

Republic of the Philippines  
SUPREME COURT  
Manila

THIRD DIVISION

G.R. No. 154342 July 14, 2004

MIGHTY CORPORATION and LA CAMPANA FABRICA DE TABACO, INC., petitioner,

vs.

E. & J. GALLO WINERY and THE ANDRESONS GROUP, INC., respondents.

CORONA, J.:

In this petition for review on certiorari under Rule 45, petitioners Mighty Corporation and La Campana Fabrica de Tabaco, Inc. (La Campana) seek to annul, reverse and set aside: (a) the November 15, 2001 decision<sup>1</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 65175 affirming the November 26, 1998 decision,<sup>2</sup> as modified by the June 24, 1999 order,<sup>3</sup> of the Regional Trial Court of Makati City, Branch 57 (Makati RTC) in Civil Case No. 93-850, which held petitioners liable for, and permanently enjoined them from, committing trademark infringement and unfair competition, and which ordered them to pay damages to respondents E. & J. Gallo Winery (Gallo Winery) and The Andresons Group, Inc. (Andresons); (b) the July 11, 2002 CA resolution denying their motion for reconsideration<sup>4</sup> and (c) the aforesaid Makati RTC decision itself.

I.

The Factual Background

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.<sup>5</sup>

Gallo Winery's GALLO wine trademark was registered in the principal register of the Philippine Patent Office (now Intellectual Property Office) on November 16, 1971 under Certificate of Registration No. 17021 which was renewed on November 16, 1991 for another 20 years.<sup>6</sup> Gallo Winery also applied for registration of its ERNEST & JULIO GALLO wine trademark on October 11, 1990 under Application Serial No. 901011-00073599-PN but the records do not disclose if it was ever approved by the Director of Patents.<sup>7</sup>

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.<sup>8</sup>

The Bureau of Internal Revenue (BIR) approved Tobacco Industries' use of GALLO 100's cigarette mark on September 14, 1973 and GALLO filter cigarette mark on March 26, 1976, both for the manufacture and sale of its cigarette products. In 1976, Tobacco Industries filed its manufacturer's sworn statement as basis for BIR's collection of specific tax on GALLO cigarettes.<sup>9</sup>

On February 5, 1974, Tobacco Industries applied for, but eventually did not pursue, the registration of the GALLO cigarette trademark in the principal register of the then Philippine Patent Office.<sup>10</sup>

In May 1984, Tobacco Industries assigned the GALLO cigarette trademark to La Campana which, on July 16, 1985, applied for trademark registration in the Philippine Patent Office.<sup>11</sup> On July 17, 1985, the National Library issued Certificate of Copyright Registration No. 5834 for La Campana's lifetime copyright claim over GALLO cigarette labels.<sup>12</sup>

Subsequently, La Campana authorized Mighty Corporation to manufacture and sell cigarettes bearing the GALLO trademark.<sup>13</sup> BIR approved Mighty Corporation's use of GALLO 100's cigarette brand, under licensing agreement with Tobacco Industries, on May 18, 1988, and GALLO SPECIAL MENTHOL 100's cigarette brand on April 3, 1989.<sup>14</sup>

Petitioners claim that GALLO cigarettes have been sold in the Philippines since 1973, initially by Tobacco Industries, then by La Campana and finally by Mighty Corporation.<sup>15</sup>

On the other hand, although the GALLO wine trademark was registered in the Philippines in 1971, respondents claim that they first introduced and sold the GALLO and ERNEST & JULIO GALLO wines in the Philippines circa 1974 within the then U.S. military facilities only. By 1979, they had expanded their Philippine market through authorized distributors and independent outlets.<sup>16</sup>

Respondents claim that they first learned about the existence of GALLO cigarettes in the latter part of 1992 when an Andresons employee saw such cigarettes on display with GALLO wines in a Davao supermarket wine cellar section.<sup>17</sup> Forthwith, respondents sent a demand letter to petitioners asking them to stop using the GALLO trademark, to no avail.

## II. The Legal Dispute

On March 12, 1993, respondents sued petitioners in the Makati RTC for trademark and tradename infringement and unfair competition, with a prayer for damages and preliminary injunction.

Respondents charged petitioners with violating Article 6bis of the Paris Convention for the Protection of Industrial Property (Paris Convention)<sup>18</sup> and RA 166 (Trademark Law),<sup>19</sup> specifically, Sections 22 and 23 (for trademark infringement),<sup>20</sup> 29 and 30<sup>21</sup> (for unfair competition and false designation of origin) and 37 (for tradename infringement).<sup>22</sup> 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. Respondents prayed for the issuance of a writ of preliminary injunction and ex parte restraining order, plus P2 million as actual and compensatory damages, at least P500, 000 as exemplary and moral damages, and at least P500, 000 as attorney's fees and litigation expenses.<sup>23</sup>

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.

In an order dated April 21, 1993,<sup>24</sup> the Makati RTC denied, for lack of merit, respondent's prayer for the issuance of a writ of preliminary injunction,<sup>25</sup> holding that respondent's GALLO trademark registration certificate covered wines only, that respondents' wines and petitioners' cigarettes were not related goods and respondents failed to prove material damage or great irreparable injury as required by Section 5, Rule 58 of the Rules of Court.<sup>26</sup>

On August 19, 1993, the Makati RTC denied, for lack of merit, respondents' motion for reconsideration. The court reiterated that respondents' wines and petitioners' cigarettes were not related goods since the likelihood of deception and confusion on the part of the consuming public was very remote. The trial court emphasized that it could not rely on foreign rulings cited by respondents "because the [se] cases were decided by foreign courts on the basis of unknown facts peculiar to each case or upon factual surroundings which may exist only within their jurisdiction. Moreover, there [was] no showing that [these cases had] been tested or found applicable in our jurisdiction."<sup>27</sup>

On February 20, 1995, the CA likewise dismissed respondents' petition for review on certiorari, docketed as CA-G.R. No. 32626, thereby affirming the Makati RTC's denial of the application for issuance of a writ of preliminary injunction against petitioners.<sup>28</sup>

After trial on the merits, however, the Makati RTC, on November 26, 1998, held petitioners liable for, and permanently enjoined them from, committing trademark infringement and unfair competition with respect to the GALLO trademark:

WHEREFORE, judgment is rendered in favor of the plaintiff (*sic*) and against the defendant (*sic*), to wit:

- a. permanently restraining and enjoining defendants, their distributors, trade outlets, and all persons acting for them or under their instructions, from (i) using E & J's registered trademark GALLO or any other reproduction, counterfeit, copy or colorable imitation of said trademark, either singly or in conjunction with other words, designs or emblems and other acts of similar nature, and (ii) committing other acts of unfair competition against plaintiffs by manufacturing and selling their cigarettes in the domestic or export markets under the GALLO trademark.
- b. ordering defendants to pay plaintiffs –
  - (i) actual and compensatory damages for the injury and prejudice and impairment of plaintiffs' business and goodwill as a result of the acts and conduct pleaded as basis for this suit, in an amount equal to 10% of FOURTEEN MILLION TWO HUNDRED THIRTY FIVE THOUSAND PESOS (PHP14,235,000.00) from the filing of the complaint until fully paid;
  - (ii) exemplary damages in the amount of PHP100, 000.00;
  - (iii) attorney's fees and expenses of litigation in the amount of PHP1, 130,068.91;
  - (iv) the cost of suit.

SO ORDERED."<sup>29</sup>

On June 24, 1999, the Makati RTC granted respondent's motion for partial reconsideration and increased the award of actual and compensatory damages to 10% of ₱199, 290,000 or ₱19, 929,000.<sup>30</sup>

On appeal, the CA affirmed the Makati RTC decision and subsequently denied petitioner's motion for reconsideration.

### III. The Issues

Petitioners now seek relief from this Court contending that the CA did not follow prevailing laws and jurisprudence when it held that: [a] RA 8293 (Intellectual Property Code of the Philippines [IP Code]) was applicable in this case; [b] GALLO cigarettes and GALLO wines were identical, similar or related goods for the reason alone that they were purportedly forms of vice; [c] both goods passed through the same channels of trade and [d] petitioners were liable for trademark infringement, unfair competition and damages.<sup>31</sup>

Respondents, on the other hand, assert that this petition which invokes Rule 45 does not involve pure questions of law, and hence, must be dismissed outright.

### IV. Discussion

#### THE EXCEPTIONAL CIRCUMSTANCES IN THIS CASE OBLIGE THE COURT TO REVIEW THE CA'S FACTUAL FINDINGS

As a general rule, a petition for review on *certiorari* under Rule 45 must raise only "questions of law"<sup>32</sup> (that is, the doubt pertains to the application and interpretation of law to a certain set of facts) and not "questions of fact" (where the doubt concerns the truth or falsehood of alleged facts),<sup>33</sup> otherwise, the petition will be denied. We are not a trier of facts and the Court of Appeals' factual findings are generally conclusive upon us.<sup>34</sup>

This case involves questions of fact which are directly related and intertwined with questions of law. The resolution of the factual issues concerning the goods' similarity, identity, relation, channels of trade, and acts of trademark infringement and unfair competition is greatly dependent on the interpretation of applicable laws. The controversy here is not simply the identity or similarity of both parties' trademarks but whether or not infringement or unfair competition was committed, a conclusion based on statutory interpretation. Furthermore, one or more of the following exceptional circumstances oblige us to review the evidence on record:<sup>35</sup>

- (1) the conclusion is grounded entirely on speculation, surmises, and conjectures;
- (2) the inference of the Court of Appeals from its findings of fact is manifestly mistaken, absurd and impossible;
- (3) there is grave abuse of discretion;
- (4) the judgment is based on a misapprehension of facts;
- (5) the appellate court, in making its findings, went beyond the issues of the case, and the same are contrary to the admissions of both the appellant and the appellee;
- (6) the findings are without citation of specific evidence on which they are based;
- (7) the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and
- (8) the findings of fact of the Court of Appeals are premised on the absence of evidence and are contradicted [by the evidence] on record.<sup>36</sup>

In this light, after thoroughly examining the evidence on record, weighing, analyzing and balancing all factors to determine whether trademark infringement and/or unfair competition has been committed, we conclude that both the Court of Appeals and the trial court veered away from the law and well-settled jurisprudence.

Thus, we give due course to the petition.

THE TRADEMARK LAW AND THE PARIS CONVENTION ARE THE APPLICABLE LAWS,  
NOT THE INTELLECTUAL PROPERTY CODE

We note that respondents sued petitioners on March 12, 1993 for trademark infringement and unfair competition committed during the effectivity of the Paris Convention and the Trademark Law.

Yet, in the Makati RTC decision of November 26, 1998, petitioners were held liable not only under the aforesaid governing laws but also under the IP Code which took effect only on January 1, 1998,<sup>37</sup> or about five years after the filing of the complaint:

Defendants' unauthorized use of the GALLO trademark constitutes trademark infringement pursuant to Section 22 of Republic Act No. 166, Section 155 of the IP Code, Article 6<sup>bis</sup> of the Paris Convention, and Article 16 (1) of the TRIPS Agreement as it causes confusion, deception and mistake on the part of the purchasing public.<sup>38</sup>  
(Emphasis and underscoring supplied)

The CA apparently did not notice the error and affirmed the Makati RTC decision:

In the light of its finding that appellants' use of the GALLO trademark on its cigarettes is likely to create confusion with the GALLO trademark on wines previously registered and used in the Philippines by appellee E & J Gallo Winery, the trial court thus did not err in holding that appellants' acts not only violated the provisions of the our trademark laws (R.A. No. 166 and R.A. Nos. (sic) 8293) but also Article 6<sup>bis</sup> of the Paris Convention.<sup>39</sup>  
(Emphasis and underscoring supplied)

We therefore hold that the courts *a quo* erred in retroactively applying the IP Code in this case.

It is a fundamental principle that the validity and obligatory force of a law proceed from the fact that it has first been promulgated. A law that is not yet effective cannot be considered as conclusively known by the populace. To make a law binding even before it takes effect may lead to the arbitrary exercise of the legislative power.<sup>40</sup> *Nova constitutio futuris formam imponere debet non praeteritis*. A new state of the law ought to affect the future, not the past. Any doubt must generally be resolved against the retroactive operation of laws, whether these are original enactments, amendments or repeals.<sup>41</sup> There are only a few instances when laws may be given retroactive effect,<sup>42</sup> none of which is present in this case.

The IP Code, repealing the Trademark Law,<sup>43</sup> was approved on June 6, 1997. Section 241 thereof expressly decreed that it was to take effect only on January 1, 1998, without any provision for retroactive application. Thus, the Makati RTC and the CA should have limited the consideration of the present case within the parameters of the Trademark Law and the Paris Convention, the laws in force at the time of the filing of the complaint.

DISTINCTIONS BETWEEN TRADEMARK INFRINGEMENT AND UNFAIR COMPETITION

Although the laws on trademark infringement and unfair competition have a common conception at their root, that is, a person shall not be permitted to misrepresent his goods or his business as the goods or business of another, the law on unfair competition is broader and more inclusive than the law on trademark infringement. The latter is more limited but it recognizes a more

exclusive right derived from the trademark adoption and registration by the person whose goods or business is first associated with it. The law on trademarks is thus a specialized subject distinct from the law on unfair competition, although the two subjects are entwined with each other and are dealt with together in the Trademark Law (now, both are covered by the IP Code). Hence, even if one fails to establish his exclusive property right to a trademark, he may still obtain relief on the ground of his competitor's unfairness or fraud. Conduct constitutes unfair competition if the effect is to pass off on the public the goods of one man as the goods of another. It is not necessary that any particular means should be used to this end.<sup>44</sup>

In *Del Monte Corporation vs. Court of Appeals*,<sup>45</sup> we distinguished trademark infringement from 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.

#### PERTINENT PROVISIONS ON TRADEMARK INFRINGEMENT UNDER THE PARIS CONVENTION AND THE TRADEMARK LAW

Article 6<sup>bis</sup> of the Paris Convention,<sup>46</sup> an international agreement binding on the Philippines and the United States (Gallo Winery's country of domicile and origin) prohibits "the [registration] or use of a trademark which constitutes a reproduction, imitation or translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be *well-known* in that country as being already the mark of a person entitled to the benefits of the [Paris] Convention and used for identical or *similar* goods. [This rule also applies] when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation *liable to create confusion* therewith." There is no time limit for seeking the prohibition of the use of marks used in bad faith.<sup>47</sup>

Thus, under Article 6<sup>bis</sup> of the Paris Convention, the following are the elements of trademark infringement:

- (a) registration or use by another person of a trademark which is a reproduction, imitation or translation *liable to create confusion*,
- (b) of a mark considered by the competent authority of the country of registration or use<sup>48</sup> to be *well-known* in that country and is already the mark of a person entitled to the benefits of the Paris Convention, and
- (c) such trademark is *used for identical or similar goods*.

On the other hand, Section 22 of the Trademark Law holds a person liable for infringement when, among others, he "uses without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or tradename 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 reproduce, counterfeit, copy or colorably imitate any such mark or tradename 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."<sup>49</sup> Trademark registration and actual use are material to the complaining party's cause of action.

Corollary to this, Section 20 of the Trademark Law<sup>50</sup> considers the trademark registration certificate as *prima facie* evidence of the validity of the registration, the registrant's ownership and exclusive right to use the trademark in connection with the goods, business or services as classified by the Director of Patents<sup>51</sup> and as specified in the certificate, subject to the conditions and limitations stated therein. Sections 2 and 2-A<sup>52</sup> of the Trademark Law emphasize the importance of the trademark's actual use in commerce in the Philippines prior to its registration. In the adjudication of trademark rights between contending parties, equitable principles of laches, estoppel, and acquiescence may be considered and applied.<sup>53</sup>

Under Sections 2, 2-A, 9-A, 20 and 22 of the Trademark Law therefore, 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) 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) the trademark is used for identical or similar goods, and
- (d) such act is done without the consent of the trademark registrant or assignee.

In summary, the Paris Convention protects well-known trademarks only (to be determined by domestic authorities), while the Trademark Law protects all trademarks, whether well-known or not, provided that they have been registered and are in actual commercial use in the Philippines. Following universal acquiescence and comity, in case of domestic legal disputes on any conflicting provisions between the Paris Convention (which is an international agreement) and the Trademark law (which is a municipal law) the latter will prevail.<sup>54</sup>

Under both the Paris Convention and the Trademark Law, the protection of a registered trademark is limited only to goods identical or similar to those in respect of which such trademark is registered and only when there is likelihood of confusion. Under both laws, the time element in commencing infringement cases is material in ascertaining the registrant's express or implied consent to another's use of its trademark or a colorable imitation thereof. This is why acquiescence, estoppel or laches may defeat the registrant's otherwise valid cause of action.

Hence, proof of all the elements of trademark infringement is a condition precedent to any finding of liability.

#### THE ACTUAL COMMERCIAL USE IN THE PHILIPPINES OF GALLO CIGARETTE TRADEMARK PRECEDED THAT OF GALLO WINE TRADEMARK.

By respondents' own judicial admission, the GALLO wine trademark was registered in the Philippines in November 1971 but the wine itself was first marketed and sold in the country only in 1974 and only within the former U.S. military facilities, and outside thereof, only in 1979. To prove commercial use of the GALLO wine trademark in the Philippines, respondents presented sales invoice no. 29991 dated July 9, 1981 addressed to Conrad Company Inc., Makati, Philippines and sales invoice no. 85926 dated March 22, 1996 addressed to Andresons Global, Inc., Quezon City, Philippines. Both invoices were for the sale and shipment of GALLO wines to

the Philippines during that period.<sup>55</sup> Nothing at all, however, was presented to evidence the alleged sales of GALLO wines in the Philippines in 1974 or, for that matter, prior to July 9, 1981.

On the other hand, by testimonial evidence supported by the BIR authorization letters, forms and manufacturer's sworn statement, it appears that petitioners and its predecessor-in-interest, Tobacco Industries, have indeed been using and selling GALLO cigarettes in the Philippines since 1973 or before July 9, 1981.<sup>56</sup>

In *Emerald Garment Manufacturing Corporation vs. Court of Appeals*,<sup>57</sup> we reiterated our rulings in *Pagasa Industrial Corporation vs. Court of Appeals*,<sup>58</sup> *Converse Rubber Corporation vs. Universal Rubber Products, Inc.*,<sup>59</sup> *Sterling Products International, Inc. vs. Farbenfabriken Bayer Aktiengesellschaft*,<sup>60</sup> *Kabushi Kaisha Isetan vs. Intermediate Appellate Court*,<sup>61</sup> and *Philip Morris vs. Court of Appeals*,<sup>62</sup> giving utmost importance to the actual commercial use of a trademark in the Philippines prior to its registration, notwithstanding the provisions of the Paris Convention:

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In addition to the foregoing, we are constrained to agree with petitioner's contention that private respondent failed to prove prior actual commercial use of its "LEE" trademark in the Philippines before filing its application for registration with the BPTTT and hence, has not acquired ownership over said mark.

Actual use in commerce in the Philippines is an essential prerequisite for the acquisition of ownership over a trademark pursuant to Sec. 2 and 2-A of the Philippine Trademark Law (R.A. No. 166) x x x

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The provisions of the 1965 Paris Convention for the Protection of Industrial Property relied upon by private respondent and Sec. 21-A of the Trademark Law (R.A. No. 166) were sufficiently expounded upon and qualified in the recent case of *Philip Morris, Inc. v. Court of Appeals* (224 SCRA 576 [1993]):

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Following universal acquiescence and comity, our municipal law on trademarks regarding the requirement of actual use in the Philippines must subordinate an international agreement inasmuch as the apparent clash is being decided by a municipal tribunal (Mortisen vs. Peters, Great Britain, High Court of Judiciary of Scotland, 1906, 8 Sessions, 93; Paras, International Law and World Organization, 1971 Ed., p. 20). Withal, the fact that international law has been made part of the law of the land does not by any means imply the primacy of international law over national law in the municipal sphere. Under the doctrine of incorporation as applied in most countries, rules of international law are given a standing equal, not superior, to national legislative enactments.

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In other words, (a foreign corporation) may have the capacity to sue for infringement irrespective of lack of business activity in the Philippines on account of Section 21-A of the Trademark Law but the question of whether they have an exclusive right over their symbol as to justify issuance of the controversial writ will depend on actual use of their trademarks in the Philippines in line with Sections 2 and 2-A of the same law. It is thus incongruous for petitioners to claim that when a foreign corporation not licensed to do business in the Philippines files a complaint for infringement, the entity need not be actually using the trademark in commerce in the Philippines. Such a foreign corporation may have the

personality to file a suit for infringement but it may not necessarily be entitled to protection due to absence of actual use of the emblem in the local market.

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Undisputably, private respondent is the senior registrant, having obtained several registration certificates for its various trademarks "LEE," "LEE RIDERS," and "LEESURES" in both the supplemental and principal registers, as early as 1969 to 1973. However, registration alone will not suffice. In *Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft* (27 SCRA 1214 [1969]; Reiterated in *Kabushi Isetan vs. Intermediate Appellate Court* (203 SCRA 583 [1991]) we declared:

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

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The credibility placed on a certificate of registration of one's trademark, or its weight as evidence of validity, ownership and exclusive use, is qualified. A registration certificate serves merely as *prima facie* evidence. It is not conclusive but can and may be rebutted by controverting evidence.

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In the case at bench, however, we reverse the findings of the Director of Patents and the Court of Appeals. After a meticulous study of the records, we observe that the Director of Patents and the Court of Appeals relied mainly on the registration certificates as proof of use by private respondent of the trademark "LEE" which, as we have previously discussed are not sufficient. We cannot give credence to private respondent's claim that its "LEE" mark first reached the Philippines in the 1960's through local sales by the Post Exchanges of the U.S. Military Bases in the Philippines (Rollo, p. 177) based as it was solely on the self-serving statements of Mr. Edward Poste, General Manager of Lee (Phils.), Inc., a wholly owned subsidiary of the H.D. Lee, Co., Inc., U.S.A., herein private respondent. (Original Records, p. 52) Similarly, we give little weight to the numerous vouchers representing various advertising expenses in the Philippines for "LEE" products. It is well to note that these expenses were incurred only in 1981 and 1982 by LEE (Phils.), Inc. after it entered into a licensing agreement with private respondent on 11 May 1981. (Exhibit E)

On the other hand, petitioner has sufficiently shown that it has been in the business of selling jeans and other garments adopting its "STYLISTIC MR. LEE" trademark since 1975 as evidenced by appropriate sales invoices to various stores and retailers. (Exhibit 1-e to 1-o)

Our rulings in *Pagasa Industrial Corp. v. Court of Appeals* (118 SCRA 526 [1982]) and *Converse Rubber Corp. v. Universal Rubber Products, Inc.*, (147 SCRA 154 [1987]), respectively, are instructive:

The Trademark Law is very clear. It requires actual commercial use of the mark prior to its registration. There is no dispute that respondent corporation was the first registrant, yet it failed to fully substantiate its claim that it used in trade or business in the Philippines the subject mark; it did not present proof to invest it with exclusive, continuous adoption of the trademark which should consist among others, of considerable sales since its first use. The invoices submitted by

respondent which were dated way back in 1957 show that the zippers sent to the Philippines were to be used as "samples" and "of no commercial value." The evidence for respondent must be clear, definite and free from inconsistencies. "Samples" are not for sale and therefore, the fact of exporting them to the Philippines cannot be considered to be equivalent to the "use" contemplated by law. Respondent did not expect income from such "samples." There were no receipts to establish sale, and no proof were presented to show that they were subsequently sold in the Philippines.

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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. (Emphasis supplied.)

In view of the foregoing jurisprudence and respondents' judicial admission that the *actual commercial use* of the GALLO wine trademark was *subsequent* to its registration in 1971 and to Tobacco Industries' commercial use of the GALLO cigarette trademark in 1973, we rule that, on this account, respondents never enjoyed the exclusive right to use the GALLO wine trademark to the prejudice of Tobacco Industries and its successors-in-interest, herein petitioners, either under the Trademark Law or the Paris Convention.

#### RESPONDENTS' GALLO TRADEMARK REGISTRATION IS LIMITED TO WINES ONLY

We also note that the GALLO trademark registration certificates in the Philippines and in other countries expressly state that they cover *wines only*, without any evidence or indication that registrant Gallo Winery expanded or intended to expand its business to cigarettes.<sup>63</sup>

Thus, by strict application of Section 20 of the Trademark Law, Gallo Winery's exclusive right to use the GALLO trademark should be limited to wines, the only product indicated in its registration certificates. This strict statutory limitation on the exclusive right to use trademarks was amply clarified in our ruling in *Faberge, Inc. vs. Intermediate Appellate Court*.<sup>64</sup>

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. Inasmuch as petitioner has not ventured in the production of briefs, an item which is not listed in its certificate of registration, petitioner cannot 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 Sam* (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 others for products which are of a different description. Verily, this Court had the occasion to observe in the 1966 case of *George W.*

*Luft Co., Inc. vs. Ngo Guan* (18 SCRA 944 [1966]) that no serious objection was posed by the petitioner therein since the applicant utilized the emblem "Tango" for no other product than hair pomade in which petitioner does not deal.

This brings Us back to the incidental issue raised by petitioner which private respondent sought to belie as regards petitioner's alleged expansion of its business. It may be recalled that petitioner claimed that it has a pending application for registration of the emblem "BRUT 33" for briefs (page 25, Brief for the Petitioner; page 202, Rollo) to impress upon Us the Solomonic wisdom imparted by Justice JBL Reyes in *Sta. Ana vs. Maliwat* (24 SCRA 1018 [1968]), to the effect that dissimilarity of goods will not preclude relief if the junior user's goods are not remote from any other product which the first user would be likely to make or sell (*vide*, at page 1025). Commenting on the former provision of the Trademark Law now embodied substantially under Section 4(d) of Republic Act No. 166, as amended, the erudite jurist opined that the law in point "does not require that the articles of manufacture of the previous user and late user of the mark should possess the same descriptive properties or should fall into the same categories as to bar the latter from registering his mark in the principal register." (*supra* at page 1026).

Yet, it is equally true that as aforesaid, the protective mantle of the Trademark Law extends only to the goods used by the first user as specified in the certificate of registration following the clear message conveyed by Section 20.

How do We now reconcile the apparent conflict between Section 4(d) which was relied upon by Justice JBL Reyes in the *Sta. Ana* case and Section 20? It would seem that Section 4(d) does not require that the goods manufactured by the second user be related to the goods produced by the senior user while Section 20 limits the exclusive right of the senior user only to those goods specified in the certificate of registration. But the rule has been laid down that the clause which comes later shall be given paramount significance over an anterior *proviso* upon the presumption that it expresses the latest and dominant purpose. (*Graham Paper Co. vs. National Newspapers Asso.* (Mo. App.) 193 S.W. 1003; *Barnett vs. Merchant's L. Ins. Co.*, 87 Okl. 42; *State ex nel Atty. Gen. vs. Toledo*, 26 N.E., p. 1061; cited by *Martin*, Statutory Construction Sixth ed., 1980 Reprinted, p. 144). It ineluctably follows that Section 20 is controlling and, therefore, private respondent can appropriate its symbol for the briefs it manufactures because as aptly remarked by Justice Sanchez in *Sterling Products International Inc. vs. Farbenfabriken Bayer* (27 SCRA 1214 [1969]):

"Really, if the certificate of registration were to be deemed as including goods not specified therein, then a situation may arise whereby an applicant may be tempted to register a trademark on any and all goods which his mind may conceive even if he had never intended to use the trademark for the said goods. We believe that such omnibus registration is not contemplated by our Trademark Law." (1226).

#### NO LIKELIHOOD OF CONFUSION, MISTAKE OR DECEIT AS TO THE IDENTITY OR SOURCE OF PETITIONERS' AND RESPONDENTS' GOODS OR BUSINESS

A crucial issue in any trademark infringement case is the likelihood of confusion, mistake or deceit as to the identity, source or origin of the goods or identity of the business as a consequence of using a certain mark. Likelihood of confusion is admittedly a relative term, to be determined rigidly according to the particular (and sometimes peculiar) circumstances of each case. Thus, in trademark cases, more than in other kinds of litigation, precedents must be studied in the light of each particular case.<sup>65</sup>

There are two types of confusion in trademark infringement. The first is "confusion of goods" when an otherwise prudent purchaser is induced to purchase one product in the belief that he is purchasing another, in which case defendant's goods are then bought as the plaintiff's and its

poor quality reflects badly on the plaintiff's reputation. The other is "confusion of business" wherein the goods of the parties are different but the defendant's product can reasonably (though mistakenly) be assumed to originate from the plaintiff, thus deceiving the public into believing that there is some connection between the plaintiff and defendant which, in fact, does not exist.<sup>66</sup>

In determining the likelihood of confusion, the Court must consider: [a] the resemblance between the trademarks; [b] the similarity of the goods to which the trademarks are attached; [c] the likely effect on the purchaser and [d] the registrant's express or implied consent and other fair and equitable considerations.

Petitioners and respondents both use "GALLO" in the labels of their respective cigarette and wine products. But, as held in the following cases, the use of an identical mark does not, by itself, lead to a legal conclusion that there is trademark infringement:

(a) in *Acoje Mining Co., Inc. vs. Director of Patent*,<sup>67</sup> we ordered the approval of Acoje Mining's application for registration of the trademark LOTUS for its soy sauce even though Philippine Refining Company had prior registration and use of such identical mark for its edible oil which, like soy sauce, also belonged to Class 47;

(b) in *Philippine Refining Co., Inc. vs. Ng Sam and Director of Patents*,<sup>68</sup> we upheld the Patent Director's registration of the same trademark CAMIA for Ng Sam's ham under Class 47, despite Philippine Refining Company's prior trademark registration and actual use of such mark on its lard, butter, cooking oil (all of which belonged to Class 47), abrasive detergents, polishing materials and soaps;

(c) in *Hickok Manufacturing Co., Inc. vs. Court of Appeals and Santos Lim Bun Liang*,<sup>69</sup> we dismissed Hickok's petition to cancel private respondent's HICKOK trademark registration for its Marikina shoes as against petitioner's earlier registration of the same trademark for handkerchiefs, briefs, belts and wallets;

(d) in *Shell Company of the Philippines vs. Court of Appeals*,<sup>70</sup> in a minute resolution, we dismissed the petition for review for lack of merit and affirmed the Patent Office's registration of the trademark SHELL used in the cigarettes manufactured by respondent Fortune Tobacco Corporation, notwithstanding Shell Company's opposition as the prior registrant of the same trademark for its gasoline and other petroleum products;

(e) in *Esso Standard Eastern, Inc. vs. Court of Appeals*,<sup>71</sup> we dismissed ESSO's complaint for trademark infringement against United Cigarette Corporation and allowed the latter to use the trademark ESSO for its cigarettes, the same trademark used by ESSO for its petroleum products, and

(f) in *Canon Kabushiki Kaisha vs. Court of Appeals and NSR Rubber Corporation*,<sup>72</sup> we affirmed the rulings of the Patent Office and the CA that NSR Rubber Corporation could use the trademark CANON for its sandals (Class 25) despite Canon Kabushiki Kaisha's prior registration and use of the same trademark for its paints, chemical products, toner and dyestuff (Class 2).

Whether a trademark causes confusion and is likely to deceive the public hinges on "colorable imitation"<sup>73</sup> which has been defined as "such similarity in form, content, words, sound, meaning, special arrangement or general appearance of the trademark or tradename in their overall presentation or in their essential and substantive and distinctive parts as would likely mislead or confuse persons in the ordinary course of purchasing the genuine article."<sup>74</sup>

Jurisprudence has developed two tests in determining similarity and likelihood of confusion in trademark resemblance:<sup>75</sup>

(a) the Dominancy Test applied in *Asia Brewery, Inc. vs. Court of Appeals*<sup>76</sup> and other cases,<sup>77</sup> and

(b) the Holistic or Totality Test used in *Del Monte Corporation vs. Court of Appeals*<sup>78</sup> and its preceding cases.<sup>79</sup>

The Dominancy Test focuses on the similarity of the prevalent features of the competing trademarks which might cause confusion or deception, and thus infringement. If the competing trademark contains the main, essential or dominant features of another, and confusion or 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 is whether the use of the marks involved is likely to cause confusion or mistake in the mind of the public or deceive purchasers.<sup>80</sup>

On the other hand, the Holistic Test requires that the entirety of the marks in question be considered in resolving confusing similarity. Comparison of words is not the only determining factor. The trademarks in their entirety as they appear in their respective labels or hang tags must also be considered in relation to the goods to which they are attached. The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing in both labels in order that he may draw his conclusion whether one is confusingly similar to the other.<sup>81</sup>

In comparing the resemblance or colorable imitation of marks, various factors have been considered, such as the dominant color, style, size, form, meaning of letters, words, designs and emblems used, the likelihood of deception of the mark or name's tendency to confuse<sup>82</sup> and the commercial impression likely to be conveyed by the trademarks if used in conjunction with the respective goods of the parties.<sup>83</sup>

Applying the Dominancy and Holistic Tests, we find that the dominant feature of the GALLO cigarette trademark is the device of a large rooster facing left, outlined in black against a gold background. The rooster's color is either green or red – green for GALLO menthols and red for GALLO filters. Directly below the large rooster device is the word GALLO. The rooster device is given prominence in the GALLO cigarette packs in terms of size and location on the labels.<sup>84</sup>

The GALLO mark appears to be a fanciful and arbitrary mark for the cigarettes as it has no relation at all to the product but was chosen merely as a trademark due to the fondness for fighting cocks of the son of petitioners' president. Furthermore, petitioners adopted GALLO, the Spanish word for rooster, as a cigarette trademark to appeal to one of their target markets, the *sabungeros* (cockfight *aficionados*).<sup>85</sup>

Also, as admitted by respondents themselves,<sup>86</sup> on the side of the GALLO cigarette packs are the words "MADE BY MIGHTY CORPORATION," thus clearly informing the public as to the identity of the manufacturer of the cigarettes.

On the other hand, GALLO Winery's wine and brandy labels are diverse. In many of them, the labels are embellished with sketches of buildings and trees, vineyards or a bunch of grapes while in a few, one or two small roosters facing right or facing each other (atop the EJJ crest, surrounded by leaves or ribbons), with additional designs in green, red and yellow colors, appear as minor features thereof.<sup>87</sup> Directly below or above these sketches is the entire printed name of the founder-owners, "ERNEST & JULIO GALLO" or just their surname "GALLO,"<sup>88</sup> which appears in *different* fonts, sizes, styles and labels, unlike petitioners' *uniform* casque-font bold-lettered GALLO mark.

Moreover, on the labels of Gallo Winery's wines are printed the words "VINTED AND BOTTLED BY ERNEST & JULIO GALLO, MODESTO, CALIFORNIA."<sup>89</sup>

*The many different features like color schemes, art works and other markings of both products drown out the similarity between them – the use of the word “GALLO” — a family surname for the Gallo Winery’s wines and a Spanish word for rooster for petitioners’ cigarettes.*

## WINES AND CIGARETTES ARE NOT IDENTICAL, SIMILAR, COMPETING OR RELATED GOODS

Confusion of goods is evident where the litigants are actually in competition; but confusion of business may arise between non-competing interests as well.<sup>90</sup>

Thus, apart from the strict application of Section 20 of the Trademark Law and Article 6<sup>bis</sup> 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."<sup>91</sup> 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.<sup>92</sup>

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.<sup>93</sup> 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.<sup>94</sup> 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.<sup>95</sup>

In resolving whether goods are related,<sup>96</sup> 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<sup>97</sup>
- (d) the nature and cost of the articles<sup>98</sup>
- (e) the descriptive properties, physical attributes or essential characteristics with reference to their form, composition, texture or quality
- (f) the purpose of the goods<sup>99</sup>
- (g) whether the article is bought for immediate consumption,<sup>100</sup> that is, day-to-day household items<sup>101</sup>
- (h) the fields of manufacture<sup>102</sup>
- (i) the conditions under which the article is usually purchased<sup>103</sup> and
- (j) the channels of trade through which the goods flow,<sup>104</sup> how they are distributed, marketed, displayed and sold.<sup>105</sup>

The wisdom of this approach is its recognition that each trademark infringement case presents its own unique set of facts. No single factor is preeminent, nor can the presence or absence of one determine, without analysis of the others, the outcome of an infringement suit. Rather, the court is required to sift the evidence relevant to each of the criteria. This requires that the entire panoply of elements constituting the relevant factual landscape be comprehensively examined.<sup>106</sup> It is a weighing and balancing process. With reference to this ultimate question, and

from a balancing of the determinations reached on all of the factors, a conclusion is reached whether the parties have a right to the relief sought.<sup>107</sup>

A very important circumstance though is whether there exists a likelihood that an appreciable number of ordinarily prudent purchasers will be misled, or simply confused, as to the source of the goods in question.<sup>108</sup> The "purchaser" is not the "completely unwary consumer" but is the "ordinarily intelligent buyer" considering the type of product involved.<sup>109</sup> He is "accustomed to buy, and therefore to some extent familiar with, the goods in question. The test of fraudulent simulation is to be found in the likelihood of the deception of some persons in some measure acquainted with an established design and desirous of purchasing the commodity with which that design has been associated. The test is not found in the deception, or the possibility of deception, of the person who knows nothing about the design which has been counterfeited, and who must be indifferent between that and the other. The simulation, in order to be objectionable, must be such as appears likely to mislead the ordinary intelligent buyer who has a need to supply and is familiar with the article that he seeks to purchase."<sup>110</sup>

Hence, in the adjudication of trademark infringement, we give due regard to the goods' usual purchaser's character, attitude, habits, age, training and education.<sup>111</sup>

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.<sup>112</sup>

Both the Makati RTC and the CA held that wines and cigarettes are related products because: (1) "they are related forms of vice, harmful when taken in excess, and used for pleasure and relaxation" and (2) "they are grouped or classified in the same section of supermarkets and groceries."

We find these premises patently insufficient and too arbitrary to support the legal conclusion that wines and cigarettes are related products within the contemplation of the Trademark Law and the Paris Convention.

First, anything — not only wines and cigarettes — can be used for pleasure and relaxation and can be harmful when taken in excess. Indeed, it would be a grave abuse of discretion to treat wines and cigarettes as similar or related products likely to cause confusion just because they are pleasure-giving, relaxing or potentially harmful. Such reasoning makes no sense.

Second, it is common knowledge that supermarkets sell an infinite variety of wholly unrelated products and the goods here involved, wines and cigarettes, have nothing whatsoever in common with respect to their essential characteristics, quality, quantity, size, including the nature of their packages, wrappers or containers.<sup>113</sup>

Accordingly, the U.S. patent office and courts have consistently held that the mere fact that goods are sold in one store under the same roof does not automatically mean that buyers are

likely to be confused as to the goods' respective sources, connections or sponsorships. The fact that different products are available in the same store is an insufficient standard, in and of itself, to warrant a finding of likelihood of confusion.<sup>114</sup>

In this regard, we adopted the Director of Patents' finding in *Philippine Refining Co., Inc. vs. Ng Sam and the Director of Patents*:<sup>115</sup>

In his decision, the Director of Patents enumerated the factors that set respondent's products apart from the goods of petitioner. He opined and we quote:

"I have taken into account such factors as probable purchaser attitude and habits, marketing activities, retail outlets, and commercial impression likely to be conveyed by the trademarks if used in conjunction with the respective goods of the parties, I believe that ham on one hand, and lard, butter, oil, and soap on the other are products that would not move in the same manner through the same channels of trade. They pertain to unrelated fields of manufacture, might be distributed and marketed under dissimilar conditions, and are displayed separately even though they frequently may be sold through the same retail food establishments. Opposer's products are ordinary day-to-day household items whereas ham is not necessarily so. Thus, the goods of the parties are not of a character which purchasers would likely attribute to a common origin.

The observations and conclusion of the Director of Patents are correct. The particular goods of the parties are so unrelated that consumers, would not, in any probability mistake one as the source of origin of the product of the other. (Emphasis supplied).

The same is true in the present case. Wines and cigarettes are non-competing and are totally unrelated products not likely to cause confusion *vis-à-vis* the goods or the business of the petitioners and respondents.

Wines are bottled and consumed by drinking while cigarettes are packed in cartons or packages and smoked. There is a whale of a difference between their descriptive properties, physical attributes or essential characteristics like form, composition, texture and quality.

GALLO cigarettes are inexpensive items while GALLO wines are not. GALLO wines are patronized by middle-to-high-income earners while GALLO cigarettes appeal only to simple folks like farmers, fishermen, laborers and other low-income workers.<sup>116</sup> Indeed, the big price difference of these two products is an important factor in proving that they are in fact unrelated and that they travel in different channels of trade. There is a distinct price segmentation based on vastly different social classes of purchasers.<sup>117</sup>

GALLO cigarettes and GALLO wines are not sold through the same channels of trade. GALLO cigarettes are Philippine-made and petitioners neither claim nor pass off their goods as imported or emanating from Gallo Winery. GALLO cigarettes are distributed, marketed and sold through ambulant and sidewalk vendors, small local *sari-sari* stores and grocery stores in Philippine rural areas, mainly in Misamis Oriental, Pangasinan, Bohol, and Cebu.<sup>118</sup> On the other hand, GALLO wines are imported, distributed and sold in the Philippines through Gallo Winery's exclusive contracts with a domestic entity, which is currently Andresons. By respondents' own testimonial evidence, GALLO wines are sold in hotels, expensive bars and restaurants, and high-end grocery stores and supermarkets, not through *sari-sari* stores or ambulant vendors.<sup>119</sup>

Furthermore, the Makati RTC and the CA erred in relying on *Carling Brewing Company vs. Philip Morris, Inc.*<sup>120</sup> to support its finding that GALLO wines and GALLO cigarettes are related goods. The courts *a quo* should have taken into consideration the subsequent case of *IDV North America, Inc. and R & A Bailey Co. Limited vs. S & M Brands, Inc.*<sup>121</sup>

IDV correctly acknowledges, however, that there is no *per se* rule that the use of the same mark on alcohol and tobacco products always will result in a likelihood of confusion. Nonetheless, IDV relies heavily on the decision in *John Walker & Sons, Ltd. vs. Tampa Cigar Co.*, 124 F. Supp. 254, 256 (S.D. Fla. 1954), *aff'd*, 222 F. 2d 460 (5<sup>th</sup> Cir. 1955), wherein the court enjoined the use of the mark "JOHNNIE WALKER" on cigars because the fame of the plaintiff's mark for scotch whiskey and because the plaintiff advertised its scotch whiskey on, or in connection with tobacco products. The court, in *John Walker & Sons*, placed great significance on the finding that the infringers use was a deliberate attempt to capitalize on the senior marks' fame. *Id.* At 256. IDV also relies on *Carling Brewing Co. v. Philip Morris, Inc.*, 297 F. Supp. 1330, 1338 (N.D. Ga. 1968), in which the court enjoined the defendant's use of the mark "BLACK LABEL" for cigarettes because it was likely to cause confusion with the plaintiff's well-known mark "BLACK LABEL" for beer.

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Those decisions, however, must be considered in perspective of the principle that tobacco products and alcohol products should be considered related only in cases involving special circumstances. *Schenley Distillers, Inc. v. General Cigar Co.*, 57C.C.P.A. 1213, 427 F. 2d 783, 785 (1970). The presence of special circumstances has been found to exist where there is a finding of unfair competition or where a 'famous' or 'well-known mark' is involved *and* there is a demonstrated intent to capitalize on that mark. For example, in *John Walker & Sons*, the court was persuaded to find a relationship between products, and hence a likelihood of confusion, because of the plaintiff's long use and extensive advertising of its mark and placed great emphasis on the fact that the defendant used the trademark 'Johnnie Walker with full knowledge of its fame and reputation and with the intention of taking advantage thereof.' *John Walker & Sons*, 124 F. Supp. At 256; *see Mckesson & Robbins, Inc. v. P. Lorillard Co.*, 1959 WL 5894, 120 U.S.P.Q. 306, 307 (1959) (holding that the decision in *John Walker & Sons* was 'merely the law on the particular case based upon its own peculiar facts'); *see also Alfred Dunhill*, 350 F. Supp. At 1363 (defendant's adoption of 'Dunhill' mark was not innocent). However, in *Schenley*, the court noted that the relation between tobacco and whiskey products is significant where a widely known arbitrary mark has long been used for diversified products emanating from a single source and a newcomer seeks to use the same mark on unrelated goods. *Schenley*, 427 F.2d. at 785. Significantly, in *Schenley*, the court looked at the industry practice and the facts of the case in order to determine the nature and extent of the relationship between the mark on the tobacco product and the mark on the alcohol product.

The record here establishes conclusively that IDV has never advertised BAILEYS liqueurs in conjunction with tobacco or tobacco accessory products and that IDV has no intent to do so. And, unlike the defendant in *Dunhill*, S & M Brands does not market bar accessories, or liqueur related products, with its cigarettes. The advertising and promotional materials presented a trial in this action demonstrate a complete lack of affiliation between the tobacco and liqueur products bearing the marks here at issue.

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Of equal significance, it is undisputed that S & M Brands had no intent, by adopting the family name '*Bailey's*' as the mark for its cigarettes, to capitalize upon the fame of the 'BAILEYS' mark for liqueurs. *See Schenley*, 427 F. 2d at 785. Moreover, as will be discussed below, and as found in *Mckesson & Robbins*, the survey evidence refutes the contention that cigarettes and alcoholic beverages are so intimately associated in the public mind that they cannot under any circumstances be sold under the same mark without causing confusion. *See Mckesson & Robbins*, 120 U.S.P.Q. at 308.

Taken as a whole, the evidence here demonstrates the absence of the 'special circumstances' in which courts have found a relationship between tobacco and alcohol products sufficient to tip the similarity of goods analysis in favor of the protected mark and against the allegedly infringing mark. It is true that BAILEYS liqueur, the world's best selling liqueur and the second best selling in the United States, is a well-known product. That fact alone, however, is insufficient to invoke the special circumstances connection here where so much other evidence and so many other factors disprove a likelihood of confusion. The similarity of products analysis, therefore, augers against finding that there is a likelihood of confusion. (Emphasis supplied).

In short, tobacco and alcohol products may be considered related only in cases involving *special circumstances which exist only if a famous mark is involved and there is a demonstrated intent to capitalize on it*. Both of these are absent in the present case.

#### 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 Winery's 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."<sup>122</sup>

Third and most important, pursuant to our ruling in Canon Kabushiki Kaisha vs. Court of Appeals and NSR Rubber Corporation,<sup>123</sup> "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 *Kabushi 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 6<sup>bis</sup> 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." (Emphasis supplied.)

#### CONSENT OF THE REGISTRANT AND OTHER AIR, JUST AND EQUITABLE CONSIDERATIONS

Each trademark infringement case presents a unique problem which must be answered by weighing the conflicting interests of the litigants.<sup>124</sup>

Respondents claim that GALLO wines and GALLO cigarettes flow through the same channels of trade, that is, retail trade. If respondents' assertion is true, then both goods co-existed peacefully for a considerable period of time. It took respondents almost 20 years to know about the existence of GALLO cigarettes and sue petitioners for trademark infringement. Given, on one hand, the long period of time that petitioners were engaged in the manufacture, marketing, distribution and sale of GALLO cigarettes and, on the other, respondents' delay in enforcing their rights (not to mention implied consent, acquiescence or negligence) we hold that equity, justice

and fairness require us to rule in favor of petitioners. The scales of conscience and reason tip far more readily in favor of petitioners than respondents.

Moreover, there exists no evidence that petitioners employed malice, bad faith or fraud, or that they intended to capitalize on respondents' goodwill in adopting the GALLO mark for their cigarettes which are totally unrelated to respondents' GALLO wines. Thus, we rule out trademark infringement on the part of petitioners.

#### PETITIONERS ARE ALSO NOT LIABLE FOR UNFAIR COMPETITION

Under Section 29 of the Trademark Law, any person who employs deception or any other means contrary to good faith by which he passes 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 commits any acts calculated to produce said result, is guilty of unfair competition. It includes the following acts:

(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;

(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 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 constitutes unfair competition. Actual or probable deception and confusion on the part of customers by reason of defendant's practices must always appear.<sup>125</sup> On this score, we find that petitioners never attempted to pass off their cigarettes as those of respondents. There is no evidence of bad faith or fraud imputable to petitioners in using their GALLO cigarette mark.

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.

WHEREFORE, finding the petition for review meritorious, the same is hereby GRANTED. The questioned decision and resolution of the Court of Appeals in CA-G.R. CV No. 65175 and the November 26, 1998 decision and the June 24, 1999 order of the Regional Trial Court of Makati, Branch 57 in Civil Case No. 93-850 are hereby REVERSED and SET ASIDE and the complaint against petitioners DISMISSED.

Costs against respondents.

SO ORDERED.

Vitug, (Chairman), and Sandoval-Gutierrez, JJ., concur.  
Carpio-Morales, J., no part..

Footnotes:

- <sup>1</sup> Penned by Associate Justice Martin S. Villarama, Jr. and concurred in by Associate Justices Conchita Carpio Morales (now Associate Justice of the Supreme Court) and Sergio L. Pestano of the Ninth Division.
- <sup>2</sup> Penned by Acting Presiding Judge Bonifacio Sanz Maceda.
- <sup>3</sup> Penned by Judge Reinato O. Quilala.
- <sup>4</sup> Penned by Associate Justice Martin S. Villarama, Jr. and concurred in by Associate Justices Conchita Carpio Morales (now Associate Justice of the Supreme Court) and Sergio L. Pestano of the former Ninth Division.
- <sup>5</sup> Complaint, Exhibits "D" to "D-1," Records, pp. 1-2; TSN, June 9, 1997, Records, pp. 951-956.
- <sup>6</sup> Exhibits "B" to "B-6," Records, pp. 80-86.
- <sup>7</sup> Records, pp. 29-31.
- <sup>8</sup> Answer, Records, pp. 255 and 264-266; TSN, April 13, 1993, Records, pp. 767, 780-796; TSN, October 27, 1997, Records, pp. 993-1000.
- <sup>9</sup> Exhibits 9 to 12, Records, pp. 89-95, 267-268; TSN, October 27, 1997, Records, pp. 1005-1007.
- <sup>10</sup> Records, pp. 255-256, 269 and 271.
- <sup>11</sup> Records, pp. 256, 270.
- <sup>12</sup> Exhibit 15, Records, pp. 104, 256, 272.
- <sup>13</sup> Records, p. 256.
- <sup>14</sup> Exhibits 13 and 14, Records, pp. 96-98.
- <sup>15</sup> TSN, April 13, 1993, Records, pp. 780-796; TSN, December 14, 1993, Records, pp. 420-422; TSN, October 27, 1997, Records, pp. 993-1000.
- <sup>16</sup> Complaint, Exhibit "D-2," Records, pp. 3, 110 and 328.
- <sup>17</sup> Exhibit "A," Complainants' Memorandum, Records, p. 127; TSN, December 14, 1993, Records, pp. 326, 432-433.
- <sup>18</sup> CONVENTION OF PARIS FOR THE PROTECTION OF INDUSTRIAL PROPERTY of 20th March, 1883 revised at Brussels on 14th December, 1900, at Washington on 2nd June, 1911, at the Hague on 6th November, 1925, at London on 2nd June, 1934, and at Lisbon on 31<sup>st</sup> October, 1958

x x x x x x x x  
Article 6<sup>bis</sup>

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

(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.

<sup>19</sup> Republic Act No. 166 is entitled "*An Act To Provide For The Registration And Protection Of Trademarks, Trade Names And Servicemarks, Defining Unfair Competition And False Marking And Providing Remedies Against The Same, And For Other Purposes*".

<sup>20</sup> 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 tradename 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 tradename 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. 23. *Actions, and damages and injunction for infringement.* — Any person entitled to the exclusive use of a registered mark or tradename 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 tradename 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.

<sup>21</sup> 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 tradename 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 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.

Chapter VII  
False Designation of Origin and False  
Description

SEC. 30. *False designation of origin and false description forbidden.* — Any person who shall affix, apply, annex or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to enter into commerce, shall be liable to a civil action for damages and injunction provided in section twenty-three, Chapter V hereof, by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

<sup>22</sup> Chapter XI

Provisions in Reference to Foreign Industrial Property

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 any international convention or treaty relating to marks or tradenames, 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.

No registration of a mark or tradename in the Philippines by a person described in the preceding paragraph of this section shall be granted until such mark or tradename has been registered in the country of origin of the applicant, unless the applicant alleges use in commerce.

For the purposes of this section, the country of origin of the applicant is the country in which he has *bona fide* and effective industrial or commercial establishment, or if he has no such an establishment in the country in which he is domiciled, or if he has not a domicile in any of the countries described in the first paragraph of this section, the country of which he is a national. An application for registration of a mark or tradename under the provisions of this Act filed by a person described in the first paragraph of this section who has previously duly filed an application for registration of the same mark or tradename in one of the countries described in said paragraph shall be accorded the same force and effect as would be accorded to the same application if filed in the Philippines on the same date on which the application was first filed in such foreign country: *Provided, That* —

(a) The application in the Philippines is filed within six months from the date on which the application was first filed in the foreign country; and within three months from the date of filing or within such time as the Director shall in his discretion grant, the applicant shall furnish a certified copy of the application for or registration in the country of origin of the applicant, together with a translation thereof into English, if not in the English language;

(b) The application conforms as nearly as practicable to the requirements of this Act, but use in commerce need not be alleged;

(c) The rights acquired by third parties before the date of the filing of the first application in the foreign country shall in no way be affected by a registration obtained on an application filed under this paragraph;

(d) Nothing in this paragraph shall entitle the owner of a registration granted under this section to sue for acts committed prior to the date on which his mark or tradename was registered in this country unless the registration is based on use in commerce; and

(e) A mark duly registered in the country of origin of the foreign applicant may be registered on the principal register if eligible, otherwise, on the supplemental register herein provided. The application thereof shall be accompanied by a certified copy of the application for or registration in the country of origin of the applicant. (As added by R.A. No. 638.)

The registration of a mark under the provisions of this section shall be independent of the registration in the country of origin and the duration, validity or transfer in the Philippines of such registration shall be governed by 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.

Any person designated in the first paragraph of this section as entitled to the benefits and subject to the provisions of this Act shall be entitled to effective protection against unfair competition, and the remedies provided herein for infringement of marks and tradenames shall be available so far as they may be appropriate in repressing acts of unfair competition.

Citizens or residents of the Philippines shall have the same benefits as are granted by this section to persons described in the first paragraph hereof.

<sup>23</sup> Complaint, Exhibits "D-1" to "D-9," Record, pp. 1-10.

<sup>24</sup> Penned by Judge Francisco X. Velez.

<sup>25</sup> Records, pp. 159-160.

<sup>26</sup> Sec. 5. *Preliminary injunction not granted without notice; issuance of restraining order.* — No preliminary injunction shall be granted without notice to the defendant. If it shall appear from the facts shown by affidavits or by the verified complaint that great or irreparable injury would result to the applicant before the matter can be heard on notice, the judge to whom the application for preliminary injunction was made, may issue a restraining order to be effective only for a period of twenty days from the date of its issuance. Within the said twenty-day period, the judge must cause an order to be served on the defendant, requiring him to show cause, at a specified time and place, why the injunction should not be granted, and determine within the same period whether or not the preliminary injunction shall be granted, and shall accordingly issue the corresponding order. In the event that the application for preliminary injunction is denied, the restraining order is deemed automatically vacated. Nothing herein contained shall be construed to impair, affect or modify in any way any rights granted by, or rules pertaining to injunctions contained in, existing agrarian, labor or social legislation. (As amended by B.P. Blg. 224, approved April 16, 1982).

<sup>27</sup> Penned by Judge Velez; Records, pp. 302-304.

<sup>28</sup> Penned by Associate Justice Ramon Mabutas, Jr. and concurred in by Associate Justices Nathanael P. De Pano, Jr. and Artemon D. Luna of the Special First Division; Records, pp. 449-465.

<sup>29</sup> Penned by Judge Maceda; Records, pp. 651-652.

<sup>30</sup> Penned by Judge Quilala; Records, pp. 727-728.

<sup>31</sup> Petition; *Rollo*, pp. 18-19.

<sup>32</sup> Rule 45, Section 2.

<sup>33</sup> *Ramos vs. Pepsi-Cola Bottling Co. of the P.I.*, 19 SCRA 289, 292 [1967]; *Medina vs. Asistio, Jr.*, 191 SCRA 218, 223 [1990]; *Caiña vs. People*, 213 SCRA 309, 313 [1992].

<sup>34</sup> *Moomba Mining Exploration Company vs. Court of Appeals*, 317 SCRA 338 [1999].

<sup>35</sup> *Roman Catholic Bishop of Malolos, Inc. vs. IAC*, 191 SCRA 411, 420 [1990].

<sup>36</sup> *Asia Brewery, Inc. vs. Court of Appeals*, 224 SCRA 437, 443 [1993]; *Philippine Nut Industry Inc. vs. Standard Brands, Inc.*, 224 SCRA 437, 443 [1993]; *Reynolds Philippine Corporation vs. Court of Appeals*, 169 SCRA 220, 223 [1989] citing *Mendoza vs. Court of Appeals*, 156 SCRA 597 [1987]; *Manlapaz vs. Court of Appeals*, 147 SCRA 238 [1987]; *Sacay vs. Sandiganbayan*, 142 SCRA 593, 609 [1986]; *Guita vs. Court of Appeals*, 139 SCRA 576 [1985]; *Casanayan vs. Court of Appeals*, 198 SCRA 333, 336 [1991]; also *Apex Investment and Financing Corp. vs. IAC*, 166 SCRA 458 [1988] citing *Tolentino vs. De Jesus*, 56 SCRA 167 [1974]; *Carolina Industries, Inc. vs. CMS Stock Brokerage, Inc.*, 97 SCRA 734 [1980]; *Manero vs. Court of Appeals*, 102 SCRA 817 [1981]; and *Moran, Jr. vs. Court of Appeals*, 133 SCRA 88 [1984].

<sup>37</sup> Sec. 241, Intellectual Property Code of the Philippines.

<sup>38</sup> *Rollo*, p. 191.

<sup>39</sup> *Rollo*, p. 71.

<sup>40</sup> *Tolentino, Civil Code Of The Philippines Commentaries and Jurisprudence, Volume I*, p. 19; See Articles 2 to 4 of the Civil Code of the Philippines.

<sup>41</sup> *Ibid.*

<sup>42</sup> Laws may be given retroactive effect only if they are:

(a) procedural statutes which prescribe rules and forms of procedures of enforcing rights or obtaining redress for their invasion (*Subido vs. Sandiganbayan*, 266 SCRA 379 [1997]; *Primicias vs. Ocampo*, 93 Phil. 446 [1953]; *Bustos vs. Lucero*, 81 Phil. 640 [1948]; *Lopez vs. Gloria*, 40 Phil. 26 [1919]; *People vs. Sumilang*, 77 Phil. 764 [1946])

(b) remedial or curative statutes which cure errors and irregularities and validate judicial or administrative proceedings, acts of public officers, or private deeds and contracts that otherwise would not produce their intended consequences due to some statutory disability or failure to comply with technical rules (*Government vs. Municipality of Binalonan*, 32 Phil. 634 [1915]; *Subido vs. Sandiganbayan, supra*; *Del Castillo vs. Securities and Exchange Commission*, 96 Phil. 119 [1954]; *Santos vs. Duata*, 14 SCRA 1041 [1965]; *Development Bank of the Philippines vs. Court of Appeals*, 96 SCRA 342 [1980]; *Alunan III vs. Mirasol*, 276 SCRA 501 [1997])

(c) laws interpreting others

(d) laws creating new rights (*Bona vs. Briones*, 38 Phil. 276 [1918]; *Intestate Estate of Bustamante vs. Cayas*, 98 Phil. 107 [1955])

(e) penal statutes insofar as they favor the accused who is not a habitual criminal (Article 22, Revised Penal Code) or

(f) by express provision of the law, (Art. 4, Civil Code of the Philippines; *Alba Vda. De Raz vs. Court of Appeals*, 314 SCRA 36 [1999]), except in cases of ex post facto laws (*U.S. vs. Diaz Conde*, 42 Phil. 766 [1922]; *U.S. vs. Gomez*, 12 Phil. 279 [1908]) or impairment of obligation of contract. (*Asiatic Petroleum vs. Llanes*, 49 Phil. 466 [1926]).

<sup>43</sup> Sec. 239, Intellectual Property Code of the Philippines.

<sup>44</sup> *E. Spinner & Co. vs. Neuss Hesslein Corporation*, 54 Phil. 225, 231-232 [1930].

<sup>45</sup> 181 SCRA 410, 415 [1990].

<sup>46</sup> The Paris Convention is a compact among various member countries to accord in their own countries to citizens of the other contracting parties' trademarks and other rights comparable to those accorded their own citizens by their domestic laws. The underlying principle is that foreign nationals should be given the same treatment in each of the member countries as that country makes available to its citizen. (*Emerald Garden Manufacturing Corp. vs. Court of Appeals*, 251 SCRA 600 [1995]).

<sup>47</sup> See footnote 18 for full text.

<sup>48</sup> "conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic law." (Art. 6<sup>1</sup>, Paris Convention).

<sup>49</sup> See footnote 20 for full text.

<sup>50</sup> 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 tradename, 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.

<sup>51</sup> SEC. 6. *Classification of goods and services.* — The Director shall establish a classification of goods and services, for the convenience of the Patent Office administration, but not to limit or extend the applicant's rights. The applicant may register his mark or tradename in one application for any or all of the goods or services included in one class, upon or in connection with which he is actually using the mark or tradename. The Director may issue a single certificate for one mark or tradename registered in a plurality of classes upon payment of a fee equaling the sum of the fees for each registration in each class.

<sup>52</sup> SEC. 2. *What are registrable.* — Trademarks, tradenames, and servicemarks owned by persons, corporations, partnerships or associations domiciled in the Philippines and by persons, corporations, partnerships or associations domiciled in any foreign country may be registered in accordance with the provisions of this Act; *Provided*, That said trademarks, tradenames, or servicemarks are actually in use in commerce and services not less than two months in the Philippines before the time the applications for registration are filed. *And provided, further*, That the country of which the applicant for registration is a citizen grants by law substantially similar privileges to citizens of the Philippines, and such fact is officially certified, with a certified true copy of the foreign law translated into the English language, by the government of the foreign country to the Government of the Republic of the Philippines. (As amended by R.A. 865).

SEC. 2-A. *Ownership of trademarks, tradenames and servicemarks; how acquired.* — Anyone who lawfully produces or deals in merchandise of any kind or engages in any lawful business, or who renders any lawful service in commerce, by actual use thereof in manufacture or trade, in business, and in the service rendered, may appropriate to his exclusive use a trademark, a tradename, or a servicemark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or service of others. The ownership or possession of a trademark, tradename, servicemark heretofore or hereafter appropriated, as in this section provided, shall be recognized and protected in the same manner and to the same extent as are other property rights known to the law. (As amended by R.A. 638).

<sup>53</sup> SEC. 9-A. *Equitable principles to govern proceedings.* — In opposition proceedings and in all other *inter partes* proceedings in the Patent Office under this Act, equitable principles of laches, estoppel, and acquiescence where applicable, may be considered and applied. (As added by R.A. No. 638).

<sup>54</sup> Philip Morris, Inc. vs. Court of Appeals, 224 SCRA 576 [1993].  
<sup>55</sup> Exhibits "Q" to "R-2," Records, pp. 2075-2078.  
<sup>56</sup> Exhibits "9" to "14," Records, pp. 90-98.  
<sup>57</sup> 251 SCRA 600, 619 [1995].  
<sup>58</sup> 118 SCRA 526 [1982].  
<sup>59</sup> 147 SCRA 154 [1987].  
<sup>60</sup> 27 SCRA 1214 [1969].  
<sup>61</sup> 203 SCRA 583 [1991].  
<sup>62</sup> 224 SCRA 576 [1993].  
<sup>63</sup> TSN, April 13, 1993, Records, p. 783; TSN, June 9, 1997, Records, p. 959.  
<sup>64</sup> 215 SCRA 316, 325 [1992].  
<sup>65</sup> Esso Standard Eastern, Inc. vs. Court of Appeals, 116 SCRA 336, 341 [1982].  
<sup>66</sup> Sterling Products, International, Inc. vs. Farbenfabriken Bayer Aktiengesellschaft, 27 SCRA 1214, 1227 [1969] citing 2 Callman, Unfair Competition and Trademarks, 1945 ed., p. 1006.  
<sup>67</sup> 38 SCRA 480 [1971].  
<sup>68</sup> 115 SCRA 472 [1982].  
<sup>69</sup> 116 SCRA 388 [1982].  
<sup>70</sup> G.R. No. L-49145, May 21, 1979.  
<sup>71</sup> 116 SCRA 336 [1982].  
<sup>72</sup> 336 SCRA 266 [2000].  
<sup>73</sup> Emerald Garment Manufacturing Corporation vs. Court of Appeals, 251 SCRA 600 [1995].  
<sup>74</sup> Ruben Agpalo, Trademark Law and Practice in the Philippines [1990], p.41.  
<sup>75</sup> *Ibid.*  
<sup>76</sup> 224 SCRA 437 [1993].  
<sup>77</sup> Co Tiong vs. Director of Patents, 95 Phil. 1 [1954]; Lim Hoa vs. Director of Patents, 100 Phil. 214 [1956]; American Wire & Cable Co. vs. Director of Patents, 31 SCRA 544 [1970]; Phil. Nut Industry, Inc. vs. Standard Brands, Inc., 65 SCRA 575 [1975]; Converse Rubber Corp. vs. Universal Rubber Products, Inc., 147 SCRA 154 [1987].  
<sup>78</sup> 181 SCRA 410 [1990].  
<sup>79</sup> Mead Johnson & Co. vs. N.V.J. Van Dorp, Ltd., 7 SCRA 771 [1963]; Bristol Myers Co. vs. Director of Patents, 17 SCRA 128 [1966]; Fruit of the Loom, Inc. vs. Court of Appeals, 133 SCRA 405 [1984].  
<sup>80</sup> Emerald Garment Manufacturing Corporation vs. Court of Appeals, 251 SCRA 600 [1995].  
<sup>81</sup> *Ibid.*  
<sup>82</sup> *Ibid.*  
<sup>83</sup> Philippine Refining Co., Inc. vs. Ng Sam and the Director of Patents, 115 SCRA 472 [1982].  
<sup>84</sup> Exhibits "1" to "4"; Records 2095-2097.  
<sup>85</sup> TSN, October 27, 1997, Records, pp. 995-1000.  
<sup>86</sup> Reply, Records, p. 293.  
<sup>87</sup> Exhibits "N to Q".  
<sup>88</sup> TSN, December 14, 1993, Records, pp. 414, 421 and 442.  
<sup>89</sup> Exhibits "1" to "4."  
<sup>90</sup> Esso Standard Eastern, Inc. vs. Court of Appeals, 116 SCRA 336,341 [1982].  
<sup>91</sup> Esso Standard Eastern, Inc. vs. Court of Appeals, 116 SCRA 336 [1982]; Arce vs. Selecta, 1 SCRA 253 [1961]; Chua Che vs. Phil. Patents Office, 13 SCRA 67 [1965]; Ang vs. Teodoro, 74 Phil. 50 [1942]; Khe vs. Lever Bros. Co., 49 O.G. 3891 [1941]; Ang Si Heng & Dee vs. Wellington Dept. Store, 92 Phil. 448 [1953]; Acoje Mining Co., Inc. vs. Director of Patents, 38 SCRA 480 [1971].  
<sup>92</sup> Esso Standard Eastern, Inc. vs. Court of Appeals, 116 SCRA 336 [1982].  
<sup>93</sup> *Ibid.*  
<sup>94</sup> *Ibid.*  
<sup>95</sup> I CALLMAN 1121 cited in Philippine Refining Co., Inc. vs. Ng Sam and the Director of Patents, 115 SCRA 472 [1982].  
<sup>96</sup> It has been held that where the products are different, the prior owner's chance of success is a function of many variables, such as the:  
(a) strength of his mark  
(b) degree of similarity between the two marks  
(c) reciprocal of defendant's good faith in adopting its own mark  
(d) quality of defendant's product  
(e) proximity of the products  
(f) likelihood that the prior owner will bridge the gap  
(g) actual confusion, and  
(h) sophistication of the buyers. (Polaroid Corp. vs. Polaroid Elecs. Corp., 287 F. 2d 492, 495 (2d Cir.), cert. denied, 368 U.S. 820, 82 s. Ct. 36, 7 L. Ed. 2d 25 [1961]).  
<sup>97</sup> Emerald Garment Manufacturing Corporation vs. Court of Appeals, 251 SCRA 600 [1995]; Del Monte Corporation, vs. Court of Appeals, 181 SCRA 410 [1990]; Asia Brewery, Inc. vs. Court of Appeals, 224 SCRA 437 [1993].  
<sup>98</sup> Emerald Garment Manufacturing Corporation vs. Court of Appeals, 251 SCRA 600 [1995].  
<sup>99</sup> Esso Standard Eastern, Inc. vs. Court of Appeals, 116 SCRA 336 [1982].  
<sup>100</sup> Emerald Garment Manufacturing Corporation vs. Court of Appeals, 251 SCRA 600 [1995].  
<sup>101</sup> Philippine Refining Co., Inc. vs. Ng Sam and the Director of Patents, 115 SCRA 472 [1982].  
<sup>102</sup> *Ibid.*  
<sup>103</sup> Emerald Garment Manufacturing Corporation vs. Court of Appeals, 251 SCRA 600 [1995].  
<sup>104</sup> Esso Standard Eastern, Inc. vs. Court of Appeals, 116 SCRA 336 [1982].  
<sup>105</sup> Philippine Refining Co., Inc. vs. Ng Sam and the Director of Patents, 115 SCRA 472 [1982].  
<sup>106</sup> Thompson Medical Co. vs. Pfizer, Inc. 753 F. 2d 208, 225 USPQ 124 (2d Cir.) 1985.  
<sup>107</sup> Kiki Undies Corp. vs. Promenade Hosiery Mills, Inc., 411 F. 2d 1097, 1099 (2d Cir. 1969), cert. denied, 396 U.S. 1094, 90 S. Ct. 707, 24 L. Ed. 698 [1970]; Lever Bros. Co. vs. American Bakeries Co., 693 F. 2d 251, C.A. N.Y., November 3, 1982.  
<sup>108</sup> Mushroom Makers, Inc. vs. R.G. Barry Corp., 580 F. 2d 44, 47 (2d Cir. 1978), cert. denied, 439 U.S. 1116, 99 s. Ct. 1022, 59 L. Ed. 2d 75 [1979].

- <sup>109</sup> Emerald Garment Manufacturing Corporation vs. Court of Appeals, 251 SCRA 600 [1995].
- <sup>110</sup> Dy Buncio vs. Tan Tiao Bok, 42 Phil. 190 [1921].
- <sup>111</sup> Emerald Garment Manufacturing Corporation vs. Court of Appeals, 251 SCRA 600 [1995]; Del Monte Corporation, et al. vs. Court of Appeals, 181 SCRA 410 [1990]; Asia Brewery, Inc. vs. Court of Appeals, et al., 224 SCRA 437 [1993]; Philippine Refining Co., Inc. vs. Ng Sam and the Director of Patents, 115 SCRA 472 [1982].
- <sup>112</sup> Philippine Refining Co., Inc. vs. Ng Sam and Director of Patents, 115 SCRA 472 [1982].
- <sup>113</sup> Emerald Garment Manufacturing Corporation vs. Court of Appeals, 251 SCRA 600 [1995]; Del Monte Corporation, vs. Court of Appeals, 181 SCRA 410 [1990]; Asia Brewery, Inc. vs. Court of Appeals, 224 SCRA 437 [1993].
- <sup>114</sup> California Fruit Growers Exchange vs. Sunkist Baking Co., 166 F. 2d 971, 76 U.S.P.Q. 85 (7<sup>th</sup> Cir. 1947); Hot Shot Quality Products, Inc. vs. Sifer's Chemicals, Inc. 452 F.2d 1080, 172 U.S.P.Q. 350 (10<sup>th</sup> Cir. 1971); Federated Foods, Inc. vs. Ft. Howard Paper Co., 544 F.2d 1098, 192 U.S.P.Q. 24; Faultless Starch Co. vs. Sales Producers Associates, Inc., 530 F. 2d 1400, 189 U.S.P.Q. (C.C.P.A. 1976); Lever Bros. Co. vs. American Bakeries Co., 693 F. 2d 251, 216 U.S.P.Q. 177 (2d Cir. 1982); Nestle Co. vs. Nash-Finch Co., 4 U.S.P.Q. 2d 1085 (T.T.A.B.).
- <sup>115</sup> 115 SCRA 472, 478 [1982].
- <sup>116</sup> Answer, Records, p. 258; TSN, December 14, 1993, Records, p. 420; TSN, June 9, 1997, Records, p. 958; TSN, September 8, 1997, Records, p. 965-967.
- <sup>117</sup> Emerald Manufacturing, 251 SCRA 600 [1995]; Acoje Mining Co., Inc. vs. Director of Patents, 38 SCRA 480 [1981]; Field Enterprises Educational Corp. vs. Grosset & Dunlap, Inc. 256 F. Supp. 382, 150 U.S.P.Q. 517 (S.D.N.Y. 1966); Haviland & Co. vs. Johann Haviland China Corp., 269 F. Supp. 928, 154 U.S.P.Q. 287 (S.D.N.Y. 1967); Estee Lauder, Inc. vs. The Gap, Inc., 108 F. 3d. 1503, 42 U.S.P.Q. 2d 1228(2<sup>nd</sup> Cir. 1997).
- <sup>118</sup> Answer, Records, p. 257; TSN, April 13, 1993, Records, pp. 783; TSN, December 14, 1993, Records, p. 420; TSN, September 8, 1997, Records, pp. 966, 971-972.
- <sup>119</sup> TSN, June 9, 1997, Record, pp. 952-958; TSN, December 14, 1993, Records, p. 432.
- <sup>120</sup> 297 F. Supp. 1330, 160 USPQ 303.
- <sup>121</sup> 26 F. Supp. 2d 815 (E.D. Va. 1998).
- <sup>122</sup> Exhibit 18, Records, pp. 107-108.
- <sup>123</sup> 366 SCRA 266 [2000].
- <sup>124</sup> 52 Am. Jur. 577.
- <sup>125</sup> Shell Co. of the Philippines, Ltd. vs. Insular Petroleum Refining Co. Ltd., 120 Phil. 434, 439 [1964].