

Republic of the Philippines
SUPREME COURT
Manila

G.R. No. 169504

March 3, 2010

COFFEE PARTNERS, INC., Petitioner,

vs.

SAN FRANCISCO COFFEE & ROASTERY, INC., Respondent.

CARPIO, J.:

The Case

This is a petition for review¹ of the 15 June 2005 Decision² and the 1 September 2005 Resolution³ of the Court of Appeals in CA-G.R. SP No. 80396. In its 15 June 2005 Decision, the Court of Appeals set aside the 22 October 2003 Decision⁴ of the Office of the Director General-Intellectual Property Office and reinstated the 14 August 2002 Decision⁵ of the Bureau of Legal Affairs-Intellectual Property Office. In its 1 September 2005 Resolution, the Court of Appeals denied petitioner's motion for reconsideration and respondent's motion for partial reconsideration.

The 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 agreement⁶ 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.

In 1998, respondent formed a joint venture company with Boyd Coffee USA under the company name Boyd Coffee Company Philippines, Inc. (BCCPI). BCCPI engaged in the processing, roasting, and wholesale selling of coffee. Respondent later embarked on a project study of setting up coffee carts in malls and other commercial establishments in Metro Manila.

In June 2001, respondent discovered that 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.

In its answer, petitioner denied the allegations in the complaint. Petitioner alleged it filed with the Intellectual Property Office (IPO) applications for registration of the mark "SAN FRANCISCO COFFEE & DEVICE" for class 42 in 1999 and for class 35 in 2000. Petitioner maintained its mark could not be confused with respondent's trade name because of the notable distinctions in their appearances. Petitioner argued respondent stopped operating under the trade name "SAN FRANCISCO COFFEE" when it formed a joint venture with Boyd Coffee USA. Petitioner contended respondent did not cite any specific acts that would lead one to believe petitioner had, through fraudulent means, passed off its mark as that of respondent, or that it had diverted business away from respondent.

Mr. David Puyat, president of petitioner corporation, testified that the coffee shop in Libis, Quezon City opened sometime in June 2001 and that another coffee shop would be opened in Glorietta Mall, Makati City. He stated that the coffee shop was set up pursuant to a franchise agreement executed in January 2001 with CPL, a British Virgin Island Company owned by Robert Boxwell. Mr. Puyat said he became involved in the business when one Arthur Gindang invited him to invest in a coffee shop and introduced him to Mr. Boxwell. For his part, Mr. Boxwell attested that the coffee shop "SAN FRANCISCO COFFEE" has branches in Malaysia and Singapore. He added that he formed CPL in 1997 along with two

other colleagues, Shirley Miller John and Leah Warren, who were former managers of Starbucks Coffee Shop in the United States. He said they decided to invest in a similar venture and adopted the name "SAN FRANCISCO COFFEE" from the famous city in California where he and his former colleagues once lived and where special coffee roasts came from.

The Ruling of the Bureau of Legal Affairs-Intellectual Property Office

In its 14 August 2002 Decision, the 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. Since respondent registered its business name with the DTI in 1995 and petitioner registered its trademark with the IPO in 2001 in the Philippines and in 1997 in other countries, then respondent must be protected from infringement of its trade name.

The BLA-IPO also held that respondent did not abandon the use of its trade name as substantial evidence indicated respondent continuously used its trade name in connection with the purpose for which it was organized. It found that although respondent was no longer involved in blending, roasting, and distribution of coffee because of the creation of BCCPI, it continued making plans and doing research on the retailing of coffee and the setting up of coffee carts. The BLA-IPO ruled that for abandonment to exist, the disuse must be permanent, intentional, and voluntary.

The BLA-IPO held that petitioner's use of the trademark "SAN FRANCISCO COFFEE" will likely cause confusion because of the exact similarity in sound, spelling, pronunciation, and commercial impression of the words "SAN FRANCISCO" which is the dominant portion of respondent's trade name and petitioner's trademark. It held that no significant difference resulted even with a diamond-shaped figure with a cup in the center in petitioner's trademark because greater weight is given to words – the medium consumers use in ordering coffee products.

On the issue of unfair competition, the BLA-IPO absolved petitioner from liability. It found that petitioner adopted the trademark "SAN FRANCISCO COFFEE" because of the authority granted to it by its franchisor. The BLA-IPO held there was no evidence of intent to defraud on the part of petitioner.

The BLA-IPO also dismissed respondent's claim of actual damages because its claims of profit loss were based on mere assumptions as respondent had not even started the operation of its coffee carts. The BLA-IPO likewise dismissed respondent's claim of moral damages, but granted its claim of attorney's fees.

Both parties moved for partial reconsideration. Petitioner protested the finding of infringement, while respondent questioned the denial of actual damages. The BLA-IPO denied the parties' partial motion for reconsideration. The parties appealed to the Office of the Director General-Intellectual Property Office (ODG-IPO).

The Ruling of the Office of the Director General-

Intellectual Property Office

In its 22 October 2003 Decision, the 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 Ruling of the Court of Appeals

In its 15 June 2005 Decision, the Court of Appeals set aside the 22 October 2003 decision of the ODG-IPO in so far as it ruled that there was no infringement. It reinstated the 14 August 2002 decision of the BLA-IPO finding infringement. The appellate court denied respondent's claim for actual damages and retained the award of attorney's fees. In its 1 September 2005 Resolution, the Court of Appeals denied petitioner's motion for reconsideration and respondent's motion for partial reconsideration.

The Issue

The sole issue is 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).

The Court's Ruling

The petition has no merit.

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. Petitioner stresses respondent's failure to continue the use of its trade name to designate its goods negates any allegation of infringement. Petitioner claims no confusion is likely to occur between its trademark and respondent's trade name because of a wide divergence in the channels of trade, petitioner serving ready-made coffee while respondent is in wholesale blending, roasting, and distribution of coffee. Lastly, petitioner avers the proper noun "San Francisco" and the generic word "coffee" are not capable of exclusive appropriation.

Respondent maintains the law protects trade names from infringement even if they are not registered with the IPO. Respondent claims Republic Act No. 8293 (RA 8293)⁷ dispensed with registration of a trade name with the IPO as a requirement for the filing of an action for infringement. All that is required is that the trade name is previously used in trade or commerce in the Philippines. Respondent insists it never abandoned the use of its trade name as evidenced by its letter to petitioner demanding immediate discontinuation of the use of its trademark and by the filing of the infringement case. Respondent alleges petitioner's trademark is confusingly similar to respondent's trade name. Respondent stresses ordinarily prudent consumers are likely to be misled about the source, affiliation, or sponsorship of petitioner's coffee.

As to the issue of alleged abandonment of trade name by respondent, the BLA-IPO found that respondent continued to make plans and do research on the retailing of coffee and the establishment of coffee carts, which negates abandonment. This finding was upheld by the Court of Appeals, which further found that while respondent stopped using its trade name in its business of selling coffee, it continued to import and sell coffee machines, one of the services for which the use of the business name has been registered. The binding effect of the factual findings of the Court of Appeals on this Court applies with greater force when both the quasi-judicial body or tribunal like the BLA-IPO and the Court of Appeals are in complete agreement on their factual findings. It is also settled that absent any circumstance requiring the overturning of the factual conclusions made by the quasi-judicial body or tribunal, particularly if affirmed by the Court of Appeals, the Court necessarily upholds such findings of fact.⁸

Coming now to the main issue, in *Prosource International, Inc. v. Horphag Research Management SA*,⁹ 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.¹¹

Section 22 of Republic Act No. 166,¹² as amended, required registration of a trade name as a condition for the institution of an infringement suit, to wit:

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. (Emphasis supplied)

However, 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. *1avvph!1* Thus:

SEC. 165.2 (a) Notwithstanding any laws or regulations providing for any obligation to register trade names, such names shall be protected, even prior to or without registration, against any unlawful act committed by third parties.

(b) In particular, any subsequent use of a trade name by a third party, whether as a trade name or a mark or collective mark, or any such use of a similar trade name or mark, likely to mislead the public, shall be deemed unlawful. (Emphasis supplied)

It is the likelihood of confusion that is the gravamen of infringement. But there is no absolute standard for likelihood of confusion. Only the particular, and sometimes peculiar, circumstances of each case can determine its existence. Thus, in infringement cases, precedents must be evaluated in the light of each particular case.¹³

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.¹⁴

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.¹⁵ 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.¹⁶

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*,¹⁷ 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.¹⁸

This Court is not just a court of law, but also of equity. We cannot allow petitioner to profit by the name and reputation so far built by respondent without running afoul of the basic demands of fair play. Not only the law but equity considerations hold petitioner liable for infringement of respondent's trade name.

The Court of Appeals was correct in setting aside the 22 October 2003 Decision of the Office of the Director General-Intellectual Property Office and in reinstating the 14 August 2002 Decision of the Bureau of Legal Affairs-Intellectual Property Office.

WHEREFORE, we DENY the petition for review. We AFFIRM the 15 June 2005 Decision and 1 September 2005 Resolution of the Court of Appeals in CA-G.R. SP No. 80396.

Costs against petitioner.

SO ORDERED.

ANTONIO T. CARPIO
Associate Justice

WE CONCUR:

PRESBITERO J. VELASCO, JR.*
Associate Justice

MARIANO C. DEL CASTILLO
Associate Justice

ROBERTO A. ABAD
Associate Justice

JOSE P. PEREZ
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

REYNATO S. PUNO
Chief Justice

FOOTNOTES:

* Designated additional member per Raffle dated 15 February 2010.

¹ Under Rule 45 of the Rules of Court.

² Rollo, pp. 71-98. Penned by Associate Justice Arturo D. Brion, with Associate Justices Eugenio S. Labitoria and Eliezer R. Delos Santos, concurring.

³ Id. at 100-101.

⁴ Id. at 195-212.

⁵ Id. at pp. 149-161.

⁶ Id. at 128-140.

⁷ Otherwise known as the Intellectual Property Code. Took effect on 1 January 1998.

⁸ *New City Builders, Inc. v. NLRC*, 499 Phil. 207 (2005).

⁹ G.R. No. 180073, 25 November 2009.

¹⁰ Id.

¹¹ *Philips Export B.V. v. Court of Appeals*, G.R. No. 96161, 21 February 1992, 206 SCRA 457.

¹² Otherwise known as the Trademark Law. Took effect on 20 June 1947.

¹³ Philip Morris, Inc. v. Fortune Tobacco Corporation, G.R. No. 158589, 27 June 2006, 493 SCRA 333.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Prosource International, Inc. v. Horphag Research Management SA, *supra* note 9.

¹⁷ *Supra* note 11.

¹⁸ *Id.*