

Republic of the Philippines
SUPREME COURT
Manila

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.

CARPIO, J.:

The Case

This is a petition for review¹ of the Decision dated 26 November 1999 of the Court of Appeals² finding respondent L.C. Big Mak Burger, Inc. not liable for trademark infringement and unfair competition and ordering petitioners to pay respondents P1,900,000 in damages, and of its Resolution dated 11 July 2000 denying reconsideration. The Court of Appeals' Decision reversed the 5 September 1994 Decision³ of the Regional Trial Court of Makati, Branch 137, finding respondent L.C. Big Mak Burger, Inc. liable for trademark infringement and unfair competition.

The 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's⁴ owns a family of marks⁵ including the "Big Mac" mark for its "double-decker hamburger sandwich."⁶ McDonald's registered this trademark with the United States Trademark Registry on 16 October 1979.⁷ 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 items⁸ and paraphernalia⁹ 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.¹⁰

Petitioner McGeorge Food Industries ("petitioner McGeorge"), a domestic corporation, is McDonald's Philippine franchisee.¹¹

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.¹² Respondent corporation's menu includes hamburger sandwiches and other food items.¹³ Respondents Francis B. Dy, Edna A. Dy, Rene B. Dy, William B. Dy, Jesus Aycardo, Araceli Aycardo, and Grace Huerto ("private respondents") are the incorporators, stockholders and directors of respondent corporation.¹⁴

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. McDonald's also informed respondent Francis Dy ("respondent Dy"), the chairman of the Board of Directors of respondent corporation, of its exclusive right to the "Big Mac" mark and requested him to desist from using the "Big Mac" mark or any similar mark.

Having received no reply from respondent Dy, 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.¹⁵ On 16 August 1990, the RTC issued a writ of preliminary injunction replacing the TRO.¹⁶

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. Respondents point out that the Isaiyas Group of Corporations ("Isaiyas Group") registered the same mark for hamburger sandwiches with the PBPTT on 31 March 1979. One Rodolfo Topacio ("Topacio") similarly registered the same mark on 24 June 1983, prior to McDonald's registration on 18 July 1985. Alternatively, respondents claimed that they are not liable for trademark infringement or for unfair competition, as the "Big Mak" mark they sought to register does not constitute a colorable imitation of the "Big Mac" mark. Respondents asserted that they did not fraudulently pass off their hamburger sandwiches as those of petitioners' Big Mac hamburgers.¹⁷ Respondents sought damages in their counterclaim.

In their Reply, petitioners denied respondents' claim that McDonald's is not the exclusive owner of the "Big Mac" mark. Petitioners asserted that while the Isaiyas Group and Topacio did register the "Big Mac" mark ahead of McDonald's, the Isaiyas Group did so only in the Supplemental Register of the PBPTT and such registration does not provide any protection. McDonald's disclosed that it had acquired Topacio's rights to his registration in a Deed of Assignment dated 18 May 1981.¹⁸

The Trial Court's Ruling

On 5 September 1994, the 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 RTC held:

Undeniably, the mark "B[ig] M[ac]" is a registered trademark for plaintiff McDonald's, and as such, it is entitled [to] protection against infringement.

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There exist some distinctions between the names "B[ig] M[ac]" and "B[ig] M[ak]" as appearing in the respective signages, wrappers and containers of the food products of the parties. But infringement goes beyond the physical features of the questioned name and the original name. There are still other factors to be considered.

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Significantly, the contending parties are both in the business of fast-food chains and restaurants. An average person who is hungry and wants to eat a hamburger sandwich may not be discriminating enough to look for a McDonald's restaurant and buy a "B[ig] M[ac]" hamburger. Once he sees a stall selling hamburger sandwich, in all likelihood, he will dip into his pocket and order a "B[ig] M[ak]" hamburger sandwich. Plaintiff McDonald's fast-food chain has attained wide popularity and acceptance by the consuming public so much so that its air-conditioned food outlets and restaurants will perhaps not be mistaken by many to be the same as defendant corporation's mobile snack vans located along busy streets or highways. But the thing is that what is being sold by both contending parties is a food item – a hamburger sandwich which is for immediate

consumption, so that a buyer may easily be confused or deceived into thinking that the "B[ig] M[ak]" hamburger sandwich he bought is a food-product of plaintiff McDonald's, or a subsidiary or allied outlet thereof. Surely, defendant corporation has its own secret ingredients to make its hamburger sandwiches as palatable and as tasty as the other brands in the market, considering the keen competition among mushrooming hamburger stands and multinational fast-food chains and restaurants. Hence, the trademark "B[ig] M[ac]" has been infringed by defendant corporation when it used the name "B[ig] M[ak]" in its signages, wrappers, and containers in connection with its food business. xxxx

Did the same acts of defendants in using the name "B[ig] M[ak]" as a trademark or tradename in their signages, or in causing the name "B[ig] M[ak]" to be printed on the wrappers and containers of their food products also constitute an act of unfair competition under Section 29 of the Trademark Law?

The answer is in the affirmative. xxxx

The xxx provision of the law concerning unfair competition is broader and more inclusive than the law concerning the infringement of trademark, which is of more limited range, but within its narrower range recognizes a more exclusive right derived by the adoption and registration of the trademark by the person whose goods or services are first associated therewith. xxx Notwithstanding the distinction between an action for trademark infringement and an action for unfair competition, however, the law extends substantially the same relief to the injured party for both cases. (See Sections 23 and 29 of Republic Act No. 166)

Any conduct may be said to constitute unfair competition if the effect is to pass off on the public the goods of one man as the goods of another. The choice of "B[ig] M[ak]" as tradename by defendant corporation is not merely for sentimental reasons but was clearly made to take advantage of the reputation, popularity and the established goodwill of plaintiff McDonald's. For, as stated in Section 29, a person is guilty of unfair competition 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. Thus, plaintiffs have established their valid cause of action against the defendants for trademark infringement and unfair competition and for damages.¹⁹

The dispositive portion of the RTC Decision provides:

WHEREFORE, judgment is rendered in favor of plaintiffs McDonald's Corporation and McGeorge Food Industries, Inc. and against defendant L.C. Big Mak Burger, Inc., as follows:

1. The writ of preliminary injunction issued in this case on [16 August 1990] is made permanent;
2. Defendant L.C. Big Mak Burger, Inc. is ordered to pay plaintiffs actual damages in the amount of P400,000.00, exemplary damages in the amount of P100,000.00, and attorney's fees and expenses of litigation in the amount of P100,000.00;
3. The complaint against defendants Francis B. Dy, Edna A. Dy, Rene B. Dy, William B. Dy, Jesus Aycardo, Araceli Aycardo and Grace Huerto, as well as all counter-claims, are dismissed for lack of merit as well as for insufficiency of evidence.²⁰

Respondents appealed to the Court of Appeals.

The Ruling of the Court of Appeals

On 26 November 1999, the Court of Appeals rendered judgment ("Court of Appeals' Decision") reversing the RTC Decision and ordering McDonald's to pay respondents P1,600,000 as actual and compensatory damages and P300,000 as moral damages. The Court of Appeals held:

Plaintiffs-appellees in the instant case would like to impress on this Court that the use of defendants-appellants of its corporate name – the whole "L.C. B[ig] M[ak] B[urger], I[nc]." which appears on their food packages, signages and advertisements is an infringement of their trademark "B[ig] M[ac]" which they use to identify [their] double decker sandwich, sold in a Styrofoam box packaging material with the McDonald's logo of umbrella "M" stamped thereon, together with the printed mark in red bl[o]ck capital letters, the words being separated by a single space. Specifically, plaintiffs-appellees argue that defendants-appellants' use of their corporate name is a colorable imitation of their trademark "Big Mac".

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To Our mind, however, this Court is fully convinced that no colorable imitation exists. As the definition dictates, it is not sufficient that a similarity exists in both names, but that more importantly, the over-all presentation, or in their essential, substantive and distinctive parts is such as would likely MISLEAD or CONFUSE persons in the ordinary course of purchasing the genuine article. A careful comparison of the way the trademark "B[ig] M[ac]" is being used by plaintiffs-appellees and corporate name L.C. Big Mak Burger, Inc. by defendants-appellants, would readily reveal that no confusion could take place, or that the ordinary purchasers would be misled by it. As pointed out by defendants-appellants, the plaintiffs-appellees' trademark is used to designate only one product, a double decker sandwich sold in a Styrofoam box with the "McDonalds" logo. On the other hand, what the defendants-appellants corporation is using is not a trademark for its food product but a business or corporate name. They use the business name "L.C. Big Mak Burger, Inc." in their restaurant business which serves diversified food items such as siopao, noodles, pizza, and sandwiches such as hotdog, ham, fish burger and hamburger. Secondly, defendants-appellants' corporate or business name appearing in the food packages and signages are written in silhouette red-orange letters with the "b" and "m" in upper case letters. Above the words "Big Mak" are the upper case letter "L.C.". Below the words "Big Mak" are the words "Burger, Inc." spelled out in upper case letters. Furthermore, said corporate or business name appearing in such food packages and signages is always accompanied by the company mascot, a young chubby boy named Maky who wears a red T-shirt with the upper case "m" appearing therein and a blue lower garment. Finally, the defendants-appellants' food packages are made of plastic material.

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xxx [I]t is readily apparent to the naked eye that there appears a vast difference in the appearance of the product and the manner that the tradename "Big Mak" is being used and presented to the public. As earlier noted, there are glaring dissimilarities between plaintiffs-appellees' trademark and defendants-appellants' corporate name. Plaintiffs-appellees' product carrying the trademark "B[ig] M[ac]" is a double decker sandwich (depicted in the tray mat containing photographs of the various food products xxx sold in a Styrofoam box with the "McDonald's" logo and trademark in red, bl[o]ck capital letters printed thereon xxx at a price which is

more expensive than the defendants-appellants' comparable food products. In order to buy a "Big Mac", a customer needs to visit an air-conditioned "McDonald's" restaurant usually located in a nearby commercial center, advertised and identified by its logo - the umbrella "M", and its mascot – "Ronald McDonald". A typical McDonald's restaurant boasts of a playground for kids, a second floor to accommodate additional customers, a drive-thru to allow customers with cars to make orders without alighting from their vehicles, the interiors of the building are well-lighted, distinctly decorated and painted with pastel colors xxx. In buying a "B[ig] M[ac]", it is necessary to specify it by its trademark. Thus, a customer needs to look for a "McDonald's" and enter it first before he can find a hamburger sandwich which carry the mark "Big Mac". On the other hand, defendants-appellants sell their goods through snack vans xxxx

Anent the allegation that defendants-appellants are guilty of unfair competition, We likewise find the same untenable.

Unfair competition is defined as "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 service, for those of another who has already established good will for his similar good, business or services, or any acts calculated to produce the same result" (Sec. 29, Rep. Act No. 166, as amended).

To constitute unfair competition therefore it must necessarily follow that there was malice and that the entity concerned was in bad faith.

In the case at bar, We find no sufficient evidence adduced by plaintiffs-appellees that defendants-appellants deliberately tried to pass off the goods manufactured by them for those of plaintiffs-appellees. The mere suspected similarity in the sound of the defendants-appellants' corporate name with the plaintiffs-appellees' trademark is not sufficient evidence to conclude unfair competition. Defendants-appellants explained that the name "M[ak]" in their corporate name was derived from both the first names of the mother and father of defendant Francis Dy, whose names are Maxima and Kimsoy. With this explanation, it is up to the plaintiffs-appellees to prove bad faith on the part of defendants-appellants. It is a settled rule that the law always presumes good faith such that any person who seeks to be awarded damages due to acts of another has the burden of proving that the latter acted in bad faith or with ill motive. ²¹

Petitioners sought reconsideration of the Court of Appeals' Decision but the appellate court denied their motion in its Resolution of 11 July 2000.

Hence, this petition for review.

Petitioners raise the following grounds for their petition:

I. THE COURT OF APPEALS ERRED IN FINDING THAT RESPONDENTS' CORPORATE NAME "L.C. BIG MAK BURGER, INC." IS NOT A COLORABLE IMITATION OF THE MCDONALD'S TRADEMARK "BIG MAC", SUCH COLORABLE IMITATION BEING AN ELEMENT OF TRADEMARK INFRINGEMENT.

A. Respondents use the words "Big Mak" as trademark for their products and not merely as their business or corporate name.

B. As a trademark, respondents' "Big Mak" is undeniably and unquestionably similar to petitioners' "Big Mac" trademark based on the dominancy test and the

idem sonans test resulting inexorably in confusion on the part of the consuming public.

II. THE COURT OF APPEALS ERRED IN REFUSING TO CONSIDER THE INHERENT SIMILARITY BETWEEN THE MARK "BIG MAK" AND THE WORD MARK "BIG MAC" AS AN INDICATION OF RESPONDENTS' INTENT TO DECEIVE OR DEFRAUD FOR PURPOSES OF ESTABLISHING UNFAIR COMPETITION.²²

Petitioners pray that we set aside the Court of Appeals' Decision and reinstate the RTC Decision.

In their Comment to the petition, respondents question the propriety of this petition as it allegedly raises only questions of fact. On the merits, respondents contend that the Court of Appeals committed no reversible error in finding them not liable for trademark infringement and unfair competition and in ordering petitioners to pay damages.

The Issues

The issues are:

1. Procedurally, whether the questions raised in this petition are proper for a petition for review under Rule 45.
2. On the merits, (a) 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, and (b) whether respondent corporation is liable for trademark infringement and unfair competition.²³

The Court's Ruling

The petition has merit.

On Whether the Questions Raised in the Petition are Proper for a Petition for Review

A party intending to appeal from a judgment of the Court of Appeals may file with this Court a petition for review under Section 1 of Rule 45 ("Section 1")²⁴ raising only questions of law. A question of law exists when the doubt or difference arises on what the law is on a certain state of facts. There is a question of fact when the doubt or difference arises on the truth or falsity of the alleged facts.²⁵

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 1.²⁶ We took a similar course of action in *Asia Brewery, Inc. v. Court of Appeals*²⁷ 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.

On the Manner Respondents Used "Big Mak" in their Business

Petitioners contend that the Court of Appeals erred in ruling that the corporate name "L.C. Big Mak Burger, Inc." appears in the packaging for respondents' hamburger products and not the words "Big Mak" only.

The contention has merit.

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.²⁸ Respondents' cash invoices simply refer to their hamburger sandwiches as "Big Mak."²⁹ It is respondents' snack vans that carry the words "L.C. Big Mak Burger, Inc."³⁰

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.³¹ 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.

On the Issue of Trademark Infringement

Section 22 ("Section 22) of Republic Act No. 166, as amended ("RA 166"), the law applicable to this case,³² defines trademark infringement as follows:

Infringement, what constitutes. — Any person who [1] 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 [2] 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.³³

Petitioners base their cause of action under the first part of Section 22, i.e. respondents allegedly used, without petitioners' consent, a colorable imitation of the "Big Mac" mark in advertising and selling respondents' hamburger sandwiches. This likely caused confusion in the mind of the purchasing public on the source of the hamburgers or the identity of the business.

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."³⁴ Of these, it is the element of likelihood of confusion that is the gravamen of trademark infringement.³⁵

On the Validity of the "Big Mac" Mark and McDonald's Ownership of such Mark

A mark is valid if it is "distinctive" and thus not barred from registration under Section 4³⁶ of RA 166 ("Section 4"). However, once registered, not only the mark's validity but also the registrant's ownership of the mark is prima facie presumed.³⁷

Respondents contend that of the two words in the "Big Mac" mark, it is only the word "Mac" that is valid because the word "Big" is generic and descriptive (proscribed under Section 4[e]), and thus "incapable of exclusive appropriation."³⁸

The contention has no merit. The "Big Mac" mark, which should be treated in its entirety and not dissected word for word,³⁹ is neither generic nor descriptive. Generic marks are commonly used as the name or description of a kind of goods,⁴⁰ such as "Lite" for beer⁴¹ or "Chocolate Fudge" for

chocolate soda drink.⁴² Descriptive marks, on the other hand, convey the characteristics, functions, qualities or ingredients of a product to one who has never seen it or does not know it exists,⁴³ such as "Arthriticare" for arthritis medication.⁴⁴ On the contrary, "Big Mac" falls under the class of fanciful or arbitrary marks as it bears no logical relation to the actual characteristics of the product it represents.⁴⁵ As such, it is highly distinctive and thus valid. Significantly, the trademark "Little Debbie" for snack cakes was found arbitrary or fanciful.⁴⁶

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. The 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.⁴⁷ 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.⁴⁸

On Types of Confusion

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.*,⁴⁹ 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."

Under Act No. 666,⁵⁰ the first trademark law, infringement was limited to confusion of goods only, when the infringing mark is used on "goods of a similar kind."⁵¹ Thus, no relief was afforded to the party whose registered mark or its colorable imitation is used on different although related goods. To remedy this situation, Congress enacted RA 166 on 20 June 1947. In defining trademark infringement, Section 22 of RA 166 deleted the requirement in question and expanded its scope to include such use of the mark or its colorable imitation that is likely to result in confusion on "the source or origin of such goods or services, or identity of such business."⁵² Thus, while there is confusion of goods when the products are competing, confusion of business exists when the products are non-competing but related enough to produce confusion of affiliation.⁵³

On Whether Confusion of Goods and Confusion of Business are Applicable

Petitioners claim that respondents' use of the "Big Mak" mark on respondents' hamburgers results in confusion of goods, particularly *with respect to* petitioners' hamburgers labeled "Big Mac." *Thus*, petitioners *alleged* in their complaint:

1.15. Defendants have unduly prejudiced and clearly infringed *upon* the property rights of plaintiffs in the McDonald's Marks, particularly the mark "B[ig] M[ac]". Defendants' unauthorized acts are likely, and calculated, to confuse, mislead or deceive the public into believing that the products and services offered by defendant Big Mak Burger, and the business it is engaged in, are approved and sponsored by, or affiliated with, plaintiffs.⁵⁴ (Emphasis supplied)

Since respondents used the "Big Mak" mark on the same goods, *i.e.* hamburger sandwiches, that petitioners' "Big Mac" mark is used, trademark infringement through confusion of goods is a proper issue in this case.

Petitioners also claim that respondents' use of the "Big Mak" mark in the sale of hamburgers, the same business that petitioners are engaged in, results in confusion of business. *Petitioners alleged* in their complaint:

1.10. For some *period of time*, and without the consent of plaintiff McDonald's nor its licensee/franchisee, plaintiff McGeorge, and in clear violation of plaintiffs' exclusive right to use *and/or appropriate* the McDonald's marks, defendant Big Mak Burger acting through individual defendants, has been operating "Big Mak Burger", a fast food restaurant business dealing in the sale of hamburger and cheeseburger sandwiches, french fries and other food products, and has caused to be printed on the wrapper of defendant's food products and incorporated in its signages the name "Big Mak Burger", which is confusingly similar to *and/or* is a colorable imitation of the plaintiff McDonald's mark "B[ig] M[ac]", xxx. Defendant Big Mak Burger has thus unjustly created the impression that its business is approved and sponsored by, or affiliated with, plaintiffs.
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2.2 *As a consequence of* the acts committed by defendants, which unduly prejudice and infringe *upon* the property rights of plaintiffs McDonald's and McGeorge as the real owner and rightful proprietor, and the licensee/franchisee, *respectively*, of the McDonald's marks, and which are likely to have caused confusion or deceived the public as to the true source, sponsorship or affiliation of defendants' food products and restaurant business, plaintiffs have suffered and continue to suffer *actual damages in the form of* injury to their business reputation and goodwill, and of *the dilution of* the distinctive quality of the McDonald's marks, *in particular*, the mark "B[ig] M[ac]".⁵⁵ (Emphasis supplied)

Respondents admit that their business includes selling hamburger sandwiches, the same food product that petitioners sell using the "Big Mac" mark. Thus, trademark infringement through confusion of business is also a proper issue in this case.

Respondents assert that their "Big Mak" hamburgers cater *mainly* to the low-income group while petitioners' "Big Mac" hamburgers cater to the middle and upper income groups. Even if this is true, the likelihood of confusion of business remains, since the low-income group might be led to believe that the "Big Mak" hamburgers are the low-end hamburgers marketed by petitioners. After all, petitioners have the exclusive right to use the "Big Mac" mark. *On the other hand*, respondents would benefit by associating their low-end hamburgers, through *the use of* the "Big Mak" mark, with petitioners' high-end "Big Mac" hamburgers, leading to likelihood of confusion in the identity of business.

Respondents further claim that petitioners use the "Big Mac" mark only on petitioners' double-decker hamburgers, while respondents use the "Big Mak" mark on hamburgers and other products like siopao, noodles and pizza. Respondents also point out that petitioners sell their Big Mac double-deckers in a styrofoam box with the "McDonald's" logo and trademark in red, block letters at a price more expensive than the hamburgers of respondents. In contrast, respondents sell their Big Mak hamburgers in plastic wrappers and plastic bags. Respondents further point out that petitioners' restaurants are air-conditioned buildings with drive-thru service, compared to respondents' mobile vans.

These and other factors respondents cite cannot negate the undisputed fact that respondents use their "Big Mak" mark on hamburgers, the same food product that petitioners' sell with *the use of* their registered mark "Big Mac." Whether a hamburger is single, double or triple-decker, and whether wrapped in plastic or styrofoam, it remains the same hamburger food product. Even respondents' use of the "Big Mak" mark on non-hamburger food products cannot excuse their

infringement of petitioners' registered mark, otherwise registered marks will lose their protection under the law.

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. *Thus*, the Court has declared:

Modern law recognizes that the protection to which the owner of a trademark is entitled is not limited to guarding his goods or business from *actual* market competition with identical or similar products of the parties, but extends to all cases in which the use by a junior appropriator of a trade-mark or trade-name is likely to lead to a confusion of source, as where prospective purchasers would be misled into thinking that the complaining party has extended his business into the field (see 148 ALR 56 et seq; 53 Am Jur. 576) or is in *any* way connected with the activities of the infringer; or when it forestalls the normal potential expansion of his business (v. 148 ALR, 77, 84; 52 Am. Jur. 576, 577).⁵⁶ (Emphasis supplied)

On Whether Respondents' Use of the "Big Mak" Mark Results in Likelihood of Confusion

In *determining* likelihood of confusion, jurisprudence has developed two tests, the dominance test and the holistic test.⁵⁷ The dominance 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.

The Court of Appeals, in finding that there is no likelihood of confusion that could arise in *the use* of respondents' "Big Mak" mark on hamburgers, relied on the holistic test. *Thus*, the Court of Appeals ruled that "it is not *sufficient* that a similarity exists in *both* name(s), but that *more importantly*, the *overall* presentation, or in their essential, substantive and distinctive parts is such as would likely MISLEAD or CONFUSE persons in the ordinary course of purchasing the genuine article." The holistic test considers the two marks in their entirety, as they appear on the goods with their labels and packaging. It is not enough to consider their words and compare *the* spelling and pronunciation of the words.⁵⁸

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 dominance test rather than the holistic test. The dominance test considers the dominant features in the competing marks in *determining* whether they are confusingly similar. Under the dominance 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.⁵⁹ 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*,⁶⁰ the Court ruled:

xxx It has been consistently held that the question of infringement of a trademark is to be *determined* by the test of dominance. 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. (G. Heilman Brewing Co. vs. Independent Brewing Co., 191 F., 489, 495, citing Eagle White Lead Co. vs. Pflugh (CC) 180 Fed. 579). 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. (Auburn Rubber Corporation vs. Honover Rubber Co., 107 F. 2d 588; xxx) (Emphasis supplied.)

The Court reiterated the dominancy test in *Lim Hoa v. Director of Patents*,⁶¹ *Phil. Nut Industry, Inc. v. Standard Brands Inc.*,⁶² *Converse Rubber Corporation v. Universal Rubber Products, Inc.*,⁶³ and *Asia Brewery, Inc. v. Court of Appeals*.⁶⁴ In the 2001 case of *Societe Des Produits Nestlé, S.A. v. Court of Appeals*,⁶⁵ the Court explicitly rejected the holistic test in this wise:

[T]he totality or holistic test is contrary to the elementary postulate of the law on trademarks and unfair competition that confusing similarity is to be *determined on the basis of visual, aural, connotative comparisons and overall impressions* engendered by the marks in controversy as they are *encountered* in the realities of the marketplace. (Emphasis supplied)

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 xxx or a dominant feature thereof."*

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*. Thus, in *Marvex Commercial Co., Inc. v. Petra Hawpia & Co., et al.*,⁶⁶ the Court held:

The following random list of confusingly similar sounds in the matter of trademarks, culled from Nims, *Unfair Competition and Trade Marks*, 1947, Vol. 1, will reinforce our view that "SALONPAS" and "LIONPAS" are confusingly similar in sound: "Gold Dust" and "Gold Drop"; "Jantzen" and "Jass-Sea"; "Silver Flash" and "Supper Flash"; "Cascarete" and "Celborite"; "Celluloid" and "Cellonite"; "Chartreuse" and "Charseurs"; "Cutex" and "Cuticlean"; "Hebe" and "Meje"; "Kotex" and "Femetex"; "Zuso" and "Hoo Hoo". Leon Amdur, in his book "Trade-Mark Law and Practice", pp. 419-421, cities, as coming *within* the purview of the *idem sonans* rule, "Yusea" and "U-C-A", "Steinway Pianos" and "Steinberg Pianos", and "Seven-Up" and "Lemon-Up". In *Co Tiong vs. Director of Patents*, this Court unequivocally said that "Celdura" and "Cordura" are confusingly similar in sound; this Court held in *Sapolin Co. vs. Balmaceda*, 67 Phil. 795 that the name "Lusolin" is an infringement of the trademark "Sapolin", as the sound of the two names is almost the same. (Emphasis supplied)

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. Contrary to the Court of Appeals' finding, respondents' claim that their "Big Mak" mark was inspired by the first names of respondent Dy's mother (Maxima) and father (Kimsoy) is not credible. As petitioners well noted:

[R]espondents, particularly Respondent Mr. Francis Dy, could have arrived at a more creative choice for a corporate name by using the names of his parents, especially since he was allegedly driven by sentimental reasons. For one, he could have put his father's name ahead of his mother's, as is usually done in this patriarchal society, and derived letters from said names in that order. Or, he could have taken an equal *number of* letters (i.e., two) from each name, as is the more usual thing done. Surely, the more plausible reason behind Respondents' choice of the word "M[ak]", especially when taken in conjunction with the word "B[ig]", was their intent to take advantage of Petitioners' xxx "B[ig] M[ac]" trademark, with their *alleged* sentiment-focused "explanation" merely thought of as a convenient, *albeit* unavailing, excuse or defense for such an unfair choice of name.⁶⁷

Absent proof that respondents' adoption of the "Big Mak" mark was *due to* honest mistake or was fortuitous,⁶⁸ the inescapable conclusion is that respondents adopted the "Big Mak" mark to "ride on the coattails" of the more established "Big Mac" mark.⁶⁹ This saves respondents much of the expense in advertising to create market recognition of their mark and hamburgers.⁷⁰

Thus, we hold that confusion is likely to result in the public mind. We sustain petitioners' claim of trademark infringement.

On the Lack of Proof of Actual Confusion

Petitioners' failure to present proof of *actual* confusion does not negate their claim of trademark infringement. As noted in *American Wire & Cable Co. v. Director of Patents*,⁷¹ Section 22 *requires* the less stringent standard of "likelihood of confusion" only. *While* proof of *actual* confusion is the best evidence of infringement, its absence is inconsequential.⁷²

On the Issue of Unfair Competition

Section 29 ("Section 29")⁷³ of RA 166 defines unfair competition, thus:

xxxx

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. (Emphasis supplied)

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.⁷⁴ 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.⁷⁵ *Actual* fraudulent intent need not be shown.⁷⁶

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.⁷⁷ 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.⁷⁸

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.⁷⁹

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.⁸⁰ 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. xxx 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."⁸¹ (Emphasis supplied)

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.⁸² Respondents, however, did not give such notice. We hold that as found by the RTC, respondent corporation is liable for unfair competition.

The Remedies Available to Petitioners

Under Section 23⁸³ ("Section 23") in relation to Section 29 of RA 166, a plaintiff who successfully maintains trademark infringement and unfair competition claims is entitled to injunctive and monetary reliefs. Here, the RTC did not err in issuing the injunctive writ of 16 August 1990 (made permanent in its Decision of 5 September 1994) and in ordering the payment of ₱400,000 *actual* damages in favor of petitioners. The injunctive writ is indispensable to prevent further acts of infringement by respondent corporation. Also, the amount of actual damages is a reasonable percentage (11.9%) of respondent corporation's gross sales for three (1988-1989 and 1991) of the six years (1984-1990) respondents have used the "Big Mak" mark.⁸⁴

The RTC also did not err in awarding exemplary damages by way of correction for the public good⁸⁵ *in view of* the finding of unfair competition where intent to deceive the public is essential. The award of attorney's fees and expenses of litigation is also in order.⁸⁶

WHEREFORE, we GRANT the instant petition. We SET ASIDE the Decision dated 26 November 1999 of the Court of Appeals and its Resolution dated 11 July 2000 and REINSTATE the Decision dated 5 September 1994 of the Regional Trial Court of Makati, Branch 137, finding respondent L.C. Big Mak Burger, Inc. liable for trademark infringement and unfair competition.

SO ORDERED.

Davide, C.J. (Chairman), Quisumbing, Ynares-Santiago and Azcuna, JJ., concur.

Footnotes:

¹ Under Rule 45 of the 1997 Rules of Civil Procedure.

² Penned by Associate Justice Eloy R. Bello, Jr. with Presiding Justice Jainal D. Rasul and Associate Justice Ruben T. Reyes concurring.

³ Penned by Judge Santiago Ranada, Jr.

⁴ Itself a registered service mark.

⁵ Some of McDonald's registered marks representing food items (f) and services (s) are: McDONALD'S HAMBURGERS (s); McDONALD'S (f); RONALD McDONALD (s); McDONALDLAND (s); McCHEESE & DESIGN (f); EGG McMUFFIN (s); EGG McMUFFIN (f); McDONALDLAND (f); McDONALD'S & ARCHES (s); McFEAST (f); McCHICKEN (f); McDONALD'S & ARCHES (f); McDONUTS (f); McPIZZA (f); McPIZZA (s); McHAPPY DAY (s); MINI MAC (s); McDOUBLE (f); TOGETHER-McDONALD'S & YOU (s); CHICKEN McNUGGETS (f); McDONALD'S & YOU (s); SUPER MAC (f); McSNACK (s); MAC FRIES (f); McRIB (f); MAPLE McCRISSP (f); LITE MAC (f); BIG MAC (s); CHICKEN McSWISS (f); McMUFFIN (f); McD.L.T. (f). (McDonald's Corporation v. McBagel's, Inc., 649 F.Supp. 1268 [1986]).

⁶ Aside from Big Mac sandwiches, McDonald's menu includes cheeseburgers, special sandwiches, fried french potatoes, chicken nuggets, fried fish sandwiches, shakes, hot pies, sundaes, softdrinks, and other beverages.

⁷ Certificate of Registration No. 1,126,102.

⁸ Table napkins, tray liners, cups and food wrappers.

⁹ Labels, promotional items and packages.

¹⁰ TSN (Arlene Manalo), 26 July 1990, pp. 34-35.

¹¹ McDonald's and petitioner McGeorge are referred to as petitioners.

¹² Rizal, Laguna, Bulacan and Quezon.

¹³ E.g. pizzas, noodles, siopaos, hotdog sandwiches, ham sandwiches, fish burgers, fruit juices, softdrinks and other beverages.

¹⁴ Respondent corporation and private respondents are referred to as respondents.

¹⁵ Records, p. 37.

¹⁶ *Ibid.*, pp. 457-458.

¹⁷ *Ibid.*, pp. 414-426.

¹⁸ *Ibid.*, pp. 460-463.

¹⁹ Rollo, pp. 149-154.

²⁰ Records, pp. 1431-1432.

²¹ Rollo, pp. 233-237 (Capitalization in the original).

²² *Ibid.*, p. 24.

²³ While petitioners seek to hold liable respondent corporation only, the Court's opinion will refer not only to the latter but also to all the respondents as all of them filed the pleadings in this petition.

²⁴ This provision states: "Filing of petition with Supreme Court. — A party desiring to appeal by certiorari from a judgment or final order or resolution of the Court of Appeals, the Sandiganbayan, the Regional Trial Court or other courts whenever authorized by law, may file with the Supreme Court a verified petition for review on certiorari. The petition shall raise only questions of law which must be distinctly set forth."

²⁵ *Ramos, et al. v. Pepsi-Cola Bottling Co. of the Phils., et al.*, 125 Phil. 701 (1967).

²⁶ *Ducusin, et al. v. CA, et al.*, 207 Phil. 248 (1983).

²⁷ *G.R. No. 103543*, 5 July 1993, 224 SCRA 437.

²⁸ Exhibits E-1 to 2, F-1 to 2 and G-1 to 2.

²⁹ Exhibits E, F and G.

³⁰ Exhibits L-10, L-16 to 27.

³¹ Exhibits 34, 36-37.

³² RA 166 has been superseded by Republic Act No. 8293 ("RA 8293"), the Intellectual Property Code of the Philippines, which took effect on 1 January 1998. Section 22 is substantially identical with Section 16 of the United States' 1946 Trademark Act ("Lanham Act").

³³ Superseded by Section 155 of RA 8293 ("Section 155").

³⁴ See *A & H Sportswear Co. v. Victoria's Secret Stores, Inc.*, 167 F.Supp.2d 770 (2001).

³⁵ *Shaley's Inc. v. Covalt*, 704 F.2d 426 (1983). Also referred to as the "lynchpin" (*Suncoast Tours, Inc. v. Lambert Groups, Inc.* 1999 WL 1034683 [1999]) or "touchstone" (*VMG Enterprises, Inc. v. F. Quesada and Franco, Inc.*, 788 F. Supp. 648 [1992]) of trademark infringement.

³⁶ This provision states: "Registration of trade-marks, trade-names and service-marks on the principal register. — There is hereby established a register of trade-marks, trade-names and service-marks which shall be known as the principal register. The owner of a trade-mark, trade-name or service-mark used to distinguish his goods, business or services from the goods, business or services of others shall have the right to register the same on the principal register, unless it:

(a) Consists of or comprises immoral, deceptive or scandalous matter; 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;

(b) Consists of or comprises the flag or coat of arms or other insignia of the Philippines or any of its political subdivisions, or of any foreign nation, or any simulation thereof;

(c) Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the Philippines, during the life of his widow, if any, except by the written consent of the widow;

(d) Consists of or comprises a mark or trade-name which so resembles a mark or trade-name registered in the Philippines or a mark or a trade-name previously used in the Philippines by another and not abandoned, as to be likely, when applied to or used in connection with the goods, business or services of the applicant, to cause confusion or mistake or to deceive purchasers; or

(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;

(f) Except as expressly excluded in paragraphs (a), (b), (c) and (d) of this section nothing herein shall prevent the registration of a mark or trade-name used by the applicant which has become distinctive of the applicant's goods, business or services. The Director may accept as prima facie evidence that the mark or trade-name has become distinctive, as applied to or used in connection with the applicant's goods, business or services, proof of substantially exclusive and continuous use thereof as a mark or trade-name by the applicant in connection with the sale of goods, business or services for five years next preceding the date of the filing of the application for its registration." This has been superseded by Section 123 of RA 8293.

³⁷ Section 20, RA 166. This provision states: "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." This has been superseded by Section 138 of RA 8293. Neither RA 166 nor RA 8293 provides when the presumption of validity and ownership becomes indubitable. In contrast, under the Lanham Act, as amended, (15 United States Code § 1065), such takes place once the trademark has become "incontestable" i.e. after the mark owner files affidavits stating that the mark is registered and has been in continuous use for five consecutive years; that there is no pending proceeding; and that there has been no adverse decision concerning the registrant's ownership or right to registration (See Luis Vuitton Malletier and Oakley, Inc. v. Veit, 211 F.Supp.2d 556 [2002]). However, both RA 166 (Section 12) and RA 8293 (Section 145) require the filing of the affidavit attesting to the continuous use of the mark for five years and, under Section 145, failure to file such affidavit will result in the removal of the mark from the Register.

³⁸ Rollo, pp. 525-527.

³⁹ Societe Des Produits Nestlé, S.A. v. Court of Appeals, G.R. No. 112012, 4 April 2001, 356 SCRA 207; McKee Baking Co. v. Interstate Brands Corporation, 738 F. Supp. 1272 (1990).

⁴⁰ Societe Des Produits Nestlé, S.A. v. Court of Appeals, *supra* note 39; Miller Brewing Co. v. Heileman Brewing Co., 561 F.2d 75 (1977).

⁴¹ Miller Brewing Co. v. Heileman Brewing Co., *supra* note 40.

⁴² A. J. Canfield Co. v. Honickman, 808 F.2d 291 (1986).

⁴³ Societe Des Produits Nestlé, S.A. v. Court of Appeals, *supra* note 39 citing § 43(A) of the Lanham Act, as amended.

⁴⁴ Bernard v. Commerce Drug Co., 964 F.2d 1338 (1992).

⁴⁵ Keebler Co. v. Rovira Biscuit Corp., 624 F.2d 366 (1980).

⁴⁶ McKee Baking Co. v. Interstate Brands Corporation, *supra* note 39.

⁴⁷ See A. Miller and M. Davis, Intellectual Property, Patents, Trademarks and Copyright in a Nutshell 177-178 (1983).

⁴⁸ See Lorenzana v. Macagba, No. L-33773, 22 October 1987, 154 SCRA 723; La Chemise Lacoste, S.A. v. Hon. Fernandez, et al., 214 Phil. 332 (1984). RA 8293 no longer provides for a Supplemental Register and instead mandates a single registry system (Section 137). Under Section 239, marks registered in the Supplemental Register under RA 166 will remain in force but are no longer subject to renewal.

⁴⁹ 137 Phil. 838 (1969).

⁵⁰ Enacted on 6 March 1903.

⁵¹ Section 3 of Act No. 666 provides: "The ownership or possession of a trade-mark, heretofore or hereafter appropriated, as in the foregoing section provided, shall be recognized and protected in the same manner and to the same extent, as are other property rights known to the law. To this end any person entitled to the exclusive use of a trade-mark to designate the origin or ownership of goods he has made or deals in may recover damages in a civil action from any person who has sold goods of a similar kind, bearing such trade-mark, and the measure of the damages suffered, at the option of the complaining party, shall be either the reasonable profit which the complaining party would have made had the defendant not sold the goods with the trade-mark aforesaid, or the profit which the defendant actually made out of the sale of the goods with the trade-mark, and in cases where actual intent to mislead the public or to defraud the owner of the trade-mark shall be shown, in the discretion of the court, the damages may be doubled. The complaining party, upon proper showing, may have a preliminary injunction, restraining the defendant temporarily from use of the trade-mark pending the hearing, to be granted or dissolved in the manner provided in the Code of Civil Procedure, and such injunction upon final hearing, if the complainant's property in the trade-mark and the defendant's violation thereof shall be fully established, shall be made perpetual, and this injunction shall be part of the judgment for damages to be rendered in the same cause as above provided." (Emphasis supplied)

⁵² The United States Congress had introduced the same amendment to the Lanham Act in 1946. In 1962, the US Congress again amended Section 16 of the Lanham Act ("Sec. 43(A)") by deleting the phrase "the source or origin of such goods or services, or identity of such business" in the definition of trademark infringement. This led courts in that jurisdiction to hold that post-sale confusion by the public at large (Esercizio v. Roberts, 944 F.2d 1235 [1991]). See also Koppers Company, Inc. v. Krup-Koppers, 517 F.Supp. 836 [1981]) or "subliminal confusion," defined as confusion on a subliminal or subconscious level, causing the consumer to identify the properties and reputation of one product with those of another, although he can identify the particular manufacturer of each, (Ortho Pharmaceutical Corporation v. American Cyanamid Company, 361 F.Supp. 1032 [1973]). See also Farberware, Inc. v. Mr. Coffee, Inc., 740 F.Supp. 291 (1990); Dreyfus Fund Incorporated v. Royal Bank of Canada, 525 F. Supp. 1108 [1981]) are sufficient to sustain a trademark infringement claim. Section 155 substantially reproduces Sec. 43(A).

⁵³ Agpalo, The Law on Trademark, Infringement and Unfair Competition 45-46 (2000).

⁵⁴ Records, p. 5.

⁵⁵ *Ibid.*, pp. 4, 6-7.

⁵⁶ Sta. Ana v. Maliwat, et al., 133 Phil. 1006 (1968).

⁵⁷ Societe Des Produits Nestlé, S.A. v. Court of Appeals, *supra* note 39; Emerald Garment Manufacturing Corporation v. Court of Appeals, G.R. No. 100098, 29 December 1995, 251 SCRA 600.

- ⁵⁸ V. Amador, *Trademarks Under The Intellectual Property Code* 260 (1999).
- ⁵⁹ *Ibid.*, p. 263.
- ⁶⁰ 95 Phil. 1 (1954).
- ⁶¹ 100 Phil. 214 (1956).
- ⁶² No. L-23035, 31 July 1975, 65 SCRA 575.
- ⁶³ No. L-27906, 8 January 1987, 147 SCRA 154.
- ⁶⁴ *Supra* note 27.
- ⁶⁵ *Supra* note 39.
- ⁶⁶ 125 Phil. 295 (1966).
- ⁶⁷ Rollo, pp. 588-589.
- ⁶⁸ *Time v. Life Television Co. of St. Paul*, 123 F. Supp. 470 (1954);
- ⁶⁹ *Conde Nast Publications v. Vogue School of Fashion Modelling*, 105 F. Supp. 325 (1952); *Hanson v. Triangle Publications*, 163 F.2d 74 (1947).
- ⁷⁰ *See Fisons Horticulture, Inc. v. Vigoro Industries, Inc.*, 30 F.3d 466 (1994).
- ⁷¹ No. L-26557, 18 February 1970, 31 SCRA 544.
- ⁷² *PACCAR Inc. v. Tele Scan Technologies, L.L.C.*, 319 F.3d 243 (2003).
- ⁷³ Reiterated in Section 168 of RA 8293.
- ⁷⁴ V. Amador, *supra* note 58 at 278.
- ⁷⁵ *Shell Co. of the Philippines, Ltd. v. Ins. Petroleum Refining Co., Ltd.*, 120 Phil. 434 (1964); *"La Insular" v. Jao Oge*, 42 Phil. 366 (1921).
- ⁷⁶ *Alhambra Cigar, etc., Co. v. Mojica*, 27 Phil. 266 (1914).
- ⁷⁷ *Co Tiong Sa v. Director of Patents*, *supra* note 60; *Clarke v. Manila Candy Co.*, 36 Phil. 100 (1917).
- ⁷⁸ *See Q-Tips, Inc. v. Johnson & Johnson*, 108 F.Supp 845 (1952).
- ⁷⁹ Rollo, pp. 40-45.
- ⁸⁰ *Suncoast Tours, Inc. v. Lambert Groups, Inc.* 1999 WL 1034683 (1999).
- ⁸¹ Rollo, pp. 148-149.
- ⁸² *See Q-Tips, Inc. v. Johnson & Johnson*, *supra* note 78.
- ⁸³ This provision reads: "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 infringed his said rights, or the profit which the defendant actually made out of the infringement, or in the event such measure of damages cannot be readily ascertained with reasonable certainty, then the court may award as damages a reasonable percentage based upon the amount of gross sales of the defendant of 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."
- ⁸⁴ TSN, (Francis Dy), 15 March 1993, p. 32; TSN (Francis Dy), 22 March 1993, pp. 1-2.
- ⁸⁵ Article 2229, Civil Code.
- ⁸⁶ Article 2208(1), Civil Code.