceive the public. In such case, there is only trademark infringement but no unfair competition. Respondents, however, did not give such notice. We hold that as found by the RTC, respondent corporation is liable for unfair competition.

SONY COMPUTER ENTERTAINMENT, INC., Petitioner, vs. SUPERGREEN, INCORPORATED, Respondent.
G.R. No. 161823, SECOND DIVISION, March 22, 2007, QUISUMBING, J.

SEC. 168. Unfair Competition, Rights, Regulation and Remedies. –

168.2. 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.

Respondent's imitation of the general appearance of petitioner's goods was done allegedly in Cavite. It sold the goods allegedly in Mandaluyong City, Metro Manila. The alleged acts would constitute a transitory or continuing offense. Thus, clearly, under Section 2 (b) of Rule 126, Section 168 of Rep. Act No. 8293 and Article 189 (1) of the Revised Penal Code, petitioner may apply for a search warrant in any court where any element of the alleged offense was committed, including any of the courts within the National Capital Region (Metro Manila).

FACTS
The case stemmed from the complaint filed with the National Bureau of Investigation (NBI) by petitioner Sony Computer Entertainment, Inc., against respondent Supergreen, Incorporated. The NBI found that respondent engaged in the reproduction and distribution of counterfeit "PlayStation" game software, consoles and accessories in violation of Sony Computer’s intellectual property rights. Thus, NBI applied with the Regional Trial Court (RTC) of Manila, Branch 1 for warrants to search respondent’s premises in Parañaque City and Cavite. On April 24, 2001, the RTC of Manila issued Search Warrants covering respondent’s premises at Trece-Tanza Road, Purok 7, Barangay de Ocampo, Trece Martires City, Cavite, Room 302, 3rd Floor Chateau de Baie Condominium, 149 Roxas Boulevard corner Airport Road, Parañaque City. The NBI simultaneously served the search warrants on the subject premises and seized a replicating machine and several units of counterfeit "PlayStation" consoles, joy pads, housing, labels and game software.

On June 11, 2001, respondent filed a motion to quash Search Warrants and/or release of seized properties on the ground that the search warrant failed to particularly describe the properties to be seized. The trial court denied the motion for lack of merit.

On August 4, 2001, respondent filed another motion to quash, this time, questioning the propriety of the venue. Petitioner opposed the motion on the ground that it violated the omnibus motion rule wherein all objections not included shall be deemed waived. In an Order dated October 5, 2001, the trial court affirmed the validity of Search Warrants covering respondent’s premises in Parañaque City, but quashed Search Warrants covering respondent’s premises in Cavite. The trial court held that lack of jurisdiction is an exception to the omnibus motion rule and may be raised at any stage of the proceedings.

Petitioner elevated the matter to the Court of Appeals, which dismissed the petition for certiorari. The appellate court ruled that under Section 2, Rule 126 of the Rules of Court, the RTC of Manila had no jurisdiction to issue a search warrant enforceable in Cavite, and that lack of jurisdiction was not deemed waived.

ISSUE

Whether the search warrants covering respondent’s properties in Cavite should be quashed. (No)

RULING

Nonetheless, we agree with petitioner that this case involves a transitory or continuing offense of unfair competition under Section 168 of Republic Act No. 8293, which provides,

SEC. 168. Unfair Competition, Rights, Regulation and Remedies. –

168.2. 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.

168.3. In particular, and without in any way limiting the scope of protection against unfair competition, the following shall be deemed guilty of unfair competition:
(a) Any person, who is selling his goods and gives 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.

Pertinent too is Article 189 (1) of the Revised Penal Code that enumerates the elements of unfair competition, to wit:

(a) That the offender gives his goods the general appearance of the goods of another manufacturer or dealer;

(b) That the general appearance is shown in the (1) goods themselves, or in the (2) wrapping of their packages, or in the (3) device or words therein, or in (4) any other feature of their appearance;

(c) That the offender offers to sell or sells those goods or gives other persons a chance or opportunity to do the same with a like purpose; and

(d) That there is actual intent to deceive the public or defraud a competitor.

Respondent’s imitation of the general appearance of petitioner’s goods was done allegedly in Cavite. It sold the goods allegedly in Mandaluyong City, Metro Manila. The alleged acts would constitute a transitory or continuing offense. Thus, clearly, under Section 2 (b) of Rule 126, Section 168 of Rep. Act No. 8293 and Article 189 (1) of the Revised Penal Code, petitioner may apply for a search warrant in any court where any element of the alleged offense was committed, including any of the courts within the National Capital Region (Metro Manila).

COCA-COLA BOTTLERS, PHILS., INC. (CCBPI), Naga Plant, petitioner, vs. QUINTIN J. GOMEZ, a.k.a. "KIT" GOMEZ and DANilo E. GALICIA, a.k.a. "DANNY GALICIA", respondents.
G.R. No. 154491, SECOND DIVISION, November 14, 2008, BRION, J.

From jurisprudence, unfair competition has been defined as the passing off (or palming off) or attempting to pass off upon the public the goods or business of one person as the goods or business of another with the end and probable effect of deceiving the public. One of the essential requisites in an action to restrain unfair competition is proof of fraud; the intent to deceive must be shown before the right to recover can exist.
Under all the above approaches, we conclude that the “hoarding” – as defined and charged by the petitioner – does not fall within the coverage of the IP Code and of Section 168 in particular. It does not relate to any patent, trademark, trade name or service mark that the respondents have invaded, intruded into or used without proper authority from the petitioner. Nor are the respondents alleged to be fraudulently “passing off” their products or services as those of the petitioner. The respondents are not also alleged to be undertaking any representation or misrepresentation that would confuse or tend to confuse the goods of the petitioner with those of the respondents, or vice versa. What in fact the petitioner alleges is an act foreign to the Code, to the concepts it embodies and to the acts it regulates; as alleged, hoarding inflicts unfairness by seeking to limit the opposition’s sales by depriving it of the bottles it can use for these sales. In this light, hoarding for purposes of destruction is closer to what another law, R.A. No. 623 covers.

FACTS

Coca-Cola Bottlers, Phils., Inc., applied for a search warrant against Pepsi for hoarding empty bottles of Coke in Pepsi’s yard. Coca-cola alleges that such act is penalized as as unfair competition under the IP Code.

MTC issued the search warrants and the local police seized the goods. Later, a complaint against respondents was filed for violation of the IP Code.

The respondents, on the other hand, argue that the IP Code does not criminalize bottle hoarding, as the acts penalized must always involve fraud and deceit. The hoarding does not make them liable for unfair competition as there was no deception or fraud on the end-users. RTC voided the warrant for lack of probable cause of the non-commission of unfair competition. Coca-cola applied for a motion for consideration which the RTC denied as well.

The petitioner sought to correct any errors committed by above-mentioned judge by filing a petition for certiorari directly to the Supreme Court.

ISSUE

Whether respondent’s hoarding of Coke bottles constitute unfair competition. (NO)

RULING

From jurisprudence, unfair competition has been defined as the passing off (or palming off) or attempting to pass off upon the public the goods or business of one person as the goods or business of another with the end and probable effect of deceiving the public. One of the essential requisites in an action to restrain unfair competition is proof of fraud; the intent to deceive must be shown before the right to recover can exist. The advent of the IP Code has not significantly changed these rulings as they are fully in accord with what Section 168 of the Code in its entirety provides. Deception, passing off and fraud upon the public are still the key elements that must be present for unfair competition to exist.

As basis for this interpretative analysis, we note that Section 168.1 speaks of a person who has earned goodwill with respect to his goods and services and who is entitled to protection under the Code, with or without a registered mark. Section 168.2, as previously discussed, refers to the general
definition of unfair competition. Section 168.3, on the other hand, refers to the specific instances of unfair competition, with Section 168.3(a) referring to the sale of goods given the appearance of the goods of another; Section 168.3(b), to the inducement of belief that his or her goods or services are that of another who has earned goodwill; while the disputed Section 168.3(c) being a “catch all” clause whose coverage the parties now dispute.

Under all the above approaches, we conclude that the “hoarding” – as defined and charged by the petitioner – does not fall within the coverage of the IP Code and of Section 168 in particular. It does not relate to any patent, trademark, trade name or service mark that the respondents have invaded, intruded into or used without proper authority from the petitioner. Nor are the respondents alleged to be fraudulently “passing off” their products or services as those of the petitioner. The respondents are not also alleged to be undertaking any representation or misrepresentation that would confuse or tend to confuse the goods of the petitioner with those of the respondents, or vice versa. What in fact the petitioner alleges is an act foreign to the Code, to the concepts it embodies and to the acts it regulates; as alleged, hoarding inflicts unfairness by seeking to limit the opposition’s sales by depriving it of the bottles it can use for these sales. In this light, hoarding for purposes of destruction is closer to what another law, R.A. No. 623 covers.

**REPUBLIC GAS CORPORATION, ARNEL U. TY, MARI ANTONETTE N. TY, ORLANDO REYES, FERRER SUAZO and ALVIN U. TY, Petitioners, vs. PETRON CORPORATION, PILIPINAS SHELL PETROLEUM CORPORATION, and SHELL INTERNATIONAL PETROLEUM COMPANY LIMITED, Respondents.**

G.R. No. 194062, THIRD DIVISION, June 17, 2013, PERALTA, J.

From jurisprudence, unfair competition has been defined as the passing off (or palming off) or attempting to pass off upon the public of the goods or business of one person as the goods or business of another with the end and probable effect of deceiving the public.

Passing off (or palming off) takes place where the defendant, by imitative devices on the general appearance of the goods, misleads prospective purchasers into buying his merchandise under the impression that they are buying that of his competitors. Thus, the defendant gives his goods the general appearance of the goods of his competitor with the intention of deceiving the public that the goods are those of his competitor.

In the present case, respondents pertinently observed that by refilling and selling LPG cylinders bearing their registered marks, petitioners are selling goods by giving them the general appearance of goods of another manufacturer.

**FACTS**

Regasco Gas Corporation is an entity duly licensed to engage in, conduct and carry on, the business of refilling, buying, selling, distributing and marketing at wholesale and retail of Liquefied Petroleum Gas (“LPG”).

Respondents, PETRON CORPORATION(“Petron” for brevity) and Pilipinas Shell Petroleum Corporation (“Shell” for brevity) are two of the largest bulk suppliers and producers of LPG in the Philippines. Petron is the registered owner in the Philippines of the trademarks GASUL and GASUL cylinders used for its LPG products. It is the sole entity in the Philippines authorized to allow refillers
and distributors to refill, use, sell, and distribute GASUL LPG containers, products and its trademarks. Pilipinas Shell, on the other hand, is the authorized user in the Philippines of the tradename, trademarks, symbols or designs of its principal, Shell International Petroleum Company Limited, including the marks SHELLANE and SHELL device in connection with the production, sale and distribution of SHELLANE LPGs. It is the only corporation in the Philippines authorized to allow refillers and distributors to refill, use, sell and distribute SHELLANE LPG containers and products.

The surveillance conducted by the NBI revealed that REGASCO LPG Refilling Plant in Malabon was engaged in the refilling and sale of LPG cylinders bearing the registered marks of the respondents without authority from the latter. Based on its General Information Sheet filed in the Securities and Exchange Commission, REGASCO’s members of its Board of Directors are: (1) Arnel U. Ty – President, (2) Marie Antoinette Ty – Treasurer, (3) Orlando Reyes – Corporate Secretary, (4) Ferrer Suazo and (5) Alvin Ty.

**ISSUE**

Whether probable cause exists to hold petitioners liable for the crime of unfair competition. (YES)

**RULING**

As to the charge of unfair competition, Section 168.3, in relation to Section 170, of R.A. No. 8293 describes the acts constituting unfair competition as follows:

Section 168. Unfair Competition, Rights, Regulations and Remedies. x x x

168.3 In particular, and without in any way limiting the scope of protection against unfair competition, the following shall be deemed guilty of unfair competition:

(a) Any person, who is selling his goods and gives 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;

x x x x

Section 170. Penalties. Independent of the civil and administrative sanctions imposed by law, a criminal penalty of imprisonment from two (2) years to five (5) years and a fine ranging from Fifty thousand pesos (₱50,000) to Two hundred thousand pesos (₱200,000), shall be imposed on any person who is found guilty of committing any of the acts mentioned in Section 155, Section 168 and Subsection 169.1.

From jurisprudence, unfair competition has been defined as the passing off (or palming off) or attempting to pass off upon the public of the goods or business of one person as the goods or business of another with the end and probable effect of deceiving the public.
Passing off (or palming off) takes place where the defendant, by imitative devices on the general appearance of the goods, misleads prospective purchasers into buying his merchandise under the impression that they are buying that of his competitors. Thus, the defendant gives his goods the general appearance of the goods of his competitor with the intention of deceiving the public that the goods are those of his competitor.

In the present case, respondents pertinently observed that by refilling and selling LPG cylinders bearing their registered marks, petitioners are selling goods by giving them the general appearance of goods of another manufacturer.

What's more, the CA correctly pointed out that there is a showing that the consumers may be misled into believing that the LPGs contained in the cylinders bearing the marks "GASUL" and "SHELLANE" are those goods or products of the petitioners when, in fact, they are not. Obviously, the mere use of those LPG cylinders bearing the trademarks "GASUL" and "SHELLANE" will give the LPGs sold by REGASCO the general appearance of the products of the petitioners.

**SHANG PROPERTIES REALTY CORPORATION (formerly THE SHANG GRAND TOWER CORPORATION) and SHANG PROPERTIES, INC. (formerly EDSA PROPERTIES HOLDINGS, INC.), Petitioners, vs. ST. FRANCIS DEVELOPMENT CORPORATION, Respondent.**

G.R. No. 190706, SECOND DIVISION, July 21, 2014, PERLAS-BERNABE, J.

In the recent case of Republic Gas Corporation v. Petron Corporation, the Court has echoed the classic definition of the term which is "the passing off (or palming off) or attempting to pass off upon the public of the goods or business of one person as the goods or business of another with the end and probable effect of deceiving the public." Passing off (or palming off) takes place where the defendant, by imitative devices on the general appearance of the goods, misleads prospective purchasers into buying his merchandise under the impression that they are buying that of his competitors. [In other words], the defendant gives his goods the general appearance of the goods of his competitor with the intention of deceiving the public that the goods are those of his competitor. "The "true test" of unfair competition has thus been "whether the acts of the defendant have the intent of deceiving or are calculated to deceive the ordinary buyer making his purchases under the ordinary conditions of the particular trade to which the controversy relates." Based on the foregoing, it is therefore essential to prove the existence of fraud, or the intent to deceive, actual or probable, determined through a judicious scrutiny of the factual circumstances attendant to a particular case.

Here, the Court finds the element of fraud to be wanting; hence, there can be no unfair competition. The CA's contrary conclusion was faultily premised on its impression that respondent had the right to the exclusive use of the mark "ST. FRANCIS," for which the latter had purportedly established considerable goodwill. What the CA appears to have disregarded or been mistaken in its disquisition, however, is the geographically descriptive nature of the mark "ST. FRANCIS" which thus bars its exclusive appropriability, unless a secondary meaning is acquired.

**FACTS**

St. Francis Development Corporation (SFDC), a domestic corporation engaged in the real estate business and the developer of St. Francis Square Commercial Center in Ortigas Center, filed complaint for unfair competition against Shang Properties Realty Corporation (Shang) before the IPO - Bureau
of Legal Affairs due to Shang’s use and filing of applications for the registration of the marks “THE ST. FRANCIS TOWER” and “THE ST. FRANCIS SHANGRILA PLACE” for use relative to Shang’s business, particularly the construction of permanent buildings or structures for residential and office purposes.

SFDC alleged that (1) it used “ST. FRANCIS: to identify numerous property development projects in Ortigas Center and (2) as a use of its continuous projects in Ortigas Center and real estate business, it has gained substantial goodwill with the public that consumers and traders closely identify the mark with its property development projects.

On the other hand, Shang contended that the mark with its property cannot be exclusively owned by SFDC since the marks is geographically descriptive of the goods or services for which it is intended to be used.

**ISSUE**

Whether Shang Properties is guilty of unfair competition. (NO)

**RULING**

Section 168 of Republic Act No. 8293, otherwise known as the "Intellectual Property Code of the Philippines" (IP Code), provides for the rules and regulations on unfair competition.

To begin, Section 168.1 qualifies who is entitled to protection against unfair competition. It 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 registered mark 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."

Section 168.2 proceeds to the core of the provision, describing forthwith who may be found guilty of and subject to an action of unfair competition – that is, "[a]ny 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 x x x."

Without limiting its generality, Section 168.3 goes on to specify examples of acts which are considered as constitutive of unfair competition, viz.:

168.3. In particular, and without in any way limiting the scope of protection against unfair competition, the following shall be deemed guilty of unfair competition:

(a) Any person who is selling his goods and gives 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 service 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.

Finally, Section 168.4 dwells on a matter of procedure by stating that the "[t]he remedies provided by Sections 156, 157, and 161 shall apply mutatis mutandis."

The statutory attribution of the unfair competition concept is well supplemented by jurisprudential pronouncements. In the recent case of Republic Gas Corporation v. Petron Corporation, the Court has echoed the classic definition of the term which is "the passing off (or palming off) or attempting to pass off upon the public of the goods or business of one person as the goods or business of another with the end and probable effect of deceiving the public." Passing off (or palming off) takes place where the defendant, by imitative devices on the general appearance of the goods, misleads prospective purchasers into buying his merchandise under the impression that they are buying that of his competitors. [In other words], the defendant gives his goods the general appearance of the goods of his competitor with the intention of deceiving the public that the goods are those of his competitor. "The "true test" of unfair competition has thus been "whether the acts of the defendant have the intent of deceiving or are calculated to deceive the ordinary buyer making his purchases under the ordinary conditions of the particular trade to which the controversy relates." Based on the foregoing, it is therefore essential to prove the existence of fraud, or the intent to deceive, actual or probable, determined through a judicious scrutiny of the factual circumstances attendant to a particular case.

Here, the Court finds the element of fraud to be wanting; hence, there can be no unfair competition. The CA's contrary conclusion was faultily premised on its impression that respondent had the right to the exclusive use of the mark "ST. FRANCIS," for which the latter had purportedly established considerable goodwill. What the CA appears to have disregarded or been mistaken in its disquisition, however, is the geographically descriptive nature of the mark "ST. FRANCIS" which thus bars its exclusive appropriability, unless a secondary meaning is acquired. As deftly explained in the U.S. case of Great Southern Bank v. First Southern Bank: "[d]escriptive geographical terms are in the 'public domain' in the sense that every seller should have the right to inform customers of the geographical origin of his goods. A 'geographically descriptive term' is any noun or adjective that designates geographical location and would tend to be regarded by buyers as descriptive of the geographic location of origin of the goods or services. A geographically descriptive term can indicate any geographic location on earth, such as continents, nations, regions, states, cities, streets and addresses, areas of cities, rivers, and any other location referred to by a recognized name. In order to determine whether or not the geographic term in question is descriptively used, the following question is relevant: (1) Is the mark the name of the place or region from which the goods actually come? If the answer is yes, then the geographic term is probably used in a descriptive sense, and secondary meaning is required for protection."
In fact, even on the assumption that secondary meaning had been acquired, said finding only accords respondents protectional qualification under Section 168.1 of the IP Code as above quoted. Again, this does not automatically trigger the concurrence of the fraud element required under Section 168.2 of the IP Code, as exemplified by the acts mentioned in Section 168.3 of the same. Ultimately, as earlier stated, there can be no unfair competition without this element. In this respect, considering too the notoriety of the Shangri-La brand in the real estate industry which dilutes petitioners' propensity to merely ride on respondent's goodwill, the more reasonable conclusion is that the former's use of the marks "THE ST. FRANCIS TOWERS" and "THE ST. FRANCIS SHANGRI-LA PLACE" was meant only to identify, or at least associate, their real estate project/s with its geographical location.

- Roberto Co vs. Keng Huan Jerry Yeung and Emma Yeung, G.R. No. 212705, September 10, 2014

ROBERTO CO, Petitioner, -versus - KENG HUAN JERRY YEUNG and EMMA YEUNG, Respondents
G.R. No. 207843, FIRST DIVISION, February 14, 2018, PERLAS-BERNABE, J.

The Court deems it apt to clarify that Co was properly exculpated from the charge of trademark infringement considering that the registration of the trademark "Greenstone" – essential as it is in a trademark infringement case – was not proven to have existed during the time the acts complained of were committed, i.e., in May 2000. In this relation, the distinctions between suits for trademark infringement and unfair competition prove useful: (a) the former is the unauthorized use of a trademark, whereas the latter is the passing off of one’s goods as those of another; (b) fraudulent intent is unnecessary in the former, while it is essential in the latter; and (c) in the former, prior registration of the trademark is a pre-requisite to the action, while it is not necessary in the latter.

FACTS
On April 24, 2000, Emma's brother, Jose Ruivivar III (Ruivivar), bought a bottle of Greenstone from Royal Chinese Drug Store (Royal) in Binondo, Manila, owned by Ling Na Lau. The product Greenstone Medicated Oil Item No. 16 (Greenstone) which is manufactured by Greenstone Pharmaceutical, a traditional Chinese medicine manufacturing firm based in Hong Kong and owned by Keng Huan Jerry Yeung (Yeung), and is exclusively imported and distributed in the Philippines by Taka Trading owned by Yeung’s wife, Emma Yeung (Emma).

However, when he used the product, Ruivivar doubted its authenticity considering that it had a different smell, and the heat it produced was not as strong as the original Greenstone he frequently used. Having been informed by Ruivivar of the same, Yeung, together with his son, John Philip, went to Royal on May 4, 2000 to investigate the matter, and, there, found seven (7) bottles of counterfeit Greenstone on display for sale. He was then told by Pinky Lau (Pinky) – the store’s proprietor – that the items came from Co of Kiao An Chinese Drug Store. According to Pinky, Co offered the products on April 28, 2000 as "Tienchi Fong Sap Oil Greenstone" (Tienchi) which she eventually availed from him.

On July 27, 2000, Sps. Yeung filed a civil complaint for trademark infringement and unfair competition before the RTC against Ling Na Lau, her sister Pinky Lau (the Laus), and Co for allegedly conspiring in the sale of counterfeit Greenstone products to the public.
RTC ruled in favor of Sps. Yeung ruling that there was unfair competition. It, however, did not find the Laus and Co liable for trademark infringement as there was no showing that the trademark "Greenstone" was registered at the time the acts complained of occurred. CA affirmed.

ISSUE
Whether the CA was correct in ruling that there is only unfair competition and not trademark infringement (YES)

RULING
Unfair competition is defined as the passing off (or palming off) or attempting to pass off upon the public of the goods or business of one person as the goods or business of another with the end and probable effect of deceiving the public. This takes place where the defendant gives his goods the general appearance of the goods of his competitor with the intention of deceiving the public that the goods are those of his competitor.

Here, it has been established that Co conspired with the Laus in the sale/distribution of counterfeit Greenstone products to the public, which were even packaged in bottles identical to that of the original, thereby giving rise to the presumption of fraudulent intent. In light of the foregoing definition, it is thus clear that Co, together with the Laus, committed unfair competition, and should, consequently, be held liable therefor.

Although liable for unfair competition, the Court deems it apt to clarify that Co was properly exculpated from the charge of trademark infringement considering that the registration of the trademark "Greenstone" – essential as it is in a trademark infringement case – was not proven to have existed during the time the acts complained of were committed, i.e., in May 2000. In this relation, the distinctions between suits for trademark infringement and unfair competition prove useful: (a) the former is the unauthorized use of a trademark, whereas the latter is the passing off of one's goods as those of another; (b) fraudulent intent is unnecessary in the former, while it is essential in the latter; and (c) in the former, prior registration of the trademark is a pre-requisite to the action, while it is not necessary in the latter

- San Miguel Pure Foods Co., Inc. v. Foodsphere, Inc., G.R. Nos. 217781 & 217788, [June 20, 2018]

SAN MIGUEL PURE FOODS COMPANY, INC., Petitioner -versus- FOODSPHERE, INC.,

G.R. No. 217781, SECOND DIVISION, June 20, 2018, PERALTA, J.

The essential elements of an action for unfair competition are: (1) confusing similarity in the general appearance of the goods; and (2) intent to deceive the public and defraud a competitor. The confusing similarity may or may not result from similarity in the marks, but may result from other external factors in the packaging or presentation of the goods. The intent to deceive and defraud may be inferred from the similarity of the appearance of the goods as offered for sale to the public. Actual fraudulent intent need not be shown.

In the instant case, the Court finds no error with the findings of the CA and Director General insofar as the presence of the foregoing elements is concerned. First of all, there exists a substantial and confusing similarity in the packaging of Foodsphere's product with that of SMPFCI, which, as the records reveal, was changed by Foodsphere from a paper box to a paper ham bag that is significantly similar to
SMPFCI’s paper ham bag. As duly noted by the Director General and the CA, both packages use paper ham bags as the container for the hams, both paper ham bags use the red color as the main colors, and both have the layout design appearing on the bags consisting of a partly sliced ham and fruits on the front and other ham varieties offered at the back. Thus, Foodsphere’s packaging in its entirety, and not merely its "PISTA" mark thereon, renders the general appearance thereof confusingly similar with the packaging of SMPFCI’s ham, that would likely influence purchasers to believe that these products are similar, if not the same, as those of SMPFCI.

Second of all, Foodsphere’s intent to deceive the public, to defraud its competitor, and to ride on the goodwill of SMPFCI’s products is evidenced by the fact that not only did Foodsphere switch from its old box packaging to the same paper ham bag packaging as that used by SMPFCI, it also used the same layout design printed on the same. As the Director General observed, why, of the millions of terms and combinations of letters, designs, and packaging available, Foodsphere had to choose those so closely similar to SMPFCI’s if there was no intent to pass off upon the public the ham of SMPFCI as its own with the end and probable effect of deceiving the public.

FACTS

SMPFCI alleged that its "FIESTA" ham, first introduced in 1980, has been sold in countless supermarkets in the country with an average annual sales of P10,791,537.25 and is, therefore, a popular fixture in dining tables during the Christmas season. Its registered "FIESTA" mark has acquired goodwill to mean sumptuous ham of great taste, superior quality, and food safety, and its trade dress "FIESTA", combined with a figure of a partly sliced ham served on a plate with fruits on the side had likewise earned goodwill. Notwithstanding such tremendous goodwill already earned by its mark, SMPFCI continues to invest considerable resources to promote the FIESTA ham, amounting to no less than P3,678,407.95.5

Sometime in 2006, however, Foodsphere introduced its "PISTA" ham and aggressively promoted it in 2007, claiming the same to be the real premium ham. In 2008, SMPFCI launched its "Dapat ganito ka-espesyal" campaign, utilizing the promotional material showing a picture of a whole meat ham served on a plate with fresh fruits on the side. The ham is being sliced with a knife and the other portion, held in place by a serving fork. But in the same year, Foodsphere launched its "Christmas Ham with Taste" campaign featuring a similar picture. Moreover, in 2009, Foodsphere launched its "Make Christmas even more special" campaign, directly copying SMPFCI’s "Dapat ganito ka-espesyal" campaign. Also in 2009, Foodsphere introduced its paper ham bag which looked significantly similar to SMPFCI’s own paper ham bag and its trade dress and its use of the word "PISTA" in its packages were confusingly similar to SMPFCI’s "FIESTA" mark.6

Thus, according to SMPFCI, the striking similarities between the marks and products of Foodsphere with those of SMPFCI warrant its claim of trademark infringement on the ground of likelihood of confusion as to origin, and being the owner of "FIESTA," it has the right to prevent Foodsphere from the unauthorized use of a deceptively similar mark. The word "PISTA" in Foodsphere's mark means "fiesta," "feast," or "festival" and connotes the same meaning or commercial impression to the buying public of SMPFCI’s "FIESTA" trademark. Moreover, "FIESTA" and "PISTA" are similarly pronounced, have the same number of syllables, share common consonants and vowels, and have the same general appearance in their respective product packages. In addition, the "FIESTA" and "PISTA" marks are used in the same product which are distributed and marketed in the same channels of trade under similar conditions, and even placed in the same freezer and/or displayed in the same section of
supermarkets. Foodsphere's use, therefore, of the "PISTA" mark will mislead the public into believing that its goods originated from, or are licensed or sponsored by SMPFCI, or that Foodsphere is associated with SMPFCI, or its affiliate. The use of the "PISTA" trademark would not only result in likelihood of confusion, but in actual confusion.

Apart from trademark infringement, SMPFCI further alleged that Foodsphere is likewise guilty of unfair competition. This is because there is confusing similarity in the general appearance of the goods of the parties and intent on the part of Foodsphere, to deceive the public and defraud SMPFCI. According to SMPFCI, there is confusing similarity because the display panel of both products have a picture of a partly sliced ham served on a plate of fruits, while the back panel features other ham varieties offered, both "FIESTA" and "PISTA" are printed in white bold stylized font, and the product packaging for both "FIESTA" and "PISTA" consists of box-typed paper bags made of cardboard materials with cut-out holes on the middle top portion for use as handles and predominantly red in color with a background design of Christmas balls, stars, snowflakes, and ornate scroll. Moreover, Foodsphere's intent to deceive the public is seen from its continued use of the word "PISTA" for its ham products and its adoption of packaging with a strong resemblance of SMPFCI's "FIESTA" ham packaging. For SMPFCI, this is deliberately carried out for the purpose of capitalizing on the valuable goodwill of its trademark and causing not only confusion of goods but also confusion as to the source of the ham product. Consequently, SMPFCI claimed to have failed to realize income of at least P27,668,538.38 and P899,294.77 per month in estimated actual damages representing foregone income in sales. Thus, it is entitled to actual damages and attorney's fees.8

For its part, Foodsphere denied the charges of trademark infringement and countered that the marks "PISTA" and "PUREFOODS FIESTA HAM" are not confusingly similar and are, in fact, visually and aurally distinct from each other. This is because PISTA is always used in conjunction with its house mark "CDO" and that "PUREFOODS FIESTA HAM" bears the housemark "PUREFOODS," rendering confusion impossible. Moreover, Foodsphere maintained that SMPFCI does not have a monopoly on the mark "FIESTA" for the IPO database shows that there are two (2) other registrations for "FIESTA," namely "FIESTA TROPICALE" and "HAPPY FIESTA." Also, there are other products in supermarkets that bear the mark "FIESTA" such as "ARO FIESTA HAM," "ROYAL FIESTA," and "PUREGOLD FIESTA HAM," but SMPFCI has done nothing against those manufacturers, making it guilty of estoppel in pais, and is, therefore, estopped from claiming that the use of other manufacturers of the mark "FIESTA" will result in confusion and/or damage to itself. Even assuming that the marks are confusingly similar, Foodsphere asserted that it is SMPFCI who is guilty of infringement vis-a-vis its registered trademark "HOLIDAY," a translation and word bearing the same meaning as "FIESTA." Foodsphere has been using its "HOLIDAY" trademark since 1970 and had registered the same in 1986, while SMPFCI registered its "FIESTA" trademark only in 2007. In fact, Foodsphere noted that it has been using "PISTA" since 2006 which is earlier than SMPFCI's filing for registration of "FIESTA" in 2007. In addition, Foodsphere asseverated that SMPFCI cannot appropriate for itself images of traditional utensils and garnishing of ham in its advertisements. Confusion between the marks, moreover, is rendered impossible because the products are sold in booths manned by different "promodisers." Also, hams are expensive products and their purchasers are well-informed not only as to their features but also as to the manufacturers thereof.

On November 4, 2010, SMPFCI filed a Complaint for trademark infringement and unfair competition with prayer for preliminary injunction and temporary restraining order against Foodsphere before the Bureau of Legal Affairs (BLA) of the Intellectual Property Office (IPO) pursuant to Sections 155 and 168 of Republic Act (R.A.) No. 8293, otherwise known as the Intellectual Property Code (IP Code),
for using, in commerce, a colorable imitation of its registered trademark in connection with the sale, offering for sale, and advertising of goods that are confusingly similar to that of its registered trademark.

The BLA, through its Director, rendered its Decision dismissing SMPFCI’s complaint for lack of merit. First, the BLA held that there could be no trademark infringement because Foodsphere began using the "PISTA" mark in 2006 and even filed a trademark application therefor in the same year, while SMPFCI’s application for trademark registration for "FIESTA" was filed and approved only in 2007. SMPFCI, thus, had no cause of action. Second, SMPFCI’s complaint was filed beyond the four (4)-year prescriptive period prescribed under the Rules and Regulation on Administrative Complaints for Violation of Law Involving Intellectual Property Rights. Third, the BLA found the testimonies and surveys adduced in evidence by SMPFCI to be self-serving. Fourth, comparing the competing marks would not lead to confusion, much less deception of the public. Finally, the BLA ruled that SMPFCI failed to convincingly prove the presence of the elements of unfair competition.

On September 10, 2013, however, the Office of the Director General partially granted SMPFCI’s appeal, affirming the BLA’s ruling on the absence of trademark infringement but finding Foodsphere liable for unfair competition.

**ISSUE**

Whether there was unfair competition (YES)

**RULING**

Time and again, the Court has held that unfair competition consists of the passing off (or palming off) or attempting to pass off upon the public of the goods or business of one person as the goods or business of another with the end and probable effect of deceiving the public. Passing off (or palming off) takes place where the defendant, by imitative devices on the general appearance of the goods, misleads prospective purchasers into buying his merchandise under the impression that they are buying that of his competitors. In other words, the defendant gives his goods the general appearance of the goods of his competitor with the intention of deceiving the public that the goods are those of his competitor. The "true test," therefore, of unfair competition has thus been "whether the acts of the defendant have the intent of deceiving or are calculated to deceive the ordinary buyer making his purchases under the ordinary conditions of the particular trade to which the controversy relates."

Thus, the essential elements of an action for unfair competition are: (1) confusing similarity in the general appearance of the goods; and (2) intent to deceive the public and defraud a competitor. The confusing similarity may or may not result from similarity in the marks, but may result from other external factors in the packaging or presentation of the goods. The intent to deceive and defraud may be inferred from the similarity of the appearance of the goods as offered for sale to the public. Actual fraudulent intent need not be shown.

In the instant case, the Court finds no error with the findings of the CA and Director General insofar as the presence of the foregoing elements is concerned. First of all, there exists a substantial and confusing similarity in the packaging of Foodsphere’s product with that of SMPFCI, which, as the records reveal, was changed by Foodsphere from a paper box to a paper ham bag that is significantly similar to SMPFCI’s paper ham bag. As duly noted by the Director General and the CA, both packages
use paper ham bags as the container for the hams, both paper ham bags use the red color as the main colors, and both have the layout design appearing on the bags consisting of a partly sliced ham and fruits on the front and other ham varieties offered at the back. Thus, Foodsphere’s packaging in its entirety, and not merely its "PISTA" mark thereon, renders the general appearance thereof confusingly similar with the packaging of SMPFCI’s ham, that would likely influence purchasers to believe that these products are similar, if not the same, as those of SMPFCI.

Second of all, Foodsphere's intent to deceive the public, to defraud its competitor, and to ride on the goodwill of SMPFCI’s products is evidenced by the fact that not only did Foodsphere switch from its old box packaging to the same paper ham bag packaging as that used by SMPFCI, it also used the same layout design printed on the same. As the Director General observed, why, of the millions of terms and combinations of letters, designs, and packaging available, Foodsphere had to choose those so closely similar to SMPFCI's if there was no intent to pass off upon the public the ham of SMPFCI as its own with the end and probable effect of deceiving the public.

At this juncture, it is worthy to note that unfair competition is always a question of fact. There is no inflexible rule that can be laid down as to what will constitute the same, each case being, in the measure, a law unto itself. Thus, the question to be determined is whether or not, as a matter of fact, the name or mark used by the defendant has previously come to indicate and designate plaintiffs goods, or, to state it in another way, whether defendant, as a matter of fact, is, by his conduct, passing off defendant's goods as plaintiffs goods or his business as plaintiffs business. As such, the Court is of the opinion that the case records readily supports the findings of fact made by the Director General as to Foodsphere’s commission of unfair competition. Settled is the rule that factual findings of administrative agencies are generally accorded respect and even finality by this Court, if such findings are supported by substantial evidence, as it is presumed that these agencies have the knowledge and expertise over matters under their jurisdiction, more so when these findings are affirmed by the Court of Appeals.

14. Trade Names or Business Names


CONVERSE RUBBER CORPORATION, Petitioner, -versus- UNIVERSAL RUBBER PRODUCTS, INC. and TIBURCIO S. EVALLE, DIRECTOR OF PATENTS, Respondents
G.R. No. L-27906, SECOND DIVISION, January 8, 1987, FERNAN, J.

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.

It is unfortunate that respondent Director of Patents has concluded that since the petitioner 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 thus, it is futile for it 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 this Court.

FACTS

The petitioner’s corporate name is ‘CONVERSE RUBBER CORPORATION’ and has been in existence since July 31, 1946; it is duly organized under the laws of Massachusetts, USA and doing business at 392 Pearl St., Malden, County of Middlesex, Massachusetts;

Petitioner is not licensed to do business in the Philippines and it is not doing business on its own in the Philippines; and,

Petitioner manufacturers rubber shoes and uses thereon the trademarks ‘CHUCK TAYLOR’ and ‘ALL STAR AND DEVICE’

At the trial, petitioner’s lone witness, Mrs. Carmen B. Pacquing, a duly licensed private merchant with stores at the Sta. Mesa Market and in Davao City, testified that she had been selling CONVERSE rubber shoes in the local market since 1956 and that sales of petitioner’s rubber shoes in her stores averaged twelve to twenty pairs a month purchased mostly by basketball players of local private educational institutions like Ateneo, La Salle and San Beda.

Mrs. Pacquing, further stated that she knew petitioner’s rubber shoes came from the United States "because it says there in the trademark Converse Chuck Taylor with star red or blue and is a round figure and made in U.S.A" In the invoices issued by her store, the rubber shoes were described as "Converse Chuck Taylor","Converse All Star","All Star Converse Chuck Taylor," or "Converse Shoes Chuck Taylor." She also affirmed that she had no business connection with the petitioner.

Respondent, on the other hand, presented as its lone witness the secretary of said corporation who testified that respondent has been selling on wholesale basis "Universal Converse" sandals since 1962 and "Universal Converse" rubber shoes since 1963. Invoices were submitted as evidence of such sales. The witness also testified that she had no idea why respondent chose "Universal Converse" as a trademark and that she was unaware of the name "Converse" prior to her corporation’s sale of "Universal Converse" rubber shoes and rubber sandals.

Eventually, the Director of Patents dismissed the opposition of the petitioner and gave due course to respondent’s application

ISSUE

Whether there the Director of Patents is correct in holding that since the petitioner 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 (NO)

RULING


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 this Court. In La Chemise Lacoste, S.A. v. Fernandez, 129 SCRA 373, this Court, reiterating Western Equipment and Supply Co. v. 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.

"We further held:

x x x

"That 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.' And it contends that 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, and is well stated in Hanover Star Mining Co. v. Allen and Wheeler Co. [208 Fed., 513], in which the syllabus says:

"Since 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.'"

The ruling in the aforesaid case is in consonance with the Convention of the Union of Paris for the Protection of Industrial Property to which the Philippines became a party on September 27, 1965. Article 8 thereof 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 extensive protection "against infringement and other types of unfair competition" [Vanitary Fair Mills, Inc. v. T. Eaton Co., 234 F. 2d 633]
The mandate of the aforementioned Convention finds implementation in Sec. 37 of RA No. 166, otherwise known as the Trademark Law:

"Sec. 37. Rights of Foreign Registrants-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."

From a cursory appreciation of the petitioner’s corporate name "CONVERSE RUBBER CORPORATION," it is evident that the word "CONVERSE" is the dominant word which identifies petitioner from other corporations engaged in similar business. Respondent, in the stipulation of facts, admitted petitioner’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 petitioner, and is in fact the dominant word in petitioner’s corporate name, respondent has no right to appropriate the same for use on its products which are similar to those being produced by petitioner.

There is exists a confusing similarity between its trademark "UNIVERSAL CONVERSE AND DEVICE" and petitioner’s corporate name and/or its trademarks "CHUCK TAYLOR" and "ALL STAR DEVICE" which could confuse the purchasing public to the prejudice of petitioner.

The trademark of respondent "UNIVERSAL CONVERSE and DEVICE" is imprinted in a circular manner on the side of its rubber shoes. In the same manner, the trademark of petitioner which reads "CONVERSE CHUCK TAYLOR" is imprinted on a circular base attached to the side of its rubber shoes.

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." 19 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 . . ."

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."

The similarity in the general appearance of respondent's trademark and that of petitioner would evidently create a likelihood of confusion among the purchasing public. But even assuming, arguendo, that the trademark sought to be registered by respondent is distinctively dissimilar from those of the petitioner, the likelihood of confusion would still subsists, not on the purchaser’s
perception of the goods but on the origins thereof. By appropriating the word "CONVERSE," respondent’s products are likely to be mistaken as having been produced by petitioner. "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.

Thus, Respondent Universal Rubber Products, Inc.’s application for registration of the trademark "UNIVERSAL CONVERSE AND DEVICE" on its rubber shoes and slippers shall be denied.


COFFEE PARTNERS, INC., Petitioner, -versus- SAN FRANCISCO COFFEE & ROASTERY, INC., Respondents
G.R. No. 169504, SECOND DIVISION, March 3, 2010, CARPIO, J.

RA 8293, which took effect on 1 January 1998, has dispensed with the registration requirement. Section 165.2 of RA 8293 categorically states that trade names shall be protected, even prior to or without registration with the IPO, against any unlawful act including any subsequent use of the trade name by a third party, whether as a trade name or a trademark likely to mislead the public.

Petitioner’s use of the trademark “SAN FRANCISCO COFFEE” constitutes infringement of respondent’s trade name “SAN FRANCISCO COFFEE & ROASTERY, INC.,” even if the trade name is not registered with the Intellectual Property Office.

FACTS

Petitioner Coffee Partners, Inc. is a local corporation engaged in the business of establishing and maintaining coffee shops in the country. It registered with the Securities and Exchange Commission (SEC) in January 2001. It has a franchise agreement with Coffee Partners Ltd. (CPL), a business entity organized and existing under the laws of British Virgin Islands, for a non-exclusive right to operate coffee shops in the Philippines using trademarks designed by CPL such as "SAN FRANCISCO COFFEE."

Respondent is a local corporation engaged in the wholesale and retail sale of coffee. It registered with the SEC in May 1995. It registered the business name "SAN FRANCISCO COFFEE & ROASTERY, INC." with the Department of Trade and Industry (DTI) in June 1995. Respondent had since built a customer base that included Figaro Company, Tagaytay Highlands, Fat Willy's, and other coffee companies.

Petitioner was about to open a coffee shop under the name "SAN FRANCISCO COFFEE" in Libis, Quezon City. According to respondent, petitioner’s shop caused confusion in the minds of the public as it bore a similar name and it also engaged in the business of selling coffee. Respondent sent a letter to petitioner demanding that the latter stop using the name "SAN FRANCISCO COFFEE." Respondent also filed a complaint with the Bureau of Legal Affairs-Intellectual Property Office (BLA-IPO) for infringement and/or unfair competition with claims for damages.

BLA-IPO held that petitioner’s trademark infringed on respondent’s trade name. It ruled that the right to the exclusive use of a trade name with freedom from infringement by similarity is determined from priority of adoption.
ODG-IPO reversed the BLA-IPO. It ruled that petitioner's use of the trademark "SAN FRANCISCO COFFEE" did not infringe on respondent's trade name. The ODG-IPO found that respondent had stopped using its trade name after it entered into a joint venture with Boyd Coffee USA in 1998 while petitioner continuously used the trademark since June 2001 when it opened its first coffee shop in Libis, Quezon City. It ruled that between a subsequent user of a trade name in good faith and a prior user who had stopped using such trade name, it would be inequitable to rule in favor of the latter

the Court of Appeals set aside the decision of the ODG-IPO in so far as it ruled that there was no infringement. It reinstated the decision of the BLA-IPO finding infringement

Petitioner contends that when a trade name is not registered, a suit for infringement is not available. Petitioner alleges respondent has abandoned its trade name. Petitioner points out that respondent’s registration of its business name with the DTI expired on 16 June 2000 and it was only in 2001 when petitioner opened a coffee shop in Libis, Quezon City that respondent made a belated effort to seek the renewal of its business name registration.

ISSUE

Whether petitioner's use of the trademark "SAN FRANCISCO COFFEE" constitutes infringement of respondent's trade name "SAN FRANCISCO COFFEE & ROASTERY, INC.," even if the trade name is not registered with the Intellectual Property Office (IPO). (YES)

RULING

in Prosource International, Inc. v. Horphag Research Management SA, this Court laid down what constitutes infringement of an unregistered trade name, thus:

(1) The trademark being infringed is registered in the Intellectual Property Office; however, in infringement of trade name, the same need not be registered;

(2) The trademark or trade name is reproduced, counterfeited, copied, or colorably imitated by the infringer;

(3) The infringing mark or trade name is used in connection with the sale, offering for sale, or advertising of any goods, business or services; or the infringing mark or trade name is applied to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with such goods, business, or services;

(4) The use or application of the infringing mark or trade name is likely to cause confusion or mistake or to deceive purchasers or others as to the goods or services themselves or as to the source or origin of such goods or services or the identity of such business; and

(5) It is without the consent of the trademark or trade name owner or the assignee thereof.10

(Emphasis supplied)
Clearly, a trade name need not be registered with the IPO before an infringement suit may be filed by its owner against the owner of an infringing trademark. All that is required is that the trade name is previously used in trade or commerce in the Philippines.

RA 8293, which took effect on 1 January 1998, has dispensed with the registration requirement. Section 165.2 of RA 8293 categorically states that trade names shall be protected, even prior to or without registration with the IPO, against any unlawful act including any subsequent use of the trade name by a third party, whether as a trade name or a trademark likely to mislead the public.

In determining similarity and likelihood of confusion, our jurisprudence has developed two tests: the dominancy test and the holistic test. The dominancy test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion and deception, thus constituting infringement. If the competing trademark contains the main, essential, and dominant features of another, and confusion or deception is likely to result, infringement occurs. Exact duplication or imitation is not required. The question is whether the use of the marks involved is likely to cause confusion or mistake in the mind of the public or to deceive consumers.

In contrast, the holistic test entails a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing on both marks in order that the observer may draw his conclusion whether one is confusingly similar to the other.

Applying either the dominancy test or the holistic test, petitioner’s "SAN FRANCISCO COFFEE" trademark is a clear infringement of respondent’s "SAN FRANCISCO COFFEE & ROASTERY, INC." trade name. The descriptive words "SAN FRANCISCO COFFEE" are precisely the dominant features of respondent’s trade name. Petitioner and respondent are engaged in the same business of selling coffee, whether wholesale or retail. The likelihood of confusion is higher in cases where the business of one corporation is the same or substantially the same as that of another corporation. In this case, the consuming public will likely be confused as to the source of the coffee being sold at petitioner’s coffee shops. Petitioner’s argument that "San Francisco" is just a proper name referring to the famous city in California and that "coffee" is simply a generic term, is untenable. Respondent has acquired an exclusive right to the use of the trade name "SAN FRANCISCO COFFEE & ROASTERY, INC." since the registration of the business name with the DTI in 1995. Thus, respondent’s use of its trade name from then on must be free from any infringement by similarity. Of course, this does not mean that respondent has exclusive use of the geographic word "San Francisco" or the generic word "coffee." Geographic or generic words are not, per se, subject to exclusive appropriation. It is only the combination of the words "SAN FRANCISCO COFFEE," which is respondent’s trade name in its coffee business, that is protected against infringement on matters related to the coffee business to avoid confusing or deceiving the public.

In Philips Export B.V. v. Court of Appeals, this Court held that a corporation has an exclusive right to the use of its name. The right proceeds from 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.
Fredco Manufacturing Corporation vs. President and Fellows of Harvard College, GR No. 185917, ibid

FREDCO MANUFACTURING CORPORATION, Petitioner, -versus- PRESIDENT AND FELLOWS OF HARVARD COLLEGE (HARVARD UNIVERSITY), Respondents
G.R. No. 185917, SECOND DIVISION, June 1, 2011, CARPIO, J.

To be protected, an internationally well-known mark need not be registered or used in the Philippines. All that is required is that the mark is well-known internationally and in the Philippines for identical or similar goods, whether or not the mark is registered or used in the Philippines.

There is no question then, and this Court so declares, that "Harvard" is a well-known name and mark not only in the United States but also internationally, including the Philippines. The mark "Harvard" is rated as one of the most famous marks in the world. It has been registered in at least 50 countries. It has been used and promoted extensively in numerous publications worldwide. It has established a considerable goodwill worldwide since the founding of Harvard University more than 350 years ago. It is easily recognizable as the trade name and mark of Harvard University of Cambridge, Massachusetts, U.S.A., internationally known as one of the leading educational institutions in the world. As such, even before Harvard University applied for registration of the mark "Harvard" in the Philippines, the mark was already protected under Article 6bis and Article 8 of the Paris Convention. Again, even without applying the Paris Convention, Harvard University can invoke Section 4(a) of R.A. No. 166 which prohibits the registration of a mark "which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs x x x."

FACTS

Harvard University alleged that in March 2002, it discovered, through its international trademark watch program, Fredco’s website www.harvard-usa.com. The website advertises and promotes the brand name "Harvard Jeans USA" without Harvard University’s consent. The website’s main page shows an oblong logo bearing the mark "Harvard Jeans USA®," "Established 1936," and "Cambridge, Massachusetts." On 20 April 2004, Harvard University filed an administrative complaint against Fredco before the IPO for trademark infringement and/or unfair competition with damages.

Director Estrellita Beltran-Abelardo of the Bureau of Legal Affairs, IPO cancelled Harvard University’s registration of the mark "Harvard" under Class 25.

IPO reversed the decision of the Bureau of Legal Affairs, IPO.

The Director General ruled that more than the use of the trademark in the Philippines, the applicant must be the owner of the mark sought to be registered. The Director General ruled that the right to register a trademark is based on ownership and when the applicant is not the owner, he has no right to register the mark. The Director General noted that the mark covered by Harvard University’s Registration No. 56561 is not only the word "Harvard" but also the logo, emblem or symbol of Harvard University.

CA affirmed
ISSUE

Whether there was trademark infringement. (YES)

RULING

There is no dispute that the mark "Harvard" used by Fredco is the same as the mark "Harvard" in the "Harvard Veritas Shield Symbol" of Harvard University. It is also not disputed that Harvard University was named Harvard College in 1639 and that then, as now, Harvard University is located in Cambridge, Massachusetts, U.S.A. It is also unrefuted that Harvard University has been using the mark "Harvard" in commerce since 1872. It is also established that Harvard University has been using the marks "Harvard" and "Harvard Veritas Shield Symbol" for Class 25 goods in the United States since 1953. Further, there is no dispute that Harvard University has registered the name and mark "Harvard" in at least 50 countries.

On the other hand, Fredco's predecessor-in-interest, New York Garments, started using the mark "Harvard" in the Philippines only in 1982. New York Garments filed an application with the Philippine Patent Office in 1985 to register the mark "Harvard," which application was approved in 1988. Fredco insists that the date of actual use in the Philippines should prevail on the issue of who has the better right to register the marks.

Under Section 2 of Republic Act No. 166 as amended (R.A. No. 166), before a trademark can be registered, it must have been actually used in commerce for not less than two months in the Philippines prior to the filing of an application for its registration. While Harvard University had actual prior use of its marks abroad for a long time, it did not have actual prior use in the Philippines of the mark "Harvard Veritas Shield Symbol" before its application for registration of the mark "Harvard" with the then Philippine Patents Office. However, Harvard University’s registration of the name "Harvard" is based on home registration which is allowed under Section 37 of R.A. No. 166.

In its Petition for Cancellation of Registration No. 56561, Fredco alleged that Harvard University’s registration “is based on ‘home registration’ for the mark ‘Harvard Veritas Shield’ for Class 25.”

In any event, under Section 239.2 of Republic Act No. 8293 (R.A. No. 8293), “marks registered under Republic Act No. 166 shall remain in force but shall be deemed to have been granted under this Act x x x,” which does not require actual prior use of the mark in the Philippines. Since the mark "Harvard Veritas Shield Symbol" is now deemed granted under R.A. No. 8293, any alleged defect arising from the absence of actual prior use in the Philippines has been cured by Section 239.2. In addition, Fredco’s registration was already cancelled on 30 July 1998 when it failed to file the required affidavit of use/non-use for the fifth anniversary of the mark’s registration. Hence, at the time of Fredco’s filing of the Petition for Cancellation before the Bureau of Legal Affairs of the IPO, Fredco was no longer the registrant or presumptive owner of the mark "Harvard."

There are two compelling reasons why Fredco’s petition must fail. First, Fredco’s registration of the mark "Harvard" and its identification of origin as "Cambridge, Massachusetts" falsely suggest that Fredco or its goods are connected with Harvard University, which uses the same mark "Harvard" and is also located in Cambridge, Massachusetts. This can easily be gleaned from the following oblong logo of Fredco that it attaches to its clothing line:
Fredco’s registration of the mark "Harvard" should not have been allowed because Section 4(a) of R.A. No. 166 prohibits the registration of a mark "which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs x x x."

Fredco’s use of the mark "Harvard," coupled with its claimed origin in Cambridge, Massachusetts, obviously suggests a false connection with Harvard University. On this ground alone, Fredco’s registration of the mark "Harvard" should have been disallowed.

Indisputably, Fredco does not have any affiliation or connection with Harvard University, or even with Cambridge, Massachusetts. Fredco or its predecessor New York Garments was not established in 1936, or in the U.S.A. as indicated by Fredco in its oblong logo. Fredco offered no explanation to the Court of Appeals or to the IPO why it used the mark "Harvard" on its oblong logo with the words "Cambridge, Massachusetts," "Established in 1936," and "USA." Fredco now claims before this Court that it used these words "to evoke a ‘lifestyle’ or suggest a ‘desirable aura’ of petitioner’s clothing lines." Fredco’s belated justification merely confirms that it sought to connect or associate its products with Harvard University, riding on the prestige and popularity of Harvard University, and thus appropriating part of Harvard University’s goodwill without the latter’s consent.

Section 4(a) of R.A. No. 166 is identical to Section 2(a) of the Lanham Act, the trademark law of the United States. These provisions are intended to protect the right of publicity of famous individuals and institutions from commercial exploitation of their goodwill by others. What Fredco has done in using the mark "Harvard" and the words "Cambridge, Massachusetts," "USA" to evoke a "desirable aura" to its products is precisely to exploit commercially the goodwill of Harvard University without the latter’s consent. This is a clear violation of Section 4(a) of R.A. No. 166. Under Section 17(c) of R.A. No. 166, such violation is a ground for cancellation of Fredco’s registration of the mark "Harvard" because the registration was obtained in violation of Section 4 of R.A. No. 166.

Second, the Philippines and the United States of America are both signatories to the Paris Convention for the Protection of Industrial Property (Paris Convention). The Philippines became a signatory to the Paris Convention on 27 September 1965. It states:

(i) 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 or a mark considered by the competent authority of the 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.

ARTICLE 8
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. (Emphasis supplied)

Thus, this Court has ruled that the Philippines is obligated to assure nationals of countries of the Paris Convention that they are afforded an effective protection against violation of their intellectual property rights in the Philippines in the same way that their own countries are obligated to accord similar protection to Philippine nationals.
Article 8 of the Paris Convention has been incorporated in Section 37 of R.A. No. 166.

"Harvard" is the trade name of the world famous Harvard University, and it is also a trademark of Harvard University. Under Article 8 of the Paris Convention, as well as Section 37 of R.A. No. 166, Harvard University is entitled to protection in the Philippines of its trade name "Harvard" even without registration of such trade name in the Philippines. This means that no educational entity in the Philippines can use the trade name "Harvard" without the consent of Harvard University. Likewise, no entity in the Philippines can claim, expressly or impliedly through the use of the name and mark "Harvard," that its products or services are authorized, approved, or licensed by, or sourced from, Harvard University without the latter's consent.

In *Mirpuri*, the Court ruled that the essential requirement under Article 6bis of the Paris Convention is that the trademark to be protected must be "well-known" in the country where protection is sought. The Court declared that the power to determine whether a trademark is well-known lies in the competent authority of the country of registration or use. The Court then stated that the competent authority would either be the registering authority if it has the power to decide this, or the courts of the country in question if the issue comes before the courts.

To be protected under the two directives of the Ministry of Trade, an internationally well-known mark need not be registered or used in the Philippines. All that is required is that the mark is well-known internationally and in the Philippines for identical or similar goods, whether or not the mark is registered or used in the Philippines.

Traced to its roots or origin, HARVARD is not an ordinary word. It refers to no other than Harvard University, a recognized and respected institution of higher learning located in Cambridge, Massachusetts, U.S.A. Initially referred to simply as "the new college," the institution was named "Harvard College" on 13 March 1639, after its first principal donor, a young clergyman named John Harvard. A graduate of Emmanuel College, Cambridge in England, John Harvard bequeathed about four hundred books in his will to form the basis of the college library collection, along with half his personal wealth worth several hundred pounds. The earliest known official reference to Harvard as a "university" rather than "college" occurred in the new Massachusetts Constitution of 1780.

Records also show that the first use of the name HARVARD was in 1638 for educational services, policy courses of instructions and training at the university level. It has a Charter. Its first commercial use of the name or mark HARVARD for Class 25 was on 31 December 1953 covered by UPTON Reg. No. 2,119,339 and 2,101,295. Assuming *in arguendo*, that the Appellate may have used the mark HARVARD in the Philippines ahead of the Appellant, it still cannot be denied that the Appellant's use thereof was decades, even centuries, ahead of the Appellee's. More importantly, the name HARVARD was the name of a person whose deeds were considered to be a cornerstone of the university. The Appellant's logos, emblems or symbols are owned by Harvard University. The name HARVARD and the logos, emblems or symbols are endemic and cannot be separated from the institution.

Finally, in its assailed Decision, the Court of Appeals ruled:
Records show that Harvard University is the oldest and one of the foremost educational institutions in the United States, it being established in 1636. It is located primarily in Cambridge, Massachusetts and was named after John Harvard, a puritan minister who left to the college his books and half of his estate.
The mark "Harvard College" was first used in commerce in the United States in 1638 for educational services, specifically, providing courses of instruction and training at the university level (Class 41). Its application for registration with the United States Patent and Trademark Office was filed on September 20, 2000 and it was registered on October 16, 2001. The marks "Harvard" and "Harvard Veritas 'Shield' Symbol" were first used in commerce in the United States on December 31, 1953 for athletic uniforms, boxer shorts, briefs, caps, coats, leather coats, sports coats, gym shorts, infant jackets, leather jackets, night shirts, shirts, socks, sweat pants, sweatshirts, sweaters and underwear (Class 25). The applications for registration with the USPTO were filed on September 9, 1996, the mark "Harvard" was registered on December 9, 1997 and the mark "Harvard Veritas 'Shield' Symbol" was registered on September 30, 1997.

There is no question then, and this Court so declares, that "Harvard" is a well-known name and mark not only in the United States but also internationally, including the Philippines. The mark "Harvard" is rated as one of the most famous marks in the world. It has been registered in at least 50 countries. It has been used and promoted extensively in numerous publications worldwide. It has established a considerable goodwill worldwide since the founding of Harvard University more than 350 years ago. It is easily recognizable as the trade name and mark of Harvard University of Cambridge, Massachusetts, U.S.A., internationally known as one of the leading educational institutions in the world. As such, even before Harvard University applied for registration of the mark "Harvard" in the Philippines, the mark was already protected under Article 6bis and Article 8 of the Paris Convention. Again, even without applying the Paris Convention, Harvard University can invoke Section 4(a) of R.A. No. 166 which prohibits the registration of a mark "which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs x x x."

- Ecole De Cuisine Manille (Cordon Bleu of the Philippines), Inc. vs. Renaud Cointreau & Cie and Le Cordon Bleu Int'l, B.V., G.R. No. 185830, June 5, 2013

ECOLE DE CUISINE MANILLE (CORDON BLEU OF THE PHILIPPINES), INC., Petitioner, -versus- RENAUD COINTREAU & CIE and LE CORDON BLEU INT'L., B.V., Respondents
G.R. No. 185830, SECOND DIVISION, June 5, 2013, PERLAS-BERNABE, J.

The function of a trademark is to point out distinctly the origin or ownership of the goods (or services) to which it is affixed; to secure to him, who has been instrumental in bringing into the market a superior article of merchandise, the fruit of his industry and skill; to assure the public that they are procuring the genuine article; to prevent fraud and imposition; and to protect the manufacturer against substitution and sale of an inferior and different article as his product." As such, courts will protect trade names or marks, although not registered or properly selected as trademarks, on the broad ground of enforcing justice and protecting one in the fruits of his toil.

It is clear that at the time Ecole started using the subject mark, the same was already being used by Cointreau, albeit abroad, of which Ecole's directress was fully aware, being an alumna of the latter's culinary school in Paris, France. Hence, Ecole cannot claim any tinge of ownership whatsoever over the subject mark as Cointreau is the true and lawful owner thereof. As such, the IPO Director General and the CA were correct in declaring Cointreau as the true and lawful owner of the subject mark and as such, is entitled to have the same registered under its name.

FACTS
On June 21, 1990, Cointreau, a partnership registered under the laws of France, filed before the (now defunct) Bureau of Patents, Trademarks, and Technology Transfer (BPTTT) of the Department of Trade and Industry a trademark application for the mark "LE CORDON BLEU & DEVICE" for goods falling under classes 8, 9, 16, 21, 24, 25, 29, and 30 of the International Classification of Goods and Services for the Purposes of Registrations of Marks ("Nice Classification") (subject mark). The application was filed pursuant to Section 37 of Republic Act No. 166, as amended (R.A. No. 166), on the basis of Home Registration No. 1,390,912, issued on November 25, 1986 in France. Bearing Serial No. 72264, such application was published for opposition in the March-April 1993 issue of the BPTTT Gazette and released for circulation on May 31, 1993.

On July 23, 1993, petitioner Ecole De Cuisine Manille, Inc. (Ecole) filed an opposition to the subject application, averring that: (a) it is the owner of the mark "LE CORDON BLEU, ECOLE DE CUISINE MANILLE," which it has been using since 1948 in cooking and other culinary activities, including in its restaurant business; and (b) it has earned immense and invaluable goodwill such that Cointreau's use of the subject mark will actually create confusion, mistake, and deception to the buying public as to the origin and sponsorship of the goods, and cause great and irreparable injury and damage to Ecole's business reputation and goodwill as a senior user of the same.

On October 7, 1993, Cointreau filed its answer claiming to be the true and lawful owner of the subject mark. It averred that: (a) it has filed applications for the subject mark's registration in various jurisdictions, including the Philippines; (b) Le Cordon Bleu is a culinary school of worldwide acclaim which was established in Paris, France in 1895; (c) Le Cordon Bleu was the first cooking school to have set the standard for the teaching of classical French cuisine and pastry making; and (d) it has trained students from more than eighty (80) nationalities, including Ecole's directress, Ms. Lourdes L. Dayrit. Thus, Cointreau concluded that Ecole's claim of being the exclusive owner of the subject mark is a fraudulent misrepresentation.

During the pendency of the proceedings, Cointreau was issued Certificates of Registration Nos. 60631 and 54352 for the marks "CORDON BLEU & DEVICE" and "LE CORDON BLEU PARIS 1895 & DEVICE" for goods and services under classes 21 and 41 of the Nice Classification, respectively.

Bureau of Legal Affairs (BLA) of the IPO sustained Ecole’s opposition to the subject mark, necessarily resulting in the rejection of Cointreau's application. While noting the certificates of registration obtained from other countries and other pertinent materials showing the use of the subject mark outside the Philippines, the BLA did not find such evidence sufficient to establish Cointreau's claim of prior use of the same in the Philippines.

IPO Director General reversed and set aside the BLA’s decision, thus, granting Cointreau's appeal and allowing the registration of the subject mark. He held that while Section 2 of R.A. No. 166 requires actual use of the subject mark in commerce in the Philippines for at least two (2) months before the filing date of the application, only the owner thereof has the right to register the same, explaining that the user of a mark in the Philippines is not ipso facto its owner.

CA affirmed the IPO Director General's Decision in toto.

Ecole argues that it is the rightful owner of the subject mark, considering that it was the first entity that used the same in the Philippines. Hence, it is the one entitled to its registration and not Cointreau.
ISSUE

Whether the CA was correct in upholding the IPO Director General's ruling that Cointreau is the true and lawful owner of the subject mark and thus, entitled to have the same registered under its name. (YES)

RULING

At this point, it should be noted that the instant case shall be resolved under the provisions of the old Trademark Law, R.A. No. 166, which was the law in force at the time of Cointreau’s application for registration of the subject mark.

Under Section 2 of R.A. No. 166, in order to register a trademark, one must be the owner thereof and must have actually used the mark in commerce in the Philippines for two (2) months prior to the application for registration. Section 2-A of the same law sets out to define how one goes about acquiring ownership thereof. Under Section 2-A, it is clear that actual use in commerce is also the test of ownership but the provision went further by saying that the mark must not have been so appropriated by another. Additionally, it is significant to note that Section 2-A does not require that the actual use of a trademark must be within the Philippines. Thus, as correctly mentioned by the CA, under R.A. No. 166, one may be an owner of a mark due to its actual use but may not yet have the right to register such ownership here due to the owner’s failure to use the same in the Philippines for two (2) months prior to registration.

Nevertheless, foreign marks which are not registered are still accorded protection against infringement and/or unfair competition. At this point, it is worthy to emphasize that the Philippines and France, Cointreau’s country of origin, are both signatories to the Paris Convention for the Protection of Industrial Property (Paris Convention)

In view of the obligations under the Paris Convention, the Philippines is obligated to assure nationals of the signatory-countries that they are afforded an effective protection against violation of their intellectual property rights in the Philippines in the same way that their own countries are obligated to accord similar protection to Philippine nationals. “Thus, under Philippine law, a trade name of a national of a State that is a party to the Paris Convention, whether or not the trade name forms part of a trademark, is protected "without the obligation of filing or registration."

In the instant case, it is undisputed that Cointreau has been using the subject mark in France since 1895, prior to Ecole’s averred first use of the same in the Philippines in 1948, of which the latter was fully aware thereof. In fact, Ecole’s present directress, Ms. Lourdes L. Dayrit (and even its foundress, Pat Limjuco Dayrit), had trained in Cointreau’s Le Cordon Bleu culinary school in Paris, France. Cointreau was likewise the first registrant of the said mark under various classes, both abroad and in the Philippines, having secured Home Registration No. 1,390,912 dated November 25, 1986 from its country of origin, as well as several trademark registrations in the Philippines.

On the other hand, Ecole has no certificate of registration over the subject mark but only a pending application covering services limited to Class 41 of the Nice Classification, referring to the operation of a culinary school. Its application was filed only on February 24, 1992, or after Cointreau filed its trademark application for goods and services falling under different classes in 1990. Under the
foregoing circumstances, even if Ecole was the first to use the mark in the Philippines, it cannot be said to have validly appropriated the same.

It is thus clear that at the time Ecole started using the subject mark, the same was already being used by Cointreau, albeit abroad, of which Ecole's directress was fully aware, being an alumna of the latter's culinary school in Paris, France. Hence, Ecole cannot claim any tinge of ownership whatsoever over the subject mark as Cointreau is the true and lawful owner thereof. As such, the IPO Director General and the CA were correct in declaring Cointreau as the true and lawful owner of the subject mark and as such, is entitled to have the same registered under its name.

In any case, the present law on trademarks, Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines, as amended, has already dispensed with the requirement of prior actual use at the time of registration. Thus, there is more reason to allow the registration of the subject mark under the name of Cointreau as its true and lawful owner.

As a final note, "the function of a trademark is to point out distinctly the origin or ownership of the goods (or services) to which it is affixed; to secure to him, who has been instrumental in bringing into the market a superior article of merchandise, the fruit of his industry and skill; to assure the public that they are procuring the genuine article; to prevent fraud and imposition; and to protect the manufacturer against substitution and sale of an inferior and different article as his product." As such, courts will protect trade names or marks, although not registered or properly selected as trademarks, on the broad ground of enforcing justice and protecting one in the fruits of his toil.

D. Copyrights

1. Basic Principles, Sections 172.2, 175 and 181

- Manly Sportwear Manufacturing, Inc. vs. Dadodette Enterprises and/or Hermes Sports Center, G.R. No. 165306, September 20, 2005

MANLY SPORTWEAR MANUFACTURING, INC., Petitioner, versus DADODETTE ENTERPRISES AND/OR HERMES SPORTS CENTER, Respondents
G.R. No. 165306, FIRST DIVISION, September 20, 2005, YNARES-SANTIAGO, J.

No copyright accrues in favor of MANLY despite issuance of the certificates of registration and deposit pursuant to Section 2, Rule 7 of the Copyrights Safeguards and Regulations which states: Sec. 2 Effects of Registration and Deposit of Work. The registration and deposit of the work is purely for recording the date of registration and deposit of the work and shall not be conclusive as to copyright ownership or the term of the copyrights or the rights of the copyright owner, including neighboring rights.

At most, the certificates of registration and deposit issued by the National Library and the Supreme Court Library serve merely as a notice of recording and registration of the work but do not confer any right or title upon the registered copyright owner or automatically put his work under the protective mantle of the copyright law. It is not a conclusive proof of copyright ownership. As it is, non-registration and deposit of the work within the prescribed period only makes the copyright owner liable to pay a fine.
FACTS

NBI applied for a search warrant before the RTC of Quezon City, based on the information that Dadodette Enterprises and/or Hermes Sports Center were in possession of goods, the copyright of which belonged to Manly Sportswear Mfg., Inc. (MANLY).

After finding reasonable grounds that a violation of Sections 172 and 217 of Republic Act (RA) No. 8293 has been committed, Judge Estrella T. Estrada of RTC Quezon City, Branch 83, issued on March 17, 2003 Search Warrant No. 4044(03).

Respondents thereafter moved to quash and annul the search warrant contending that the same is invalid since the requisites for its issuance have not been complied with. They insisted that the sporting goods manufactured by and/or registered in the name of MANLY are ordinary and common hence, not among the classes of work protected under Section 172 of RA 8293.

On June 10, 2003, the trial court granted the motion to quash and declared Search Warrant No. 4044(03) null and void based on its finding that the copyrighted products of MANLY do not appear to be original creations and were being manufactured and distributed by different companies locally and abroad under various brands, and therefore unqualified for protection under Section 172 of RA 8293. Moreover, MANLY’s certificates of registrations were issued only in 2002, whereas there were certificates of registrations for the same sports articles which were issued earlier than MANLY’s, thus further negating the claim that its copyrighted products were original creations.

CA court found that the trial court correctly granted the motion to quash

ISSUE

Whether the trial court correctly granted the motion to quash (YES)

RULING

The trial court was acting within bounds when it ruled, in an ancillary proceeding, that the copyrighted products of petitioner are not original creations. This is because in the determination of the existence of probable cause for the issuance or quasal of a warrant, it is inevitable that the court may touch on issues properly threshed out in a regular proceeding. In so doing, it does not usurp the power of, much less preclude, the court from making a final judicial determination of the issues in a full-blown trial. Consequently, MANLY’s assertion that the trial court’s order quashing the warrant preempted the finding of the intellectual property court has no legal basis.

As correctly observed by the Court of Appeals, the trial court’s finding that the seized products are not copyrightable was merely preliminary as it did not finally and permanently adjudicate on the status and character of the seized items. MANLY could still file a separate copyright infringement suit against the respondents because the order for the issuance or quasal of a warrant is not res judicata.

Further, the copyright certificates issued in favor of MANLY constitute merely prima facie evidence of validity and ownership. However, no presumption of validity is created where other evidence exist that may cast doubt on the copyright validity. Hence, where there is sufficient proof that the copyrighted products are not original creations but are readily available in the market under various
brands, as in this case, validity and originality will not be presumed and the trial court may properly quash the issued warrant for lack of probable cause.

Besides, no copyright accrues in favor of MANLY despite issuance of the certificates of registration and deposit pursuant to Section 2, Rule 7 of the Copyrights Safeguards and Regulations which states: Sec. 2 Effects of Registration and Deposit of Work. The registration and deposit of the work is purely for recording the date of registration and deposit of the work and shall not be conclusive as to copyright ownership or the term of the copyrights or the rights of the copyright owner, including neighboring rights.

At most, the certificates of registration and deposit issued by the National Library and the Supreme Court Library serve merely as a notice of recording and registration of the work but do not confer any right or title upon the registered copyright owner or automatically put his work under the protective mantle of the copyright law. It is not a conclusive proof of copyright ownership. As it is, non-registration and deposit of the work within the prescribed period only makes the copyright owner liable to pay a fine.

- Fernando Juan v. Roberto Juan, Gr No. 221732, August 23 2017

FERNANDO U. JUAN, Petitioner, -versus- ROBERTO U. JUAN (SUBSTITUTED BY HIS SON JEFFREY C. JUAN) AND LAUNDROMATIC CORPORATION, Respondents
G.R. No. 221732, SECOND DIVISION, August 23, 2017, PERALTA, J.

By their very definitions, copyright and trade or service name are different. Copyright is the right of literary property as recognized and sanctioned by positive law. An intangible, incorporeal right granted by statute to the author or originator of certain literary or artistic productions, whereby he is invested, for a limited period, with the sole and exclusive privilege of multiplying copies of the same and publishing and selling them. Trade name, on the other hand, is any designation which (a) is adopted and used by person to denominate goods which he markets, or services which he renders, or business which he conducts, or has come to be so used by other, and (b) through its association with such goods, services or business, has acquired a special significance as the name thereof, and (c) the use of which for the purpose stated in (a) is prohibited neither by legislative enactment nor by otherwise defined public policy.

As such, "Lavandera Ko," being a musical composition with words is protected under the copyright law (Part IV, R.A. No. 8293) and not under the trademarks, service marks and trade names law (Part III, R.A. No. 8293).

FACTS

Respondent Roberto U. Juan claimed that he began using the name and mark "Lavandera Ko" in his laundry business on July 4, 1994. He then opened his laundry store at No. 119 Alfaro St., Salcedo St., Makati City in 1995. Thereafter, on March 17, 1997, the National Library issued to him a certificate of copyright over said name and mark. Over the years, the laundry business expanded with numerous franchise outlets in Metro Manila and other provinces. Respondent Roberto then formed a corporation to handle the said business, hence, Laundromatic Corporation (Laundromatic) was incorporated in 1997, while "Lavandera Ko" was registered as a business name on November 13, 1998 with the Department of Trade and Industry (DTI). Thereafter, respondent Roberto discovered
that his brother, petitioner Fernando was able to register the name and mark "Lavandera Ko" with the Intellectual Property Office (IPO) on October 18, 2001, the registration of which was filed on June 5, 1995. Respondent Roberto also alleged that a certain Juliano Nacino (Juliano) had been writing the franchisees of the former threatening them with criminal and civil cases if they did not stop using the mark and name "Lavandera Ko." It was found out by respondent Roberto that petitioner Fernando had been selling his own franchises.

Thus, respondent Roberto filed a petition for injunction, unfair competition, infringement of copyright, cancellation of trademark and name with/and prayer for TRO and Preliminary Injunction with the Regional Trial Court (RTC) and the case was raffled off at Branch 149, Makati City.

The RTC issued a writ of preliminary injunction against petitioner Fernando in Order dated June 10, 2004. On July 21, 2008, due to the death of respondent Roberto, the latter was substituted by his son, Christian Juan (Christian).

The RTC, in dismissing the petition, ruled that neither of the parties are entitled to use the trade name "Lavandera Ko" because the copyright of "Lavandera Ko", a song composed in 1942 by Santiago S. Suarez belongs to the latter.

CA dismissed the appeal based on technical grounds.

ISSUE

Whether the copyright is the same as the trade name (NO)

RULING

The trial court's ruling is erroneous as it confused trade or business name with copyright.

The law on trademarks, service marks and trade names are found under Part III of Republic Act (R.A.) No. 8293, or the Intellectual Code of the Philippines, while Part IV of the same law governs copyrights. "Lavandera Ko," the mark in question in this case is being used as a trade name or specifically, a service name since the business in which it pertains involves the rendering of laundry services. Under Section 121.1 of R.A. No. 8293, "mark" is defined as 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. As such, the basic contention of the parties is, who has the better right to use "Lavandera Ko" as a service name because Section 165.2 of the said law, guarantees the protection of trade names and business names even prior to or without registration, against any unlawful act committed by third parties. A cause of action arises when the subsequent use of any third party of such trade name or business name would likely mislead the public as such act is considered unlawful. Hence, the RTC erred in denying the parties the proper determination as to who has the ultimate right to use the said trade name by ruling that neither of them has the right or a cause of action since "Lavandera Ko" is protected by a copyright.

By their very definitions, copyright and trade or service name are different. Copyright is the right of literary property as recognized and sanctioned by positive law. An intangible, incorporeal right granted by statute to the author or originator of certain literary or artistic productions, whereby he is invested, for a limited period, with the sole and exclusive privilege of multiplying copies of the same and publishing and selling them. Trade name, on the other hand, is any designation which (a) is
adopted and used by person to denominate goods which he markets, or services which he renders, or business which he conducts, or has come to be so used by other, and (b) through its association with such goods, services or business, has acquired a special significance as the name thereof, and (c) the use of which for the purpose stated in (a) is prohibited neither by legislative enactment nor by otherwise defined public policy.

As such, "Lavandera Ko," being a musical composition with words is protected under the copyright law (Part IV, R.A. No. 8293) and not under the trademarks, service marks and trade names law (Part III, R.A. No. 8293).

In connection therewith, the RTC's basis or source, an article appearing in a website, in ruling that the song entitled "Lavandera Ko" is protected by a copyright, cannot be considered a subject of judicial notice that does not need further authentication or verification. Judicial notice is the cognizance of certain facts that judges may properly take and act on without proof because these facts are already known to them. Put differently, it is the assumption by a court of a fact without need of further traditional evidentiary support. The principle is based on convenience and expediency in securing and introducing evidence on matters which are not ordinarily capable of dispute and are not bona fide disputed.

The article in the website cited by the RTC patently lacks a requisite for it to be of judicial notice to the court because such article is not well and authoritatively settled and is doubtful or uncertain. It must be remembered that some articles appearing in the internet or on websites are easily edited and their sources are unverifiable, thus, sole reliance on those articles is greatly discouraged.

Considering, therefore, the above premise, this Court deems it proper to remand the case to the RTC for its proper disposition since this Court cannot, based on the records and some of the issues raised by both parties such as the cancellation of petitioner’s certificate of registration issued by the Intellectual Property Office, make a factual determination as to who has the better right to use the trade/business/service name, "Lavandera Ko.

2. Copyrightable Works

- United Features vs. Munsingwear Creation, 179 SCRA 260 (1989)

UNITED FEATURE SYNDICATE, INC., Petitioner, -versus- MUNSINGWEAR CREATION MANUFACTURING COMPANY, Respondents

G.R. No. 76193, SECOND DIVISION, November 9, 1989, PARAS, J.

Pertinently, Section 2 of Presidential Decree No. 49, otherwise known as the "Decree on Intellectual Property", provides:
Section 2. The rights granted by this Decree shall, from the moment of creation, subsist with respect to any of the following classes of works:
xxx xxx xxx
(0) Prints, pictorial illustrations, advertising copies, labels, tags and box wraps. ...

Therefore, since the name "CHARLIE BROWN" and its pictorial representation were covered by a copyright registration way back in 1950 the same are entitled to protection under PD No. 49.
Aside from its copyright registration, petitioner is also the owner of several trademark registrations and application for the name and likeness of "CHARLIE BROWN" which is the duly registered trademark and copyright of petitioner United Feature Syndicate Inc. as early as 1957 and additionally also as TV SPECIALS featuring the "PEANUTS" characters "CHARLIE BROWN".

FACTS

This case arose from petition filed by petitioner for the cancellation of the registration of trademark CHARLIE BROWN (Registration No. SR. 4224) in the name of respondent MUNSINGWEAR in Inter Partes Case No. 1350 entitled "United Feature Syndicate, Inc. v. Munsingwear Creation Mfg. Co.", with the Philippine Patent Office alleging that petitioner is damaged by the registration of the trademark CHARLIE BROWN of T-Shirts under Class 25 with the Registration No. SR-4224 dated September 12, 1979 in the name of Munsingwear Creation Manufacturing Co., Inc., on the following grounds: (1) that respondent was not entitled to the registration of the mark CHARLIE BROWN, & DEVICE at the time of application for registration; (2) that CHARLIE BROWN is a character creation or a pictorial illustration, the copyright to which is exclusively owned worldwide by the petitioner; (3) that as the owner of the pictorial illustration CHARLIE BROWN, petitioner has since 1950 and continuously up to the present, used and reproduced the same to the exclusion of others; (4) that the respondent-registrant has no bona fide use of the trademark in commerce in the Philippines prior to its application for registration.

Director of the Philippine Patent Office rendered a decision in this case holding that a copyright registration like that of the name and likeness of CHARLIE BROWN may not provide a cause of action for the cancellation of a trademark registration.

Petitioner filed a motion for reconsideration of the decision rendered by the Philippine Patent Office which was denied by the Director of said office on the ground that the Decision No. 84-83 was already final and executory.

From this decision, petitioner-appellant appealed to the Court of Appeals and respondent court in its resolution dated September 16, 1986 denied the appeal. While the Motion for Reconsideration was filed on time, that is, on the last day within which to appeal, still it is a mere scrap of paper because there was no, date, of hearing stated therein.

ISSUE

Whether there was infringement (YES)

RULING

Pertinently, Section 2 of Presidential Decree No. 49, otherwise known as the "Decree on Intellectual Property", provides:

Section 2. The rights granted by this Decree shall, from the moment of creation, subsist with respect to any of the following classes of works:

xxx xxx xxx
(O) Prints, pictorial illustrations, advertising copies, labels, tags and box wraps. ...

Therefore, since the name "CHARLIE BROWN" and its pictorial representation were covered by a copyright registration way back in 1950 the same are entitled to protection under PD No. 49.

Aside from its copyright registration, petitioner is also the owner of several trademark registrations and application for the name and likeness of "CHARLIE BROWN" which is the duly registered trademark and copyright of petitioner United Feature Syndicate Inc. as early as 1957 and additionally also as TV SPECIALS featuring the "PEANUTS" characters "CHARLIE BROWN"

An examination of the records show that the only appreciable defense of respondent-registrant is embodied in its answer, which reads:

It uses, the trademark "CHARLIE BROWN" & "DEVICE" on children's wear such as T-shirts, undershirts, sweaters, brief and sandals, in class 25; whereas "CHARLIE BROWN" is used only by petitioner as character, in a pictorial illustration used in a comic strip appearing in newspapers and magazines. It has no trademark significance and therefore respondent-registrant's use of "CHARLIE BROWN" & "DEVICE" is not in conflict with the petitioner's use of "CHARLIE BROWN"

It is undeniable from the records that petitioner is the actual owner of said trademark due to its prior registration with the Patent's Office.

Finally, in *La Chemise Lacoste S.A. v. Hon. Oscar Fernandez & Gobindram Hemandas Sujanani v. Hon. Roberto V. Ongpin, et al.* 129 SCRA 373 [1984], the Court declared:

In upholding the right of the petitioner to maintain the present suit before our courts for unfair competition or infringement of trademarks of a foreign corporation, we are moreover recognizing our duties and the rights of foregoing states under the Paris Convention for the Protection of Industrial Property to which the Philippines and (France) U.S. are parties. We are simply interpreting 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 our national interest to do so.

3. **Non-Copyrightable Works**

- Francisco Joaquin, Jr. vs. Franklin Drilon, et. al., G.R. No. 108946, January 28, 1999

**FRANCISCO G. JOAQUIN, JR., and BJ PRODUCTIONS, INC., Petitioners, -versus- HONORABLE FRANKLIN DRILON, GABRIEL ZOSA, WILLIAM ESPOSO, FELIPE MEDINA, JR., and CASEY FRANCISCO, Respondents**

G.R. No. 108946, SECOND DIVISION, January 28, 1999, MENDOZA, J.

*The copyright does not extend to an idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.*

*The copyright does not extend to the general concept or format of its dating game show. Accordingly, by the very nature of the subject of petitioner BJPI's copyright, the investigating prosecutor should have the opportunity to compare the videotapes of the two shows.*

**FACTS**

On June 28, 1973, petitioner BJPI submitted to the National Library an addendum to its certificate of copyright specifying the show’s format and style of presentation.

On July 14, 1991, while watching television, petitioner Francisco Joaquin, Jr., president of BJPI, saw on RPN Channel 9 an episode of It’s a Date, which was produced by IXL Productions, Inc. (IXL). On July 18, 1991, he wrote a letter to private respondent Gabriel M. Zosa, president and general manager of IXL, informing Zosa that BJPI had a copyright to Rhoda and Me and demanding that IXL discontinue airing It’s a Date.

Upon complaint of petitioners, an information for violation of P.D. No. 49 was filed against private respondent Zosa together with certain officers of RPN Channel 9, namely, William Esposo, Felipe Medina, and Casey Francisco, in the Regional Trial Court

**ISSUE**

Whether there was infringement (NO)

**RULING**

To begin with the format of a show is not copyrightable. Section 2 of P.D. No. 49, otherwise known as the DECREES ON INTELLECTUAL PROPERTY, enumerates the classes of work entitled to copyright protection.

This provision is substantially the same as §172 of the INTELLECTUAL PROPERTY CODE OF PHILIPPINES (R.A. No. 8293). The format or mechanics of a television show is not included in the list of protected works in §2 of P.D. No. 49. For this reason, the protection afforded by the law cannot be extended to cover them.

Copyright, in the strict sense of the term, is purely a statutory right. It is a new or independent right granted by the statute, and not simply a pre-existing right regulated by the statute. Being a statutory grant, the rights are only such as the statute confers, and may be obtained and enjoyed only with respect to the subjects and by the persons and on terms and conditions specified in the statute.

Regardless of the historical viewpoint, it is authoritatively settled in the United States that there is no copyright except that which is both created and secured by act of Congress . . . .

P.D. No. 49, §2, in enumerating what are subject to copyright, refers to finished works and not to concepts. The copyright does not extend to an idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

Thus, the new INTELLECTUAL PROPERTY CODE OF THE PHILIPPINES provides:
Sec. 175. Unprotected Subject Matter. — Notwithstanding the provisions of Sections 172 and 173, no protection shall extend, under this law, to any idea, procedure, system, method or operation, concept, principle, discovery or mere data as such, even if they are expressed, explained, illustrated or embodied in a work; news of the day and other miscellaneous facts having the character of mere items of press information; or any official text of a legislative, administrative or legal nature, as well as any official translation thereof.

What then is the subject matter of petitioners' copyright? This Court is of the opinion that petitioner BJPI's copyright covers audio-visual recordings of each episode of Rhoda and Me, as falling within the class of works mentioned in P.D. 49, §2(M), to wit:

Cinematographic works and works produced by a process analogous to cinematography or any process for making audio-visual recordings;

The copyright does not extend to the general concept or format of its dating game show. Accordingly, by the very nature of the subject of petitioner BJPI's copyright, the investigating prosecutor should have the opportunity to compare the videotapes of the two shows.

Mere description by words of the general format of the two dating game shows is insufficient; the presentation of the master videotape in evidence was indispensable to the determination of the existence of probable cause. As aptly observed by respondent Secretary of Justice:

A television show includes more than mere words can describe because it involves a whole spectrum of visuals and effects, video and audio, such that no similarity or dissimilarity may be found by merely describing the general copyright/format of both dating game shows.

• Pearl & Dean (Philippine), Inc. vs. Shoemart, Inc., G.R. No. 148222, ibid

PEARL & DEAN (PHIL.), INCORPORATED, Petitioner, -versus- SHOEMART, INCORPORATED, and NORTH EDSA MARKETING, INCORPORATED, Respondents
G.R. No. 148222, THIRD DIVISION, August 15, 2003, CORONA, J.

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.

In fine, if SMI and NEMI reprinted P & D’s technical drawings for sale to the public without license from P & D, then no doubt they would have been guilty of copyright infringement. But this was not the case. SMI’s and NEMI’s acts complained of by P & D were to have units similar or identical to the light box illustrated in the technical drawings manufactured by Metro and EYD Rainbow Advertising, for leasing out to different advertisers. Was this an infringement of petitioner’s copyright over the technical drawings? We do not think so.

FACTS

Sometime in 1985, Pearl and Dean negotiated with defendant-appellant 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 September 11, 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 October 4, 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 January 14, 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 February 17, 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 ten (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 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 two (2) reported SM branches, light boxes similar to those it manufactures were also installed in two (2) other SM stores. It further discovered that defendant-appellant 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.

Pearl and Dean filed this instant case for infringement of trademark and copyright, unfair competition and damages.

Trial court ruled in favor of Pearl and Dean. CA reversed.

ISSUE

Whether light box depicted in such engineering drawings are ipso facto also protected by such copyright (NO)

RULING

In ruling that there was no copyright infringement, the Court of Appeals held that the copyright was limited to the drawings alone and not to the light box itself. We agree with the appellate court

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.

P & D secured its copyright under the classification class "O" work. This being so, petitioner’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." Stated otherwise, even as we find that 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 us from giving petitioner even a little 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, if SMI and NEMI reprinted P & D's technical drawings for sale to the public without license from P & D, then no doubt they would have been guilty of copyright infringement. But this was not the case. SMI's and NEMI's acts complained of by P & D were to have units similar or identical to the light box illustrated in the technical drawings manufactured by Metro and EYD Rainbow Advertising, for leasing out to different advertisers. Was this an infringement of petitioner's copyright over the technical drawings? We do not think so.

During the trial, the president of P & D himself admitted that the light box was neither a literary nor an artistic work but an "engineering or marketing invention." Obviously, there appeared to be some confusion regarding what ought or ought not to be the proper subjects of copyrights, patents and trademarks. In the leading case of Kho vs. Court of Appeals, we ruled that these three legal rights 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.

- SISON OLAÑO v. LIM ENG CO, G.R. No. 195835, March 14, 2016

SISON OLAÑO, SERGIO T. ONG, MARILYN O. GO, AND JAP FUK HAI, Petitioners, -versus- LIM ENG CO, Respondent
G.R. No. 195835, THIRD DIVISION, March 14, 2016, REYES, J.

Since the hatch doors cannot be considered as either illustrations, maps, plans, sketches, charts and three-dimensional works relative to geography, topography, architecture or science, to be properly classified as a copyrightable class "I" work, what was copyrighted were their sketches/drawings only, and not the actual hatch doors themselves. To constitute infringement, the usurper must have copied or appropriated the original work of an author or copyright proprietor; absent copying, there can be no infringement of copyright.
"Unlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea — not the idea itself."

A copyrightable work refers to literary and artistic works defined as original intellectual creations in the literary and artistic domain.

A hatch door, by its nature is an object of utility. It is defined as a small door, small gate or an opening that resembles a window equipped with an escape for use in case of fire or emergency. It is thus by nature, functional and utilitarian serving as egress access during emergency. It is not primarily an artistic creation but rather an object of utility designed to have aesthetic appeal. It is intrinsically a useful article, which, as a whole, is not eligible for copyright.

FACTS

Sometime in 2002, LEC was invited by the architects of the Manansala Project (Project), a high-end residential building in Rockwell Center, Makati City, to submit design/drawings and specifications for interior and exterior hatch doors. LEC complied by submitting on July 16, 2002, shop plans/drawings, including the diskette therefor, embodying the designs and specifications required for the metal hatch doors.

After a series of consultations and revisions, the final shop plans/drawings were submitted by LEC on January 15, 2004 and thereafter copied and transferred to the title block of Ski-First Balfour Joint Venture (SKI-FB), the Project’s contractor, and then stamped approved for construction on February 3, 2004.

LEC was thereafter subcontracted by SKI-FB, to manufacture and install interior and exterior hatch doors for the 7th to 22nd floors of the Project based on the final shop plans/drawings.

Sometime thereafter, LEC learned that Metrotech was also subcontracted to install interior and exterior hatch doors for the Project’s 23rd to 41st floors.

On July 2, 2004, LEC deposited with the National Library the final shop plans/drawings of the designs and specifications for the interior and exterior hatch doors of the Project. On July 6, 2004, LEC was issued a Certificate of Copyright Registration and Deposit showing that it is the registered owner of plans/drawings for interior and exterior hatch doors under Registration Nos. 1-2004-13 and 1-2004-14, respectively. This copyright pertains to class work "I" under Section 172 of Republic Act (R.A.) No. 8293, The Intellectual Property Code of the Philippines, which covers "illustrations, maps, plans, sketches, charts and three-dimensional works relative to geography, topography, architecture or science."

On December 9, 2004, LEC was issued another Certificate of Copyright Registration and Deposit showing that it is the registered owner of plans/drawings for interior and exterior hatch doors under Registration Nos. H-2004-566 and H-2004-56715 which is classified under Section 172(h) of R.A. No. 8293 as "original ornamental designs or models for articles of manufacture, whether or not registrable as an industrial design, and other works of applied art."

When Metrotech still refused to stop fabricating hatch doors based on LEC’s shop plans/drawings, the latter sought the assistance of the National Bureau of Investigation (NBI) which in turn applied
for a search warrant before the Regional Trial Court (RTC) of Quezon City, Branch 24. The application was granted on August 13, 2004 thus resulting in the confiscation of finished and unfinished metal hatch doors as well as machines used in fabricating and manufacturing hatch doors from the premises of Metrotech.

On August 13, 2004, the respondent filed a Complaint-Affidavit before the DOJ against the petitioners for copyright infringement. In the meantime or on September 8, 2004, the RTC quashed the search warrant on the ground that copyright infringement was not established.

ISSUE

Whether there was copyright infringement (NO)

RULING

The respondent failed to substantiate the alleged reproduction of the drawings/sketches of hatch doors copyrighted under Certificate of Registration Nos. 1-2004-13 and 1-2004-14. There is no proof that the respondents reprinted the copyrighted sketches/drawings of LEC's hatch doors. The raid conducted by the NBI on Metrotech's premises yielded no copies or reproduction of LEC's copyrighted sketches/drawings of hatch doors. What were discovered instead were finished and unfinished hatch doors.

Certificate of Registration Nos. 1-2004-13 and 1-2004-14 pertain to class work "I" under Section 172 of R.A. No. 8293 which covers "illustrations, maps, plans, sketches, charts and three-dimensional works relative to geography, topography, architecture or science." As such, LEC's copyright protection there under covered only the hatch door sketches/drawings and not the actual hatch door they depict.

As the Court held in Pearl and Dean (Philippines), Incorporated v. Shoemart, Incorporated: 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.

Since the hatch doors cannot be considered as either illustrations, maps, plans, sketches, charts and three-dimensional works relative to geography, topography, architecture or science, to be properly classified as a copyrightable class "I" work, what was copyrighted were their sketches/drawings only, and not the actual hatch doors themselves. To constitute infringement, the usurper must have copied or appropriated the original work of an author or copyright proprietor, absent copying, there can be no infringement of copyright.

"Unlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea — not the idea itself."

The respondent claimed that the petitioners committed copyright infringement when they fabricated/manufactured hatch doors identical to those installed by LEC. The petitioners could not have manufactured such hatch doors in substantial quantities had they not reproduced the copyrighted plans/drawings submitted by LEC to SK1-FB. This insinuation, without more, does not
suffice to establish probable cause for infringement against the petitioners. "[Although the determination of probable cause requires less than evidence which would justify conviction, it should at least be more than mere suspicion."

Anent, LEC's Certificate of Registration Nos. H-2004-566 and H-2004-567, the Court finds that the ownership thereof was not established by the evidence on record because the element of copyrightability is absent.

"Ownership of copyrighted material is shown by proof of originality and copyrightability." While it is true that where the complainant presents a copyright certificate in support of the claim of infringement, the validity and ownership of the copyright is presumed. This presumption, however, is rebuttable and it cannot be sustained where other evidence in the record casts doubt on the question of ownership, as in the instant case.

Moreover, "[T]he presumption of validity to a certificate of copyright registration merely orders the burden of proof. The applicant should not ordinarily be forced, in the first instance, to prove all the multiple facts that underline the validity of the copyright unless the respondent, effectively challenging them, shifts the burden of doing so to the applicant."

Here, evidence negating originality and copyrightability as elements of copyright ownership was satisfactorily proffered against LEC's certificate of registration.

The following averments were not successfully rebuffed by LEC:

LEC's Hatch Doors were particularly designed to blend in with the floor of the units in which they are installed and, therefore, appeal to the aesthetic sense of the owner of units or any visitors thereto; and

LEC's Hatch Doors have a distinct set of hinges, a distinct door, a distinct jamb, all of which are both functional or utilitarian and artistic or ornamental at the same time; and

Moreover, the Project is a high-end residential building located in the Rockwell Center, a very prime area in Metro Manila. As such, the owner of the Project is not expected to settle for Hatch Doors that simply live up to their function as such. The owner would require, as is the case for the Project, Hatch Doors that not only fulfill their utilitarian purposes but also appeal to the artistic or ornamental sense of their beholders.

From the foregoing description, it is clear that the hatch doors were not artistic works within the meaning of copyright laws. A copyrightable work refers to literary and artistic works defined as original intellectual creations in the literary and artistic domain.

A hatch door, by its nature is an object of utility. It is defined as a small door, small gate or an opening that resembles a window equipped with an escape for use in case of fire or emergency. It is thus
by nature, functional and utilitarian serving as egress access during emergency. It is not primarily an artistic creation but rather an object of utility designed to have aesthetic appeal. It is intrinsically a useful article, which, as a whole, is not eligible for copyright.

A "useful article" defined as an article "having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information" is excluded from copyright eligibility.

The only instance when a useful article may be the subject of copyright protection is when it incorporates a design element that is physically or conceptually separable from the underlying product. This means that the utilitarian article can function without the design element. In such an instance, the design element is eligible for copyright protection.

The design of a useful article shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.

A belt, being an object utility with the function of preventing one's pants from falling down, is in itself not copyrightable. However, an ornately designed belt buckle which is irrelevant to or did not enhance the belt's function hence, conceptually separable from the belt, is eligible for copyright. It is copyrightable as a sculptural work with independent aesthetic value, and not as an integral element of the belt's functionality.

A table lamp is not copyrightable because it is a functional object intended for the purpose of providing illumination in a room. The general shape of a table lamp is likewise not copyrightable because it contributes to the lamp's ability to illuminate the reaches of a room. But, a lamp base in the form of a statue of male and female dancing figures made of semi vitreous china is copyrightable as a work of art because it is unrelated to the lamp's utilitarian function as a device used to combat darkness.

In the present case, LEC's hatch doors bore no design elements that are physically and conceptually separable, independent and distinguishable from the hatch door itself. The allegedly distinct set of hinges and distinct jamb, were related and necessary hence, not physically or conceptually separable from the hatch door's utilitarian function as an apparatus for emergency egress. Without them, the hatch door will not function.

More importantly, they are already existing articles of manufacture sourced from different suppliers. Based on the records, it is unrebutted that: (a) the hinges are similar to those used in truck doors; (b) the gaskets were procured from a company named Pemko and are not original creations of LEC; and (c) the locking device are ordinary drawer locks commonly used in furniture and office desks.

Being articles of manufacture already in existence, they cannot be deemed as original creations. As earlier stated, valid copyright ownership denotes originality of the copyrighted material. Originality means that the material was not copied, evidences at least minimal creativity and was independently created by the author. It connotes production as a result of independent labor. LEC did not produce the door jambs and hinges; it bought or acquired them from suppliers and thereafter affixed them to the hatch doors. No independent original creation can be deduced from such acts.
The same is true with respect to the design on the door's panel. As LEC has stated, the panels were "designed to blend in with the floor of the units in which they [were] installed." Photos of the panels indeed show that their color and pattern design were similar to the wooden floor parquet of the condominium units. This means that the design on the hatch door panel was not a product of LEC's independent artistic judgment and discretion but rather a mere reproduction of an already existing design.

Verily then, the CA erred in holding that a probable cause for copyright infringement is imputable against the petitioners. Absent originality and copyrightability as elements of a valid copyright ownership, no infringement can subsist.

4. Rights of Copyright Owner

- Columbia Pictures, Inc. vs. Court of Appeals, 261 SCRA 144 (1996)

COLUMBIA PICTURES, INC., ORION PICTURES CORPORATION, PARAMOUNT PICTURES CORPORATION, TWENTIETH CENTURY FOX FILM CORPORATION, UNITED ARTISTS CORPORATION, UNIVERSAL CITY STUDIOS, INC., THE WALT DISNEY COMPANY, and WARNER BROTHERS, INC., Petitioners, -versus- COURT OF APPEALS, SUNSHINE HOME VIDEO, INC. and DANilo A. PELINDARIO, Respondents
G.R. No. 110318, EN BANC, August 28, 1996, REGALADO, J.

The registration and deposit of two complete copies or reproductions of the work with the National library within three weeks after the first public dissemination or performance of the work, as provided for in Section 26 (P.D. No. 49, as amended), is not for the purpose of securing a copyright of the work, but rather to avoid the penalty for non-compliance of the deposit of said two copies and in order to recover damages in an infringement suit.

FACTS

Complainants thru counsel lodged a formal complaint with the National Bureau of Investigation for violation of PD No. 49, as amended, and sought its assistance in their anti-film piracy drive. Agents of the NBI and private researchers made discreet surveillance on various video establishments in Metro Manila including Sunshine Home Video Inc. (Sunshine for brevity), owned and operated by Danilo A. Pelindario with address at No. 6 Mayfair Center, Magallanes, Makati, Metro Manila.

On November 14, 1987, NBI Senior Agent Lauro C. Reyes applied for a search warrant with the court a quo against Sunshine seeking the seizure, among others, of pirated video tapes of copyrighted films all of which were enumerated in a list attached to the application; and, television sets, video cassettes and/or laser disc recordings equipment and other machines and paraphernalia used or intended to be used in the unlawful exhibition, showing, reproduction, sale, lease or disposition of videograms tapes in the premises above described. In the hearing of the application, NBI Senior Agent Lauro C. Reyes, upon questions by the court a quo, reiterated in substance his averments in his affidavit. His testimony was corroborated by another witness, Mr. Rene C. Baltazar. Atty. Rico V. Domingo's deposition was also taken. On the basis of the affidavits depositions of NBI Senior Agent Lauro C. Reyes, Rene C. Baltazar and Atty. Rico V. Domingo, Search Warrant No 87-053 for violation of Section 56 of PD No. 9, as amended, was issued by the court a quo.
In the course of the search of the premises indicated in the search warrant, the NBI Agents found and seized various video tapes of duly copyrighted motion pictures/films owned or exclusively distributed by private complainants, and machines, equipment, television sets, paraphernalia, materials, accessories all of which were included in the receipt for properties accomplished by the raiding team. Copy of the receipt was furnished and/or tendered to Mr. Danilo A. Pelindario, registered owner-proprietor of Sunshine Home Video.

On December 16, 1987, a "Return of Search Warrant" was filed with the Court.

A "Motion To Lift the Order of Search Warrant" was filed but was later denied for lack of merit.

A Motion for reconsideration of the Order of denial was filed. The court a quo granted the said motion for reconsideration and justified it in this manner:

Petitioners thereafter appealed the order of the trial court granting private respondents’ motion for reconsideration, thus lifting the search warrant which it had therefore issued, to the Court of Appeals. As stated at the outset, said appeal was dismissed and the motion for reconsideration thereof was denied. Hence, this petition was brought to this Court particularly challenging the validity of respondent court’s retroactive application of the ruling in 20th Century Fox Film Corporation v. Court of Appeals, Et Al., in dismissing petitioners’ appeal and upholding the quashal of the search warrant by the trial court.

ISSUE

Whether there was copyright infringement (YES)

RULING

As earlier discussed, PD 49 as amended, does not require registration and deposit for a creator to be able to file an action for infringement of his rights. These conditions are merely pre-requisites to an action for damages. So, as long as the proscribed acts are shown to exist, an action for infringement may be initiated.

Accordingly, the certifications from the Copyright Section of the National Library, presented as evidence by private respondents to show non-registration of some of the films of petitioners, assume no evidentiary weight or significance, whatsoever.

Furthermore, a closer review of Presidential Decree No. 49 reveals that even with respect to works which are required under Section 26 thereof to be registered and with copies to deposited with the National Library, such as books, including composite and cyclopedic works, manuscripts, directories and gazetteers; and periodicals, including pamphlets and newspapers; lectures, sermons, addresses, dissertations prepared for oral delivery; and letters, the failure to comply with said requirements does not deprive the copyright owner of the right to sue for infringement. Such non-compliance merely limits the remedies available to him and subjects him to the corresponding sanction.

The reason for this is expressed in Section 2 of the decree which prefaces its enumeration of copyrightable works with the explicit statement that “the rights granted under this Decree shall, from the moment of creation, subsist with respect to any of the following classes of works.” This means
that under the present state of the law, the copyright for a work is acquired by an intellectual creator from the moment of creation even in the absence of registration and deposit. As has been authoritatively clarified:

The registration and deposit of two complete copies or reproductions of the work with the National library within three weeks after the first public dissemination or performance of the work, as provided for in Section 26 (P.D. No. 49, as amended), is not for the purpose of securing a copyright of the work, but rather to avoid the penalty for non-compliance of the deposit of said two copies and in order to recover damages in an infringement suit.

5. Limitations on Copyright


ABS-CBN BROADCASTING CORPORATION, Petitioner, versus PHILIPPINE MULTI-MEDIA SYSTEM, INC., CESAR G. REYES, FRANCIS CHUA (ANG BIAO), MANUEL F. ABELLADA, RAUL B. DE MESA, AND ALOYSIUS M. COLAYCO, Respondents
G.R. No. 175769-70, EN BANC, January 19, 2009, YNARES-SANTIAGO, J.

It must be emphasized that the law on copyright is not absolute. The IP Code provides that:

Sec. 184. Limitations on Copyright.

184.1. Notwithstanding the provisions of Chapter V, the following acts shall not constitute infringement of copyright:

(h) The use made of a work by or under the direction or control of the Government, by the National Library or by educational, scientific or professional institutions where such use is in the public interest and is compatible with fair use;

Accordingly, the "Must-Carry Rule" under NTC Circular No. 4-08-88 falls under the foregoing category of limitations on copyright.

FACTS

Petitioner ABS-CBN Broadcasting Corporation (ABS-CBN) is licensed under the laws of the Republic of the Philippines to engage in television and radio broadcasting. It broadcasts television programs by wireless means to Metro Manila and nearby provinces, and by satellite to provincial stations through Channel 2 on Very High Frequency (VHF) and Channel 23 on Ultra High Frequency (UHF). The programs aired over Channels 2 and 23 are either produced by ABS-CBN or purchased from or licensed by other producers.

Respondent Philippine Multi-Media System, Inc. (PMSI) is the operator of Dream Broadcasting System. It delivers digital direct-to-home (DTI) television via satellite to its subscribers all over the Philippines. Herein individual respondents, Cesar G. Reyes, Francis Chua, Manuel F. Abellada, Raul B. De Mesa, and Aloysius M. Colayco, are members of PMSI’s Board of Directors.

PMSI was granted a legislative franchise under Republic Act No. 8630 on May 7, 1998 and was given a Provisional Authority by the National Telecommunications Commission (NTC) on February 1, 2000.
to install, operate and maintain a nationwide DTH satellite service. When it commenced operations, it offered as part of its program line-up ABS-CBN Channels 2 and 23, NBN, Channel 4, ABC Channel 5, GMA Channel 7, RPN Channel 9, and IBC Channel 13, together with other paid premium program channels.

However, on April 25, 2001, ABS-CBN demanded for PMSI to cease and desist from rebroadcasting Channels 2 and 23. On April 27, 2001, PMSI replied that the rebroadcasting was in accordance with the authority granted it by NTC and its obligation under NTC Memorandum Circular No. 4-08-88, Section 6.2 of which requires all cable television system operators operating in a community within Grade “A” or “B” contours to carry the television signals of the authorized television broadcast stations.

ABS-CBN filed with the IPO a complaint for "Violation of Laws Involving Property Rights, with Prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction," which was docketed as IPV No. 10-2002-0004. It alleged that PMSI's unauthorized rebroadcasting of Channels 2 and 23 infringed on its broadcasting rights and copyright.

**ISSUE**

Whether there was copyright infringement and violation of ABS-CBN's broadcaster's rights (NO)

**RULING**

There is no merit in ABS-CBN's contention that PMSI violated its broadcaster's. Neither is PMSI guilty of infringement of ABS-CBN's copyright under Section 177 of the IP Code which states that copyright or economic rights shall consist of the exclusive right to carry out, authorize or prevent the public performance of the work (Section 177.6), and other communication to the public of the work (Section 177.7).

Section 202.7 of the IP Code defines **broadcasting** as "the transmission by wireless means for the public reception of sounds or of images or of representations thereof; such transmission by satellite is also 'broadcasting' where the means for decrypting are provided to the public by the broadcasting organization or with its consent."

On the other hand, **rebroadcasting** as defined in Article 3{g} of the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, otherwise known as the 1961 Rome Convention, of which the Republic of the Philippines is a signatory, is “the simultaneous broadcasting by one broadcasting organization of the broadcast of another broadcasting organization.”

The Director-General of the IPO correctly found that PMSI is not engaged in rebroadcasting and thus cannot be considered to have infringed ABS-CBN's broadcasting rights and copyright, thus: That the Appellant's [herein respondent PMSI] subscribers are able to view Appellee's [herein petitioner ABS-CBN] programs (Channels 2 and 23) at the same time that the latter is broadcasting the same is undisputed. The question however is, would the Appellant in doing so be considered engaged in broadcasting. Section 202.7 of the IP Code states that broadcasting means

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“the transmission by wireless means for the public reception of sounds or of images or of representations thereof; such transmission by satellite is also ‘broadcasting’ where the means for decrypting are provided to the public by the broadcasting organization or with its consent.”

Section 202.7 of the IP Code, thus, provides two instances wherein there is broadcasting, to wit:
1. The transmission by wireless means for the public reception of sounds or of images or of representations thereof; and
2. The transmission by satellite for the public reception of sounds or of images or of representations thereof where the means for decrypting are provided to the public by the broadcasting organization or with its consent.

It is under the second category that Appellant’s DTH satellite television service must be examined since it is satellite-based. The elements of such category are as follows:
1. There is transmission of sounds or images or of representations thereof;
2. The transmission is through satellite;
3. The transmission is for public reception; and
4. The means for decrypting are provided to the public by the broadcasting organization or with its consent.

It is only the presence of all the above elements can a determination that the DTH is broadcasting and consequently, rebroadcasting Appellee’s signals in violation of Sections 211 and 177 of the IP Code, may be arrived at.

Accordingly, this Office is of the view that the transmission contemplated under Section 202.7 of the IP Code presupposes that the origin of the signals is the broadcaster. Hence, a program that is broadcasted is attributed to the broadcaster. In the same manner, the rebroadcasted program is attributed to the rebroadcaster.

In the case at hand, Appellant is not the origin nor does it claim to be the origin of the programs broadcasted by the Appellee. Appellant did not make and transmit its own programs but merely carried the existing signals of the Appellee. When Appellant’s subscribers view Appellee’s programs in Channels 2 and 23, they know that the origin thereof was the Appellee.

Accordingly, this Office finds that there is no rebroadcasting on the part of the Appellant of the Appellee’s programs on Channels 2 and 23, as defined under the Rome Convention.

Under the Rome Convention, rebroadcasting is “the simultaneous broadcasting by one broadcasting organization of the broadcast of another broadcasting organization.” The Working Paper prepared by the Secretariat of the Standing Committee on Copyright and Related Rights defines broadcasting organizations as “entities that take the financial and editorial responsibility for the selection and arrangement of, and investment in, the transmitted content.” Evidently, PMSI would not qualify as a broadcasting organization because it does not have the aforementioned responsibilities imposed upon broadcasting organizations, such as ABS-CBN.

ABS-CBN creates and transmits its own signals; PMSI merely carries such signals which the viewers receive in its unaltered form. PMSI does not produce, select, or determine the programs to be shown in Channels 2 and 23. Likewise, it does not pass itself off as the origin or author of such programs. Insofar as Channels 2 and 23 are concerned, PMSI merely retransmits the same in accordance with Memorandum Circular 04-08-88. With regard to its premium channels, it buys the channels from
content providers and transmits on an as-is basis to its viewers. Clearly, PMSI does not perform the functions of a broadcasting organization; thus, it cannot be said that it is engaged in rebroadcasting Channels 2 and 23.

The Director-General of the IPO and the Court of Appeals also correctly found that PMSI's services are similar to a cable television system because the services it renders fall under cable "retransmission."

Thus, while the Rome Convention gives broadcasting organizations the right to authorize or prohibit the rebroadcasting of its broadcast, however, this protection does not extend to cable retransmission. The retransmission of ABS-CBN’s signals by PMSI – which functions essentially as a cable television – does not therefore constitute rebroadcasting in violation of the former’s intellectual property rights under the IP Code.

It must be emphasized that the law on copyright is not absolute. The IP Code provides that:

Sec. 184. Limitations on Copyright.

184.1. Notwithstanding the provisions of Chapter V, the following acts shall not constitute infringement of copyright:

(h) The use made of a work by or under the direction or control of the Government, by the National Library or by educational, scientific or professional institutions where such use is in the public interest and is compatible with fair use;

The carriage of ABS-CBN’s signals by virtue of the must-carry rule in Memorandum Circular No. 04-08-88 is under the direction and control of the government though the NTC which is vested with exclusive jurisdiction to supervise, regulate and control telecommunications and broadcast services/facilities in the Philippines. The imposition of the must-carry rule is within the NTC’s power to promulgate rules and regulations, as public safety and interest may require, to encourage a larger and more effective use of communications, radio and television broadcasting facilities, and to maintain effective competition among private entities in these activities whenever the Commission finds it reasonably feasible. As correctly observed by the Director-General of the IPO:

Accordingly, the “Must-Carry Rule” under NTC Circular No. 4-08-88 falls under the foregoing category of limitations on copyright.

ABS-CBN was granted a legislative franchise under Republic Act No. 7966, Section 1 of which authorizes it “to construct, operate and maintain, for commercial purposes and in the public interest, television and radio broadcasting in and throughout the Philippines x x x.” Section 4 thereof mandates that it “shall provide adequate public service time to enable the government, through the said broadcasting stations, to reach the population on important public issues; provide at all times sound and balanced programming; promote public participation such as in community programming; assist in the functions of public information and education x x x.”

PMSI was likewise granted a legislative franchise under Republic Act No. 8630, Section 4 of which similarly states that it “shall provide adequate public service time to enable the government, through the said broadcasting stations, to reach the population on important public issues; provide at all times sound and balanced programming; promote public participation such as in community programming; assist in the functions of public information and education x x x.” Section 5, paragraph 2 of the same law provides that “the radio spectrum is a finite resource that is a part of the national
patrimony and the use thereof is a privilege conferred upon the grantee by the State and may be withdrawn anytime, after due process.”

In *Telecom. & Broadcast Attys. of the Phils., Inc. v. COMELEC*, the Court held that a franchise is a mere privilege which may be reasonably burdened with some form of public service. Thus:
All broadcasting, whether by radio or by television stations, is licensed by the government. Airwave frequencies have to be allocated as there are more individuals who want to broadcast than there are frequencies to assign. A franchise is thus a privilege subject, among other things, to amendment by Congress in accordance with the constitutional provision that “any such franchise or right granted . . . shall be subject to amendment, alteration or repeal by the Congress when the common good so requires.”

Indeed, provisions for COMELEC Time have been made by amendment of the franchises of radio and television broadcast stations and, until the present case was brought, such provisions had not been thought of as taking property without just compensation. Art. XII, §11 of the Constitution authorizes the amendment of franchises for “the common good.” What better measure can be conceived for the common good than one for free air time for the benefit not only of candidates but even more of the public, particularly the voters, so that they will be fully informed of the issues in an election? “[I]t is the right of the viewers and listeners, not the right of the broadcasters, which is paramount.”

In view of the discussion above, the Court finds that the quoted sections of MC 4-08-88, i.e., 6.2, 6.2.1, 6.4(a)(1) and 6.4(b) which embody the “must-carry rule,” are the governing rules in the present case. These provisions sufficiently and fairly implement the intent of Section 2 of EO No. 205 to protect the broadcast television market vis-à-vis the CATV system. For emphasis, under these rules, the phrase "television and broadcast markets" means viewers or audience market and not commercial advertisement market as claimed by the petitioner. Therefore, the respondent’s act of showing advertisements does not constitute an infringement of the “television and broadcast markets” under Section 2 of EO No. 205.

FACTS
Sometime in February 2000, the petitioner, together with the Kapisanan ng mga Brodkaster ng Pilipinas, Audiovisual Communicators, Incorporated, Filipinas Broadcasting Network and Rajah Broadcasting Network, Inc. (complainants), filed with the NTC a complaint against the respondent to stop it from soliciting and showing advertisements in its cable television (CATV) system, pursuant to Section 2 of Executive Order (EO) No. 205. Under this provision, a grantee’s authority to operate a CATV system shall not infringe on the television and broadcast markets. The petitioner alleged that the phrase “television and broadcast markets” includes the commercial or advertising market.

In its answer, the respondent admitted the airing of commercial advertisement on its CATV network but alleged that Section 3 of EO No. 436, which was issued by former President Fidel V. Ramos on September 9, 1997, expressly allowed CATV providers to carry advertisements and other similar paid segments provided there is consent from their program providers.

After the petitioner presented and offered its evidence, the respondent filed a motion to dismiss by demurrer to evidence claiming that the evidence presented by the complainants failed to show how the respondent’s acts of soliciting and/or showing advertisements infringed upon the television and broadcast market.

NTC granted the demurrer. It ruled that since EO No. 205 does not define “infringement,” EO No. 436 merely clarified or filled-in the details of the term to mean that the CATV operators may show advertisements, provided that they secure the consent of their program providers.

CA upheld NTC’s ruling.

**ISSUE**

Whether the respondent, as a CATV operator, could show commercial advertisements in its CATV networks (YES)

**RULING**

Firstly, EO No. 205 is a law while EO No. 436 is an executive issuance.

For one, we agree with the petitioner that the NTC and the CA proceeded from the wrong premise that both EO No. 205 and EO No. 436 are statutes. This is a critical point to consider since the NTC and the CA rulings on the merits would have no leg to stand on had they properly appreciated the nature of these two executive issuances.

EO No. 205 was issued by President Corazon Aquino on June 30, 1987. Under Section 6, Article 18 of the 1987 Constitution, the incumbent President shall continue to exercise legislative powers until the first Congress is convened. The Congress was convened only on July 27, 1987. Therefore, at the time of the issuance of EO No. 205, President Aquino was still exercising legislative powers. In fact, the intent to regard EO No. 205 as a law is clear under Section 7 thereof which provides for the repeal or modification of all inconsistent laws, orders, issuances and rules and regulations, or parts thereof. EO No. 436, on the other hand, is an executive order which was issued by President Ramos in the exercise purely of his executive power. In short, it is not a law.
The NTC and the CA, however, failed to consider the distinction between the two executive orders. In considering EO No. 436 as a law, the NTC and the CA hastily concluded that it has validly qualified Section 2 of EO No. 205 and has amended the provisions of MC 4-08-88. Following this wrong premise, the NTC and the CA ruled that the respondent has a right to show advertisements under Section 3 of EO No. 436.

The incorrect interpretation by the NTC and the CA led to the erroneous resolution of the petitioner's complaint and appeal. While the respondent indeed has the right to solicit and show advertisements, as will be discussed below, the NTC and the CA incorrectly interpreted and appreciated the relevant provisions of the law and rules. We seek to correct this error in the present case by ruling that MC 4-08-88 alone sufficiently resolves the issue on whether the respondent could show advertisements in its CATV networks. In other words, EO No. 436 is not material in resolving the substantive issue before us.

Lastly, the CATV operators are not prohibited from showing advertisements under EO No. 205 and its implementing rules and regulations, MC 4-08-88.

Section 6 of EO No. 205 expressly and unequivocally vests with the NTC the delegated legislative authority to issue its implementing rules and regulations.

Following this authority, the NTC has issued the implementing rules and regulations of EO No. 205 through MC 4-08-88. Its whereas clause provides that it was issued pursuant to Act No. 3846 and EO No. 205 which granted the NTC the authority to set down rules and regulations on CATV systems. MC 4-08-88 has sufficiently filled in the details of Section 2 of EO No. 205, specifically the contentious provision that "the authority to operate [CATV] shall not infringe on the television and broadcast markets."

An understanding of the "must-carry rule" would show how it carries out the directive of Section 2 of EO No. 205 that the CATV operation must not infringe upon the broadcast television markets, specifically the audience market. In ABS-CBN Broadcasting Corporation v. Philippine Multi-Media System, Inc., the Court clarified the "must-carry rule" and its interplay in the free-signal TV, such as the petitioner, and the CATV operators, such as the respondent, and to quote:

Anyone in the country who owns a television set and antenna can receive ABS-CBN's signals for free. Other broadcasting organizations with free-to-air signals such as GMA-7, RPN-9, ABC-5, and IBC-13 can likewise be accessed for free. No payment is required to view the said channels because these broadcasting networks do not generate revenue from subscription from their viewers but from airtime revenue from contracts with commercial advertisers and producers, as well as from direct sales.

In contrast, cable and DTH television earn revenues from viewer subscription. In the case of PMSI, it offers its customers premium paid channels from content providers like Star Movies, Star World, Jack TV, and AXN, among others, thus allowing its customers to go beyond the limits of "Free TV and Cable TV." It does not advertise itself as a local channel carrier because these local channels can be viewed with or without DTH television.

Relevantly, PMSI’s carriage of Channels 2 and 23 is material in arriving at the ratings and audience share of ABS-CBN and its programs. These ratings help commercial advertisers and producers decide whether to buy airtime from the network. Thus, the must-carry rule is actually advantageous to the
broadcasting networks because it provides them with increased viewership which attracts commercial advertisers and producers.

On the other hand, the carriage of free-to-air signals imposes a burden to cable and DTH television providers such as PMSI. PMSI uses none of ABS-CBN’s resources or equipment and carries the signals and shoulders the costs without any recourse of charging. Moreover, such carriage of signals takes up channel space which can otherwise be utilized for other premium paid channels.

Contrary to the petitioner’s claim, EO No. 205 was not issued solely for the benefit of the free-signal TV networks. In fact, it was issued to end the monopoly of Sining Makulay, Inc. which was granted by then President Ferdinand Marcos an exclusive franchise, through Presidential Decree (PD) No. 1512, to operate CATV system anywhere within the Philippines. EO No. 205 encouraged the growth of CATV operation when it expressly repealed PD No. 1512 thus encouraging competition in the CATV industry. As stated in the whereas clause of EO No. 205, the primary purpose of the law in regulating the CATV operations was for the protection of the public and the promotion of the general welfare. MC 4-08-88 mirrored the legislative intent of EO No. 205 and acknowledged the importance of the CATV operations in the promotion of the general welfare. The circular provides in its whereas clause that the CATV has the ability to offer additional programming and to carry much improved broadcast signals in the remote areas, thereby enriching the lives of the rest of the population through the dissemination of social, economic and educational information and cultural programs.

Unavoidably, however, the improved broadcast signals that CATV offers may infringe or encroach upon the audience or viewer market of the free-signal TV. This is so because the latter’s signal may not reach the remote areas or reach them with poor signal quality. To foreclose this possibility and protect the free-TV market (audience market), the must-carry rule was adopted to level the playing field. With the must-carry rule in place, the CATV networks are required to carry and show in full the freeto-local TV’s programs, including advertisements, without alteration or deletion. This, in turn, benefits the public who would have a wide-range of choices of programs or broadcast to watch. This also benefits the free-TV signal as their broadcasts are carried under the CATV’s much-improved broadcast signals thus expanding their viewer’s share.

In view of the discussion above, the Court finds that the quoted sections of MC 4-08-88, i.e., 6.2, 6.2.1, 6.4(a)(1) and 6.4(b) which embody the "must-carry rule," are the governing rules in the present case. These provisions sufficiently and fairly implement the intent of Section 2 of EO No. 205 to protect the broadcast television market vis-à-vis the CATV system. For emphasis, under these rules, the phrase "television and broadcast markets" means viewers or audience market and not commercial advertisement market as claimed by the petitioner. Therefore, the respondent’s act of showing advertisements does not constitute an infringement of the "television and broadcast markets" under Section 2 of EO No. 205.

The implementing rules and regulations embodied in this circular, whose validity is undisputed by the parties, "partake of the nature of a statute and are just as binding as if they have been written in the statute itself. As such, they have the force and effect of law and enjoy the presumption of constitutionality and legality until they are set aside with finality in an appropriate case by a competent court."

b. Copyright Infringement
FILIPINO SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS, Petitioner, versus BENJAMIN TAN, Respondent
G.R. No. L-36402, SECOND DIVISION, March 16, 1987, PARAS, J.

Appellee's allegation that the composers of the contested musical compositions waived their right in favor of the general public when they allowed their intellectual creations to become property of the public domain before applying for the corresponding copyrights for the same is correct.

The Supreme Court has ruled that "Paragraph 33 of Patent Office Administrative Order No. 3 (as amended, dated September 18, 1947) entitled 'Rules of Practice in the Philippines Patent Office relating to the Registration of Copyright Claims' promulgated pursuant to Republic Act 165, provides among other things that an intellectual creation should be copyrighted thirty (30) days after its publication, if made in Manila, or within sixty (60) days if made elsewhere, failure of which renders such creation public property." Indeed, if the general public has made use of the object sought to be copyrighted for thirty (30) days prior to the copyright application the law deems the object to have been donated to the public domain and the same can no longer be copyrighted.

FACTS

Plaintiff-appellant is a non-profit association of authors, composers and publishers duly organized under the Corporation Law of the Philippines and registered with the Securities and Exchange Commission. Said association is the owner of certain musical compositions among which are the songs entitled: "Dahil Sa Iyo," "Sapagkat Ikaw Ay Akin," "Sapagkat Kami Ay Tao Lamang" and "The Nearness Of You."

On the other hand, defendant-appellee is the operator of a restaurant known as "Alex Soda Foundation and Restaurant" where a combo with professional singers, hired to play and sing musical compositions to entertain and amuse customers therein, were playing and singing the above-mentioned compositions without any license or permission from the appellant to play or sing the same.

Accordingly, appellant demanded from the appellee payment of the necessary license fee for the playing and singing of aforesaid compositions but the demand was ignored.

Hence, on November 7, 1967, appellant filed a complaint with the lower court for infringement of copyright against defendant-appellee for allowing the playing in defendant-appellee’s restaurant of said songs copyrighted in the name of the former.

Defendant-appellee, in his answer, countered that the complaint states no cause of action. While not denying the playing of said copyrighted compositions in his establishment, appellee maintains that the mere singing and playing of songs and popular tunes even if they are copyrighted do not constitute an infringement under the provisions of Section 3 of the Copyright Law.

ISSUE
Whether the playing and signing of musical compositions which have been copyrighted under the provisions of the Copyright Law (Act 3134) inside the establishment of the defendant-appellee constitute a public performance for profit within the meaning and contemplation of the Copyright Law of the Philippines; and assuming that there were indeed public performances for profit, whether or not appellee can be held liable therefor (YES, there was public performance. NO, he cannot be held liable)

RULING

We concede that indeed there were "public performances for profit."

The word 'perform' as used in the Act has been applied to "One who plays a musical composition on a piano, thereby producing in the air sound waves which are heard as music . . . and if the instrument he plays on is a piano plus a broadcasting apparatus, so that waves are thrown out, not only upon the air, but upon the other, then also he is performing the musical composition."

In relation thereto, it has been held that "The playing of music in dine and dance establishment which was paid for by the public in purchases of food and drink constituted 'performance for profit' within a Copyright Law." Thus, it has been explained that while it is possible in such establishments for the patrons to purchase their food and drinks and at the same time dance to the music of the orchestra, the music is furnished and used by the orchestra for the purpose of inducing the public to patronize the establishment and pay for the entertainment in the purchase of food and drinks. The defendant conducts his place of business for profit, and it is public; and the music is performed for profit (Ibid., p.319). In a similar case, the Court ruled that "The Performance in a restaurant or hotel dining room, by persons employed by the proprietor, of a copyrighted musical composition, for the entertainment of patrons, without charge for admission to hear it, infringes the exclusive right of the owner of the copyright." In delivering the opinion of the Court in said two cases, Justice Holmes elaborated thus:

"If the rights under the copyright are infringed only by a performance where money is taken at the door, they are very imperfectly protected. Performances not different in kind from those of the defendants could be given that might compete with and even destroy the success of the monopoly that the law intends the plaintiffs to have. It is enough to say that there is no need to construe the statute so narrowly. The defendants' performances are not eleemosynary. They are part of a total for which the public pays, and the fact that the price of the whole is attributed to a particular item which those present are expected to order is not important. It is true that the music is not the sole object, but neither is the food, which probably could be got cheaper elsewhere. The object is a repast in surroundings that to people having limited power of conversation or disliking the rival noise, give a luxurious pleasure not to be had from eating a silent meal. If music did not pay, it would be given up. If it pays, it pays out of the public's pocket. Whether it pays or not, the purpose of employing it is profit, and that is enough."

In the case at bar, it is admitted that the patrons of the restaurant in question pay only for the food and drinks and apparently not for listening to the music. As found by the trial court, the music provided is for the purpose of entertaining and amusing the customers in order to make the establishment more attractive and desirable. It will be noted that for the playing and singing the musical compositions involved, the combo was paid as independent contractors by the appellant. It is therefore obvious that the expenses entailed thereby are added to the overhead of the restaurant which are either eventually charged in the price of the food and drinks or to the overall total of
additional income produced by the bigger volume of business which the entertainment was programmed to attract. Consequently, it is beyond question that the playing and singing of the combo in defendant-appellee’s restaurant constituted performance for profit contemplated by the Copyright Law.

Nevertheless, appellee cannot be said to have infringed upon the Copyright Law. Appellee’s allegation that the composers of the contested musical compositions waived their right in favor of the general public when they allowed their intellectual creations to become property of the public domain before applying for the corresponding copyrights for the same is correct.

The Supreme Court has ruled that "Paragraph 33 of Patent Office Administrative Order No. 3 (as amended, dated September 18, 1947) entitled ‘Rules of Practice in the Philippines Patent Office relating to the Registration of Copyright Claims’ promulgated pursuant to Republic Act 165, provides among other things that an intellectual creation should be copyrighted thirty (30) days after its publication, if made in Manila, or within sixty (60) days if made elsewhere, failure of which renders such creation public property." Indeed, if the general public has made use of the object sought to be copyrighted for thirty (30) days prior to the copyright application the law deems the object to have been donated to the public domain and the same can no longer be copyrighted.

A careful study of the records reveals that the song "Dahil Sa Iyo" which was registered on April 20, 1956 became popular in radios, juke boxes, etc. long before registration while the song "The Nearness Of You" registered on January 14, 1955 had become popular twenty five (25) years prior to 1968, (the year of the hearing) or from 1943 and the songs "Sapagkat Ikaw Ay Akin" and "Sapagkat Kami Ay Tao Lamang" both registered on July 10, 1966, appear to have been known and sang by the witnesses as early as 1965 or three years before the hearing in 1968. The testimonies of the witnesses at the hearing of this case on this subject were unrebutted by the appellant.

Under the circumstances, it is clear that the musical compositions in question had long become public property, and are therefore beyond the protection of the Copyright Law.

- Columbia Pictures, Inc., et. al. vs. Court of Appeals, G.R. No. 110318, August 28, 1996

COLUMBIA PICTURES, INC., ORION PICTURES CORPORATION, PARAMOUNT PICTURES CORPORATION, TWENTIETH CENTURY FOX FILM CORPORATION, UNITED ARTISTS CORPORATION, UNIVERSAL CITY STUDIOS, INC., THE WALT DISNEY COMPANY, and WARNER BROTHERS, INC., Petitioners, -versus- COURT OF APPEALS, SUNSHINE HOME VIDEO, INC. and DANilo A. PELINDARIO, Respondent

G.R. No. 110318, EN BANC, August 28, 1996, REGALADO, J.

The registration and deposit of two complete copies or reproductions of the work with the National library within three weeks after the first public dissemination or performance of the work, as provided for in Section 26 (P.D. No. 49, as amended), is not for the purpose of securing a copyright of the work, but rather to avoid the penalty for non-compliance of the deposit of said two copies and in order to recover damages in an infringement suit.

FACTS
Complainants thru counsel lodged a formal complaint with the National Bureau of Investigation for violation of PD No. 49, as amended, and sought its assistance in their anti-film piracy drive. Agents of the NBI and private researchers made discreet surveillance on various video establishments in Metro Manila including Sunshine Home Video Inc. (Sunshine for brevity), owned and operated by Danilo A. Pelindario with address at No. 6 Mayfair Center, Magallanes, Makati, Metro Manila.

On November 14, 1987, NBI Senior Agent Lauro C. Reyes applied for a search warrant with the court a quo against Sunshine seeking the seizure, among others, of pirated video tapes of copyrighted films all of which were enumerated in a list attached to the application; and, television sets, video cassettes and/or laser disc recordings equipment and other machines and paraphernalia used or intended to be used in the unlawful exhibition, showing, reproduction, sale, lease or disposition of videograms tapes in the premises above described. In the hearing of the application, NBI Senior Agent Lauro C. Reyes, upon questions by the court a quo, reiterated in substance his averments in his affidavit. His testimony was corroborated by another witness, Mr. Rene C. Baltazar. Atty. Rico V. Domingo's deposition was also taken. On the basis of the affidavits depositions of NBI Senior Agent Lauro C. Reyes, Rene C. Baltazar and Atty. Rico V. Domingo, Search Warrant No 87-053 for violation of Section 56 of PD No. 9, as amended, was issued by the court a quo.

In the course of the search of the premises indicated in the search warrant, the NBI Agents found and seized various video tapes of duly copyrighted motion pictures/films owned or exclusively distributed by private complainants, and machines, equipment, television sets, paraphernalia, materials, accessories all of which were included in the receipt for properties accomplished by the raiding team. Copy of the receipt was furnished and/or tendered to Mr. Danilo A. Pelindario, registered owner-proprietor of Sunshine Home Video.

On December 16, 1987, a "Return of Search Warrant" was filed with the Court.

A "Motion To Lift the Order of Search Warrant" was filed but was later denied for lack of merit

A Motion for reconsideration of the Order of denial was filed. The court a quo granted the said motion for reconsideration and justified it in this manner:

Petitioners thereafter appealed the order of the trial, court granting private respondents' motion for reconsideration, thus lifting the search warrant which it had therefore issued, to the Court of Appeals. As stated at the outset, said appeal was dismissed and the motion for reconsideration thereof was denied. Hence, this petition was brought to this Court particularly challenging the validity of respondent court's retroactive application of the ruling in 20th Century Fox Film Corporation v. Court of Appeals, Et Al., in dismissing petitioners' appeal and upholding the quashal of the search warrant by the trial court.

**ISSUE**

Whether there was copyright infringement (YES)

**RULING**

As earlier discussed, PD 49 as amended, does not require registration and deposit for a creator to be able to file an action for infringement of his rights. These conditions are merely pre-requisites to an
action for damages. So, as long as the proscribed acts are shown to exist, an action for infringement may be initiated.

Accordingly, the certifications from the Copyright Section of the National Library, presented as evidence by private respondents to show non-registration of some of the films of petitioners, assume no evidentiary weight or significance, whatsoever.

Furthermore, a closer review of Presidential Decree No. 49 reveals that even with respect to works which are required under Section 26 thereof to be registered and with copies to deposited with the National Library, such as books, including composite and cyclopedic works, manuscripts, directories and gazetteers; and periodicals, including pamphlets and newspapers; lectures, sermons, addresses, dissertations prepared for oral delivery; and letters, the failure to comply with said requirements does not deprive the copyright owner of the right to sue for infringement. Such non-compliance merely limits the remedies available to him and subjects him to the corresponding sanction.

The reason for this is expressed in Section 2 of the decree which prefaces its enumeration of copyrightable works with the explicit statement that "the rights granted under this Decree shall, from the moment of creation, subsist with respect to any of the following classes of works." This means that under the present state of the law, the copyright for a work is acquired by an intellectual creator from the moment of creation even in the absence of registration and deposit. As has been authoritatively clarified:

The registration and deposit of two complete copies or reproductions of the work with the National Library within three weeks after the first public dissemination or performance of the work, as provided for in Section 26 (P.D. No. 49, as amended), is not for the purpose of securing a copyright of the work, but rather to avoid the penalty for non-compliance of the deposit of said two copies and in order to recover damages in an infringement suit.

- Pacita Habana, et. al. vs. Felicidad Robles and Goodwill Trading Co., Inc., G.R. No. 131522, July 19, 1999

PACITA I. HABANA, ALICIA L. CINCO and JOVITA N. FERNANDO, Petitioners, -versus- FELICIDAD C. ROBLES and GOODWILL TRADING CO., INC., Respondents G.R. No. 131522, FIRST DIVISION, July 19, 1999, PARDO, J.

In cases of infringement, copying alone is not what is prohibited. The copying must produce an "injurious effect". Here, the injury consists in that respondent Robles lifted from petitioners' book materials that were the result of the latter’s research work and compilation and misrepresented them as her own. She circulated the book DEP for commercial use did not acknowledged petitioners as her source.

Hence, there is a clear case of appropriation of copyrighted work for her benefit that respondent Robles committed. Petitioners' work as authors is the product of their long and assiduous research and for another to represent it as her own is injury enough. In copyrighting books the purpose is to give protection to the intellectual product of an author. This is precisely what the law on copyright protected, under Section 184.1 (b). Quotations from a published work if they are compatible with fair use and only to the extent justified by the purpose, including quotations from newspaper articles and periodicals in the form of press summaries are allowed provided that the source and the name of the author, if appearing on the work, are mentioned.
FACTS

Petitioners are authors and copyright owners of duly issued certificates of copyright registration covering their published works, produced through their combined resources and efforts, entitled COLLEGE ENGLISH FOR TODAY (CET for brevity), Books 1 and 2, and WORKBOOK FOR COLLEGE FRESHMAN ENGLISH, Series 1.

Respondent Felicidad Robles and Goodwill Trading Co., Inc. are the author/publisher and distributor/seller of another published work entitled "DEVELOPING ENGLISH PROFICIENCY" (DEP for brevity), Books 1 and 2 (1985 edition) which book was covered by copyrights issued to them.

In the course of revising their published works, petitioners scouted and looked around various bookstores to check on other textbooks dealing with the same subject matter. By chance they came upon the book of respondent Robles and upon perusal of said book they were surprised to see that the book was strikingly similar to the contents, scheme of presentation, illustrations and illustrative examples in their own book, CET.

After an itemized examination and comparison of the two books (CET and DEP), petitioners found that several pages of the respondent's book are similar, if not all together a copy of petitioners' book, which is a case of plagiarism and copyright infringement.

Petitioners then made demands for damages against respondents and also demanded that they cease and desist from further selling and distributing to the general public the infringed copies of respondent Robles' works.

However, respondents ignored the demands, hence, on July 7, 1988; petitioners filed with RTC complaint for "Infringement and/or unfair competition with damages" against private respondents.

Respondent Robles was impleaded in the suit because she authored and directly committed the acts of infringement complained of, while respondent Goodwill Trading Co., Inc. was impleaded as the publisher and joint co-owner of the copyright certificates of registration covering the two books authored and caused to be published by respondent Robles with obvious connivance with one another.

The trial court dismissed the complaint. CA affirmed. It ruled similarity of the allegedly infringed work to the author's or proprietor's copyrighted work does not of itself establish copyright infringement, especially if the similarity results from the fact that both works deal with the same subject or have the same common source, as in this case.

ISSUE

Whether there was copyright infringement (YES)

RULING
A perusal of the records yields several pages of the book DEP that are similar if not identical with the text of CET.

On page 404 of petitioners’ Book 1 of College English for Today, the authors wrote:

*Items in dates and addresses:*

He died on Monday, April 15, 1975.
Miss Reyes lives in 214 Taft Avenue, Manila

On page 73 of respondents Book 1 Developing English Today, they wrote:

He died on Monday, April 25, 1975.
Miss Reyes address is 214 Taft Avenue Manila

On Page 250 of CET, there is this example on parallelism or repetition of sentence structures, thus:

The proposition is peace. Not peace through the medium of war; not peace to be hunted through the labyrinth of intricate and endless negotiations; not peace to arise out of universal discord, fomented from principle, in all parts of the empire; not peace to depend on the juridical determination of perplexing questions, or the precise marking of the boundary of a complex government. It is simple peace; sought in its natural course, and in its ordinary haunts. It is peace sought in the spirit of peace, and laid in principles purely pacific.

— Edmund Burke, “Speech on Criticism.”

On page 100 of the book DEP, also in the topic of parallel structure and repetition, the same example is found *in toto.* The only difference is that petitioners acknowledged the author Edmund Burke, and respondents did not.

In several other pages the treatment and manner of presentation of the topics of DEP are similar if not a rehash of that contained in CET.

We believe that respondent Robles’ act of lifting from the book of petitioners substantial portions of discussions and examples, and her failure to acknowledge the same in her book is an infringement of petitioners’ copyrights.

When is there a substantial reproduction of a book? It does not necessarily require that the entire copyrighted work, or even a large portion of it, be copied. If so much is taken that the value of the original work is substantially diminished, there is an infringement of copyright and to an injurious extent, the work is appropriated.

In determining the question of infringement, the amount of matter copied from the copyrighted work is an important consideration. To constitute infringement, it is not necessary that the whole or even a large portion of the work shall have been copied. If so much is taken that the value of the original is sensibly diminished, or the labors of the original author are substantially and to an injurious extent appropriated by another, that is sufficient in point of law to constitute piracy.

The essence of intellectual piracy should be essayed in conceptual terms in order to underscore its gravity by an appropriate understanding thereof. Infringement of a copyright is a trespass on a private domain owned and occupied by the owner of the copyright, and, therefore, protected by law, and infringement of copyright, or piracy, which is a synonymous term in this connection, consists in the doing by any person, without the consent of the owner of the copyright, of anything the sole right to do which is conferred by statute on the owner of the copyright.
The respondents’ claim that the copied portions of the book CET are also found in foreign books and other grammar books, and that the similarity between her style and that of petitioners can not be avoided since they come from the same background and orientation may be true. However, in this jurisdiction under Sec 184 of Republic Act 8293 it is provided that:

Limitations on Copyright. Notwithstanding the provisions of Chapter V, the following shall not constitute infringement of copyright:

(c) The making of quotations from a published work if they are compatible with fair use and only to the extent justified for the purpose, including quotations from newspaper articles and periodicals in the form of press summaries: Provided, That the source and the name of the author, if appearing on the work, are mentioned.

A copy of a piracy is an infringement of the original, and it is no defense that the pirate, in such cases, did not know whether or not he was infringing any copyright; he at least knew that what he was copying was not his, and he copied at his peril.

The next question to resolve is to what extent can copying be injurious to the author of the book being copied. Is it enough that there are similarities in some sections of the books or large segments of the books are the same?

In the case at bar, there is no question that petitioners presented several pages of the books CET and DEP that more or less had the same contents. It may be correct that the books being grammar books may contain materials similar as to some technical contents with other grammar books, such as the segment about the "Author Card". However, the numerous pages that the petitioners presented showing similarity in the style and the manner the books were presented and the identical examples can not pass as similarities merely because of technical consideration.

The respondents claim that their similarity in style can be attributed to the fact that both of them were exposed to the APCAS syllabus and their respective academic experience, teaching approach and methodology are almost identical because they were of the same background.

However, we believe that even if petitioners and respondent Robles were of the same background in terms of teaching experience and orientation, it is not an excuse for them to be identical even in examples contained in their books. The similarities in examples and material contents are so obviously present in this case. How can similar/identical examples not be considered as a mark of copying?

We consider as an indicia of guilt or wrongdoing the act of respondent Robles of pulling out from Goodwill bookstores the book DEP upon learning of petitioners' complaint while pharisaically denying petitioners' demand. It was further noted that when the book DEP was re-issued as a revised version, all the pages cited by petitioners to contain portion of their book College English for Today were eliminated.

In cases of infringement, copying alone is not what is prohibited. The copying must produce an "injurious effect". Here, the injury consists in that respondent Robles lifted from petitioners' book materials that were the result of the latter's research work and compilation and misrepresented them as her own. She circulated the book DEP for commercial use did not acknowledged petitioners as her source.
Hence, there is a clear case of appropriation of copyrighted work for her benefit that respondent Robles committed. Petitioners' work as authors is the product of their long and assiduous research and for another to represent it as her own is injury enough. In copyrighting books the purpose is to give protection to the intellectual product of an author. This is precisely what the law on copyright protected, under Section 184.1 (b). Quotations from a published work if they are compatible with fair use and only to the extent justified by the purpose, including quotations from newspaper articles and periodicals in the form of press summaries are allowed provided that the source and the name of the author, if appearing on the work, are mentioned.

In the case at bar, the least that respondent Robles could have done was to acknowledge petitioners Habana et. al. as the source of the portions of DEP. The final product of an author's toil is her book. To allow another to copy the book without appropriate acknowledgment is injury enough.

- NBI-Microsoft Corporation vs. Judy Hwang, et. al., G.R. No. 147043, June 21, 2005

NBI - MICROSOFT CORPORATION & LOTUS DEVELOPMENT CORP., Petitioner, -versus- JUDY C. HWANG, BENITO KEH & YVONNE K. CHUA/BELTRON COMPUTER PHILIPPINES INC., JONATHAN K. CHUA, EMILY K. CHUA, BENITO T. SANCHEZ, NANCY I. VELASCO, ALFONSO CHUA, ALBERTO CHUA, SOPHIA ONG, DEANNA CHUA/TAIWAN MACHINERY DISPLAY & TRADE CENTER, INC., and THE SECRETARY OF JUSTICE, Respondents
G.R. No. 147043, FIRST DIVISION, June 21, 2005, CARPIO, J.

There is no basis for the DOJ to rule that Microsoft must await a prior "resolution from the proper court of (sic) whether or not the [Agreement] is still binding between the parties." Beltron has not filed any suit to question Microsoft's termination of the Agreement. Microsoft can neither be expected nor compelled to wait until Beltron decides to sue before Microsoft can seek remedies for violation of its intellectual property rights.

Furthermore, some of the counterfeit CD-ROMs bought from respondents were "installer" CD-ROMs containing Microsoft software only or both Microsoft and non-Microsoft software. These articles are counterfeit per se because Microsoft does not (and could not have authorized anyone to) produce such CD-ROMs. The copying of the genuine Microsoft software to produce these fake CD-ROMs and their distribution are illegal even if the copier or distributor is a Microsoft licensee. As far as these installer CD-ROMs are concerned, the Agreement (and the alleged question on the validity of its termination) is immaterial to the determination of respondents' liability for copyright infringement and unfair competition.

FACTS

In May 1993, Microsoft and Beltron entered into a Licensing Agreement ("Agreement"). Under Section 2(a) of the Agreement, as amended in January 1994, Microsoft authorized Beltron, for a fee, to:

(i) xxx reproduce and install no more than one (1) copy of [Microsoft] software on each Customer System hard disk or Read Only Memory ("ROM"); [and]
(ii) xxx distribute directly or indirectly and license copies of the Product (reproduced as per Section 2(a)(i) and/or acquired from Authorized Replicator or Authorized Distributor) in object code form to end users[.] xxxx
The Agreement also authorized Microsoft and Beltron to terminate the contract if the other fails to comply with any of the Agreement’s provisions. Microsoft terminated the Agreement effective 22 June 1995 for Beltron’s non-payment of royalties.

Afterwards, Microsoft learned that respondents were illegally copying and selling Microsoft software. Microsoft applied for search warrants against respondents in the Regional Trial Court, Branch 23, Manila ("RTC"). The RTC granted Microsoft’s application and issued two search warrants. NBI searched the premises of Beltron and TMTC and seized several computer-related hardware, software, accessories, and paraphernalia. Among these were 2,831 pieces of CD-ROMs containing Microsoft software.

Petitioners charged respondents before the Department of Justice ("DOJ") with copyright infringement under Section 5(A) in relation to Section 29 of Presidential Decree No. 49, as amended, ("PD 49") and with unfair competition under Article 189(1) of the Revised Penal Code. In its Complaint ("I.S. No. 96-193"), which the NBI indorsed, Microsoft alleged that respondents illegally copied and sold Microsoft software.

In its pleadings filed with the DOJ, Microsoft invoked three clusters of evidence to support its complaint against respondents, namely: (1) the 12 CD-ROMs containing Microsoft software Sacriz and Samiano bought from respondents; (2) the CPU with pre-installed Microsoft software Sacriz and Samiano also purchased from respondents; and (3) the 2,831 CD-ROMs containing Microsoft software seized from respondents. The DOJ, on the one hand, refused to pass upon the relevance of these pieces of evidence because: (1) the "obligations between the parties is civil and not criminal" considering that Microsoft merely sought the issuance of Search Warrant Nos. 95-684 and 95-685 to pressure Beltron to pay its obligation under the Agreement, and (2) the validity of Microsoft's termination of the Agreement must first be resolved by the "proper court." On the other hand, the DOJ ruled that Microsoft failed to present evidence proving that what were obtained from respondents were counterfeit Microsoft products.

ISSUE

Whether there was grave abuse of discretion on the part of DOJ in ruling that there was no probable cause in the case at bar (YES)

RULING

First. Being the copyright and trademark owner of Microsoft software, Microsoft acted well within its rights in filing the complaint under I.S. No. 96-193 based on the incriminating evidence obtained from respondents. Hence, it was highly irregular for the DOJ to hold, based on the RTC Order of 19 July 1996, that Microsoft sought the issuance of Search Warrant Nos. 95-684 and 95-685, and by inference, the filing of the complaint under I.S. No. 96-193, merely to pressure Beltron to pay its overdue royalties to Microsoft. Significantly, in its Decision in CA-G.R. CV No. 54600 dated 29 November 2001, the Court of Appeals set aside the RTC Order of 19 July 1996. Respondents no longer contested that ruling which became final on 27 December 2001.
Second. There is no basis for the DOJ to rule that Microsoft must await a prior "resolution from the proper court of (sic) whether or not the [Agreement] is still binding between the parties." Beltron has not filed any suit to question Microsoft’s termination of the Agreement. Microsoft can neither be expected nor compelled to wait until Beltron decides to sue before Microsoft can seek remedies for violation of its intellectual property rights.

Furthermore, some of the counterfeit CD-ROMs bought from respondents were "installer" CD-ROMs containing Microsoft software only or both Microsoft and non-Microsoft software. These articles are counterfeit per se because Microsoft does not (and could not have authorized anyone to) produce such CD-ROMs. The copying of the genuine Microsoft software to produce these fake CD-ROMs and their distribution are illegal even if the copier or distributor is a Microsoft licensee. As far as these installer CD-ROMs are concerned, the Agreement (and the alleged question on the validity of its termination) is immaterial to the determination of respondents’ liability for copyright infringement and unfair competition.

Lastly, Section 10(b) of the Agreement provides that Microsoft’s "rights and remedies" under the contract are "not xxx exclusive and are in addition to any other rights and remedies provided by law or [the] Agreement." Thus, even if the Agreement still subsists, Microsoft is not precluded from seeking remedies under PD 49 and Article 189(1) of the Revised Penal Code to vindicate its rights.

Third. The Court finds that the 12 CD-ROMs ("installer" and "non-installer") and the CPU with pre-installed Microsoft software Sacriz and Samiano bought from respondents and the 2,831 Microsoft CD-ROMs seized from respondents suffice to support a finding of probable cause to indict respondents for copyright infringement under Section 5(A) in relation to Section 29 of PD 49 for unauthorized copying and selling of protected intellectual works. The installer CD-ROMs with Microsoft software, to repeat, are counterfeit per se. On the other hand, the illegality of the "non-installer" CD-ROMs purchased from respondents and of the Microsoft software pre-installed in the CPU is shown by the absence of the standard features accompanying authentic Microsoft products, namely, the Microsoft end-user license agreements, user’s manuals, registration cards or certificates of authenticity.

On the 2,831 Microsoft CD-ROMs seized from respondents, respondent Beltron, the only respondent who was party to the Agreement, could not have reproduced them under the Agreement as the Solicitor General and respondents contend. Beltron’s rights under the Agreement were limited to:

(1) the "reproduction and installation of no more than one copy of [Microsoft] software on each Customer System hard disk or Read Only Memory ("ROM");” and
(2) the "distribution xxx and licensing of copies of the [Microsoft] Product [as reproduced above] and/or acquired from Authorized Replicator or Authorized Distributor) in object code form to end users."

The Agreement defines an authorized replicator as "a third party approved by [Microsoft] which may reproduce and manufacture [Microsoft] Product[s] for [Beltron] xxx." An authorized distributor, on the other hand, is a "third party approved by [Microsoft] from which [Beltron] may purchase MED Product." Being a mere reproducer/installer of one Microsoft software copy on each customer’s hard disk or ROM, Beltron could only have acquired the hundreds of Microsoft CD-ROMs found in respondents’ possession from Microsoft distributors or replicators.
However, respondents makes no such claim. What respondents contend is that these CD-ROMs were left to them for safekeeping. But neither is this claim tenable for lack of substantiation. Indeed, respondents Keh and Chua, the only respondents who filed counter-affidavits, did not make this claim in the DOJ. These circumstances give rise to the reasonable inference that respondents mass-produced the CD-ROMs in question without securing Microsoft’s prior authorization.

The counterfeit "non-installer" CD-ROMs Sacriz and Samiano bought from respondents also suffice to support a finding of probable cause to indict respondents for unfair competition under Article 189(1) of the Revised Penal Code for passing off Microsoft products. From the pictures of the CD-ROMs’ packaging, one cannot distinguish them from the packaging of CD-ROMs containing genuine Microsoft software. Such replication, coupled with the similarity of content of these fake CD-ROMs and the CD-ROMs with genuine Microsoft software, implies intent to deceive. Once more, we are not persuaded by petitioner’s arguments which appear to be a transparent attempt to evade statutory responsibilities. Driver Licuden was entrusted with possession and control of the freight truck by the registered owner (and by the alleged secret owner, for that matter). Driver Licuden, under the circumstances, was clothed with at least implied authority to contract to carry goods and to accept delivery of such goods for carriage to a specified destination. That the freight to be paid may not have been fixed before loading and carriage, did not prevent the contract of carriage from arising, since the freight was at least determinable if not fixed by the tariff schedules in petitioner’s main business office. Put in somewhat different terms, driver Licuden is in law regarded as the employee and agent of the petitioner, for whose acts petitioner must respond. A contract of carriage of goods was shown; the sawn lumber was loaded on board the freight truck; loss or non-delivery of the lumber at Blue Star’s premises in Valenzuela, Bulacan was also proven; and petitioner has not proven either that she had exercised extraordinary diligence to prevent such loss or non-delivery or that the loss or non-delivery was due to some casualty or force majeure inconsistent with her liability. Petitioner’s liability to private respondent Greenhills was thus fixed and complete, without prejudice to petitioner’s right to proceed against her putative transferee Benjamin Tee and driver Licuden for reimbursement or contribution.