

Republic of the Philippines
SUPREME COURT
Manila

THIRD DIVISION

G.R. No. 91332 July 16, 1993

PHILIP MORRIS, INC., BENSON & HEDGES (CANADA), INC., AND FABRIQUES OF TABAC REUNIES, S.A., petitioners

vs.

THE COURT OF APPEALS AND FORTUNE TOBACCO CORPORATION, respondents.

*Quasha, Asperilla, Ancheta, Peña & Nolasco Law Office for petitioners.
Teresita Gandionco-Oledan for private respondent.*

MELO, J.:

In the petition before us, petitioners Philip Morris, Inc., Benson and Hedges (Canada), Inc., and Fabriques of Tabac Reunies, S.A., are ascribing whimsical exercise of the faculty conferred upon magistrates by Section 6, Rule 58 of the Revised Rules of Court when respondent Court of Appeals lifted the writ of preliminary injunction it earlier had issued against Fortune Tobacco Corporation, herein private respondent, from manufacturing and selling "MARK" cigarettes in the local market.

Banking on the thesis that petitioners' respective symbols "MARK VII", "MARK TEN", and "LARK", also for cigarettes, must be protected against unauthorized appropriation, petitioners twice solicited the ancillary writ in the course the main suit for infringement but the court of origin was unpersuaded.

Before we proceed to the generative facts of the case at bar, it must be emphasized that resolution of the issue on the propriety of lifting the writ of preliminary injunction should not be construed as a prejudgment of the suit below. Aware of the fact that the discussion we are about to enter into involves a mere interlocutory order, a discourse on the aspect infringement must thus be avoided. With these *caveat*, we shall now shift our attention to the events which spawned the controversy.

As averred in the initial pleading, Philip Morris, Incorporated is a corporation organized under the laws of the State of Virginia, United States of America, and does business at 100 Park Avenue, New York, New York, United States of America. The two other plaintiff foreign corporations, which are wholly-owned subsidiaries of Philip Morris, Inc., are similarly not doing business in the Philippines but are suing on an isolated transaction. As registered owners "MARK VII", "MARK TEN", and "LARK" per certificates of registration issued by the Philippine Patent Office on April 26, 1973, May 28, 1964, and March 25, 1964, plaintiffs-petitioners asserted that defendant Fortune Tobacco Corporation has no right to manufacture and sell cigarettes bearing the allegedly identical or confusingly similar trademark "MARK" in contravention of Section 22 of the Trademark Law, and should, therefore, be precluded during the pendency of the case from performing the acts complained of *via* a preliminary injunction (p. 75, Court of Appeals *Rollo* in AC-G.R. SP No. 13132).

For its part, Fortune Tobacco Corporation admitted petitioners' certificates of registration with the Philippine Patent Office subject to the affirmative and special defense on misjoinder of party plaintiffs. Private respondent alleged further that it has been authorized by the Bureau of Internal Revenue to manufacture and sell cigarettes bearing the trademark "MARK", and that "MARK" is a common word which cannot be exclusively appropriated (p.158, Court of Appeals *Rollo* in A.C.-

G.R. SP No. 13132). On March 28, 1983, petitioners' prayer for preliminary injunction was denied by the Presiding Judge of Branch 166 of the Regional Trial Court of the National Capital Judicial Region stationed at Pasig, premised upon the following propositions:

Plaintiffs admit in paragraph 2 of the complaint that ". . . they are not doing business in the Philippines and are suing on an isolated transaction . . ." This simply means that they are not engaged in the sale, manufacture, importation, expor[t]ation and advertisement of their cigarette products in the Philippines. With this admission, defendant asks: ". . . how could defendant's "MARK" cigarettes cause the former "irreparable damage" within the territorial limits of the Philippines?" Plaintiffs maintain that since their trademarks are entitled to protection by treaty obligation under Article 2 of the Paris Convention of which the Philippines is a member and ratified by Resolution No. 69 of the Senate of the Philippines and as such, have the force and effect of law under Section 12, Article XVII of our Constitution and since this is an action for a violation or infringement of a trademark or trade name by defendant, such mere allegation is sufficient even in the absence of proof to support it. To the mind of the Court, precisely, this is the issue in the main case to determine whether or not there has been an invasion of plaintiffs' right of property to such trademark or trade name. This claim of plaintiffs is disputed by defendant in paragraphs 6 and 7 of the Answer; hence, this cannot be made a basis for the issuance of a writ of preliminary injunction.

There is no dispute that the First Plaintiff is the registered owner of trademar[k] "MARK VII" with Certificate of Registration No. 18723, dated April 26, 1973 while the Second Plaintiff is likewise the registered owner of trademark "MARK TEN" under Certificate of Registration No. 11147, dated May 28, 1963 and the Third Plaintiff is a registrant of trademark "LARK" as shown by Certificate of Registration No. 10953 dated March 23, 1964, in addition to a pending application for registration of trademark "MARK VII" filed on November 21, 1980 under Application Serial No. 43243, all in the Philippine Patent Office. In same the manner, defendant has a pending application for registration of the trademark "LARK" cigarettes with the Philippine Patent Office under Application Serial No. 44008. Defendant contends that since plaintiffs are "not doing business in the Philippines" coupled the fact that the Director of Patents has not denied their pending application for registration of its trademark "MARK", the grant of a writ of preliminary injunction is premature. Plaintiffs contend that this act(s) of defendant is but a subterfuge to give semblance of good faith intended to deceive the public and patronizers into buying the products and create the impression that defendant's goods are identical with or come from the same source as plaintiffs' products or that the defendant is a licensee of plaintiffs when in truth and in fact the former is not. But the fact remains that with its pending application, defendant has embarked in the manufacturing, selling, distributing and advertising of "MARK" cigarettes. The question of good faith or bad faith on the part of defendant are matters which are evidentiary in character which have to be proven during the hearing on the merits; hence, until and unless the Director of Patents has denied defendant's application, the Court is of the opinion and so holds that issuance a writ of preliminary injunction would not lie.

There is no question that defendant has been authorized by the Bureau of Internal Revenue to manufacture cigarettes bearing the trademark "MARK" (Letter of Ruben B. Ancheta, Acting Commissioner addressed to Fortune Tobacco Corporation dated April 3, 1981, marked as Annex "A", defendant's "OPPOSITION, etc." dated September 24, 1982). However, this authority is qualified . . . that the said brands have been accepted and registered by the Patent Office not later than six (6) months after you have been manufacturing the cigarettes and placed the same in the market." However, this grant ". . . does not

give you protection against any person or entity whose rights may be prejudiced by infringement or unfair competition in relation to your indicated trademarks/brands". As aforesaid, the registration of defendant's application is still pending in the Philippine Patent Office.

It has been repeatedly held in this jurisdiction as well as in the United States that the right or title of the applicant for injunction remedy must be clear and free from doubt. Because of the disastrous and painful effects of an injunction, Courts should be extremely careful, cautious and conscionable in the exercise of its discretion consistent with justice, equity and fair play.

There is no power the exercise of which is more delicate which requires greater caution, deliberation, and sound discretion, or (which is) more dangerous in a doubtful case than the issuing of an injunction; it is the strong arm of equity that never ought to be extended unless to cases of great injury, where courts of law cannot afford an adequate or commensurate remedy in damages. The right must be clear, the injury impending or threatened, so as to be averted only by the protecting preventive process of injunction. (*Bonaparte v. Camden, etc. N. Co.*, 3 F. Cas. No. 1, 617, *Baldw.* 205, 217.)

Courts of equity constantly decline to lay down any rule which injunction shall be granted or withheld. There is wisdom in this course, for it is impossible to foresee all exigencies of society which may require their aid to protect rights and restrain wrongs. (*Merced M. Go v. Freemont*, 7 Gal. 317, 321; 68 Am. Dec. 262.)

It is the strong arm of the court; and to render its operation begin and useful, it must be exercised with great discretion, and when necessary requires it. (*Attorney-General v. Utica Inc. Co.*, P. John Ch. (N.Y.) 371.)

Having taken a panoramic view of the position[s] of both parties as viewed from their pleadings, the picture reduced to its minimum size would be this: At the crossroads are the two (2) contending parties, plaintiffs vigorously asserting the rights granted by law, treaty and jurisprudence to restrain defendant in its activities of manufacturing, selling, distributing and advertising its "MARK" cigarettes and now comes defendant who countered and refused to be restrained claiming that it has been authorized temporarily by the Bureau of Internal Revenue under certain conditions to do so as aforesaid coupled by its pending application for registration of trademark "MARK" in the Philippine Patent Office. This circumstance in itself has created a dispute between the parties which to the mind of the Court does not warrant the issuance of a writ of preliminary injunction.

It is well-settled principle that courts of equity will refuse an application for the injunctive remedy where the principle of law on which the right to preliminary injunction rests is disputed and will admit of doubt, without a decision of the court of law establishing such principle although satisfied as to what is a correct conclusion of law upon the facts. The fact, however, that there is no such dispute or conflict does not in itself constitute a justifiable ground for the court to refuse an application for the injunctive relief. (*Hackensack Impr. Commn. v. New Jersey Midland P. Co.*, 22 N.J. Eg. 94.)

Hence, the *status quo* existing between the parties prior to the filing of this case should be maintained. For after all, an injunction, without reference to the parties, should be violent, vicious nor even vindictive. (pp. 338-341, *Rollo* in G.R. No. 91332.)

In the process of denying petitioners' subsequent motion for reconsideration of the order denying issuance of the requested writ, the court of origin took cognizance of the certification executed on January 30, 1984 by the Philippine Patent Office attesting to the fact that private respondent's application for registration is still pending appropriate action. Apart from this communication, what prompted the trial court judge to entertain the idea of prematurity and untimeliness of petitioners' application for a writ of preliminary injunction was the letter from the Bureau of Internal Revenue date February 2, 1984 which reads:

MRS. TERESITA GANDIONGCO OLEDAN
Legal Counsel
Fortune Tobacco Corporation

Madam:

In connection with your letter dated January 25, 1984, reiterating your query as to whether your label approval automatically expires or becomes null and void after six (6) months if the brand is not accepted and by the patent office, please be informed that no provision in the Tax Code or revenue regulation that requires an applicant to comply with the aforementioned condition order that his label approved will remain valid and existing.

Based on the document you presented, it shows that registration of this particular label still pending resolution by the Patent Office. These being so, you may therefore continue with the production said brand of cigarette until this Office is officially notified that the question of ownership of "MARK" brand is finally resolved.

Very truly yours,

TEODORO D. PAREÑO
Chief, Manufactured Tobacco
Tax Division
TAN-P6531-D2830-A-6 (p. 348, *Rollo*.)

It appears from the testimony of Atty. Enrique Madarang, Chief of the Trademark Division of the then Philippine Patent Office that Fortune's application for its trademark is still pending before said office (p. 311, *Rollo*).

Petitioners thereafter cited supervening events which supposedly transpired since March 28, 1983, when the trial court first declined issuing a writ of preliminary injunction, that could alter the results of the case in that Fortune's application had been rejected, nay, barred by the Philippine Patent Office, and that the application had been forfeited by abandonment, but the trial court nonetheless denied the second motion for issuance of the injunctive writ on April 22, 1987, thus:

For all the prolixity of their pleadings and testimonial evidence, the plaintiffs-movants have fallen far short of the legal requisites that would justify the grant of the writ of preliminary injunction prayed for. For one, they did not even bother to establish by competent evidence that the products supposedly affected adversely by defendant's trademark now subject of an application for registration with the Philippine Patents Office, are in actual use in the Philippines. For another, they concentrated their fire on the alleged abandonment and forfeiture by defendant of said application for registration.

The Court cannot help but take note of the fact that in their complaint plaintiffs included a prayer for issuance preliminary injunction. The petition was duly heard, and thereafter matter was assiduously discussed lengthily and resolved against plaintiffs in a 15-page Order issued by the undersigned's predecessor on March 28, 1983. Plaintiffs' motion for reconsideration was denied in another well-argued 8 page Order issued on April 5, 1984,, and the matter was made to rest.

However, on the strength of supposed changes in the material facts of this case, plaintiffs came up with the present motion citing therein the said changes which are: that defendant's application had been rejected and barred by the Philippine Patents Office, and that said application has been deemed abandoned and forfeited. But defendant has refiled the same.

Plaintiffs' arguments in support of the present motion appear to be a mere rehash of their stand in the first above-mentioned petition which has already been ruled upon adversely against them. Granting that the alleged changes in the material facts are sufficient grounds for a motion seeking a favorable grant of what has already been denied, this motion just the same cannot prosper.

In the first place there is no proof whatsoever that any of plaintiffs' products which they seek to protect from any adverse effect of the trademark applied for by defendant, is in actual use and available for commercial purposes anywhere in the Philippines. Secondly as shown by plaintiffs' own evidence furnished by no less than the chief of Trademarks Division of the Philippine Patent Office, Atty. Enrique Madarang, the abandonment of an application is of no moment, for the same can always be refiled. He said there is no specific provision in the rules prohibiting such refiling (TSN, November 21, 1986, pp. 60 & 64, Raviera). In fact, according to Madarang, the refiled application of defendant is now pending before the Patents Office. Hence, it appears that the motion has no leg to stand on. (pp. 350-351, *Rollo* in G. R. No. 91332.)

Confronted with this rebuff, petitioners filed a previous petition for *certiorari* before the Court, docketed as G.R. No. 78141, but the petition was referred to the Court of Appeals.

The Court of Appeals initially issued a resolution which set aside the court of origin's order dated April 22, 1987, and granted the issuance of a writ of preliminary injunction enjoining Fortune, its agents, employees, and representatives, from manufacturing, selling, and advertising "MARK" cigarettes. The late Justice Cacdac, speaking for the First Division of the Court of Appeals in CA-G.R. SP No. 13132, remarked:

There is no dispute that petitioners are the registered owners of the trademarks for cigarettes "MARK VII", "MARK TEN", and "LARK".(Annexes B, C and D, petition). As found and reiterated by the Philippine Patent Office in two (2) official communications dated April 6, 1983 and January 24, 1984, the trademark "MARK" is "confusingly similar" to the trademarks of petitioners, hence registration was barred under Sec. 4 (d) of Rep. Act. No. 166, as amended (pp. 106, 139, SCA *rollo*). In a third official communication dated April 8, 1986, the trademark application of private respondent for the "MARK" under Serial No. 44008 filed on February 13, 1981 which was declared abandoned as of February 16, 1986, is now deemed forfeited, there being no revival made pursuant to Rule 98 of the Revised Rules of Practitioners in Trademark Cases." (p. 107, CA *rollo*). The foregoing documents or communications mentioned by petitioners as "the changes in material facts which occurred after March 28, 1983", are not also questioned by respondents.

Pitted against the petitioners' documentary evidence, respondents pointed to (1) the letter dated January 30, 1979 (p. 137, *CA rollo*) of Conrado P. Diaz, then Acting Commissioner of Internal Revenue, temporarily granting the request of private respondent for a permit to manufacture two (2) new brands of cigarettes one of which is brand "MARK" filter-type blend, and (2) the certification dated September 26, 1986 of Cesar G. Sandico, Director of Patents (p. 138, *CA rollo*) issued upon the written request of private respondents' counsel dated September 17, 1986 attesting that the records of his office would show that the "trademark MARK" for cigarettes is now the subject of a pending application under Serial No. 59872 filed on September 16, 1986.

Private respondent's documentary evidence provides the reasons neutralizing or weakening their probative values. The penultimate paragraph of Commissioner Diaz' letter of authority reads:

Please be informed further that the authority herein granted does not give you protection against any person or entity whose rights may be prejudiced by infringement or unfair competition in relation to your above-named brands/trademark.

while Director Sandico's certification contained similar conditions as follows:

This Certification, however, does not give protection as against any person or entity whose right may be prejudiced by infringement or unfair competition in relation to the aforesaid trademark nor the right to register if contrary to the provisions of the Trademark Law, Rep. Act No. 166 as amended and the Revised Rules of Practice in Trademark Cases.

The temporary permit to manufacture under the trademark "MARK" for cigarettes and the acceptance of the second application filed by private respondent in the height of their dispute in the main case were evidently made subject to the outcome of the said main case or Civil Case No. 47374 of the respondent Court. Thus, the Court has not missed to note the absence of a mention in the Sandico letter of September 26, 1986 of any reference to the pendency of the instant action filed on August 18, 1982. We believe and hold that petitioners have shown a *prima facie* case for the issuance of the writ of prohibitory injunction for the purposes stated in their complaint and subsequent motions for the issuance of the prohibitory writ. (*Buayan Cattle Co. vs. Quintillan*, 125 SCRA 276)

The requisites for the granting of preliminary injunction are the existence of the right protected and the facts against which the injunction is to be directed as violative of said right. (*Buayan Cattle Co. vs. Quintillan*, *supra*; *Ortigas & Co. vs. Ruiz*, 148 SCRA 326). It is a writ framed according to the circumstances of the case commanding an act which the Court regards as essential to justice and restraining an act it deems contrary to equity and good conscience (*Rosauro vs. Cuneta*, 151 SCRA 570). If it is not issued, the defendant may, before final judgment, do or continue the doing of the act which the plaintiff asks the court to restrain, and thus make ineffectual the final judgment rendered afterwards granting the relief sought by the plaintiff (*Calo vs. Roldan*, 76 Phil. 445). Generally, its grant or denial rests upon the sound discretion of the Court except on a clear case of abuse (*Belish Investment & Finance Co. vs. State House*, 151 SCRA 636). Petitioners' right of exclusivity to their registered trademarks being clear and beyond question, the respondent court's denial of the prohibitive writ constituted excess of jurisdiction and grave abuse discretion. If the lower court does not grant preliminary injunction, the appellate court may grant the same.

(Service Specialists, Inc. vs. Sheriff of Manila, 145 SCRA 139). (pp. 165-167, *Rollo* in G.R. No. 91332.)

After private respondent Fortune's motion for reconsideration was rejected, a motion to dissolve the disputed writ of preliminary injunction with offer to post a counterbond was submitted which was favorably acted upon by the Court of Appeals, premised on the filing of a sufficient counterbond to answer for whatever *perjuicio* petitioners may suffer as a result thereof, to wit:

The private respondent seeks to dissolve the preliminary injunction previously granted by this Court with an offer to file a counterbond. It was pointed out in its supplemental motion that lots of workers employed will be laid off as a consequence of the injunction and that the government will stand to lose the amount of specific taxes being paid by the private respondent. The specific taxes being paid is the sum total of P120,120,295.98 from January to July 1989.

The petitioners argued in their comment that the damages caused by the infringement of their trademark as well as the goodwill it generates are incapable of pecuniary estimation and monetary evaluation and not even the counterbond could adequately compensate for the damages it will incur as a result of the dissolution of the bond. In addition, the petitioner further argued that doing business in the Philippines is not relevant as the injunction pertains to an infringement of a trademark right.

After a thorough re-examination of the issues involved and the arguments advanced by both parties in the offer to file a counterbond and the opposition thereto, WE believe that there are sound and cogent reasons for US to grant the dissolution of the writ of preliminary injunction by the offer of the private respondent to put up a counterbond to answer for whatever damages the petitioner may suffer as a consequence of the dissolution of the preliminary injunction.

The petitioner will not be prejudiced nor stand to suffer irreparably as a consequence of the lifting of the preliminary injunction considering that they are not actually engaged in the manufacture of the cigarettes with the trademark in question and the filing of the counterbond will amply answer for such damages.

While the rule is that an offer of a counterbond does not operate to dissolve an injunction previously granted, nevertheless, it is equally true that an injunction could be dissolved only upon good and valid grounds subject to the sound discretion of the court. As WE have maintained the view that there are sound and good reasons to lift the preliminary injunction, the motion to file a counterbond is granted. (pp. 53-54, *Rollo* in G.R. No. 91332.)

Petitioners, in turn, filed their own motion for re-examination geared towards reimposition of the writ of preliminary injunction but to no avail (p. 55, *Rollo* in G.R. No. 91332).

Hence, the instant petition casting three aspersions that respondent court gravely abused its discretion tantamount to excess of jurisdiction when:

I. . . . it required, contrary to law and jurisprudence, that in order that petitioners may suffer irreparable injury due to the lifting of the injunction, petitioners should be using actually their registered trademarks in commerce in the Philippines;

II. . . . it lifted the injunction in violation of section 6 of Rule 58 of the Rules of Court; and

III. . . . after having found that the trial court had committed grave abuse of discretion and exceeded its jurisdiction for having refused to issue the writ of injunction to restrain private respondent's acts that are contrary to equity and good conscience, it made a complete about face for legally insufficient grounds and authorized the private respondent to continue performing the very same acts that it had considered contrary to equity and good conscience, thereby ignoring not only the mandates of the Trademark Law, the international commitments of the Philippines, the judicial admission of private respondent that it will have no more right to use the trademark "MARK" after the Director of Patents shall have rejected the application to register it, and the admonitions of the Supreme Court. (pp. 24-25, Petition; pp. 25-26, *Rollo*.)

To sustain a successful prosecution of their suit for infringement, petitioners, as foreign corporations not engaged in local commerce, rely on section 21-A of the Trademark Law reading as follows:

Sec. 21-A. Any foreign corporation or juristic person to which a mark or trade-name has been registered or assigned under this act may bring an action hereunder for infringement, for unfair competition, or false designation of origin and false description, whether or not it has been licensed to do business in the Philippines under Act Numbered Fourteen hundred and fifty-nine, as amended, otherwise known as the Corporation Law, at the time it brings complaint: Provided, That the country of which the said foreign corporation or juristic person is a citizen or in which it is domiciled, by treaty, convention or law, grants a similar privilege to corporate or juristic persons of the Philippines. (As inserted by Sec. 7 of Republic Act No. 638.)

to drive home the point that they are not precluded from initiating a cause of action in the Philippines on account of the principal perception that another entity is pirating their symbol without any lawful authority to do so. Judging from a perusal of the aforementioned Section 21-A, the conclusion reached by petitioners is certainly correct for the proposition in support thereof is embedded in the Philippine legal jurisprudence.

Indeed, it was stressed in *General Garments Corporation vs. Director of Patents* (41 SCRA 50 [1971]) by then Justice (later Chief Justice) Makalintal that:

Parenthetically, it may be stated that the ruling in the Mentholatum case was subsequently derogated when Congress, purposely to "counteract the effects" of said case, enacted Republic Act No. 638, inserting Section 21-A in the Trademark Law, which allows a foreign corporation or juristic person to bring an action in Philippine courts for infringement of a mark or tradename, for unfair competition, or false designation of origin and false description, "whether or not it has been licensed to do business in the Philippines under Act Numbered Fourteen hundred and fifty-nine, as amended, otherwise known as the Corporation Law, at the time it brings complaint."

Petitioner argues that Section 21-A militates against respondent's capacity to maintain a suit for cancellation, since it requires, before a foreign corporation may bring an action, that its trademark or tradename has been registered under the Trademark Law. The argument misses the essential point in the said provision, which is that the foreign corporation is allowed thereunder to sue "whether or not it has been licensed to do business in the Philippines" pursuant to the Corporation Law (precisely to counteract the effects of the decision in the Mentholatum case). (at p. 57.)

However, on May, 21, 1984, Section 21-A, the provision under consideration, was qualified by this Court in *La Chemise Lacoste S.A. vs. Fernandez* (129 SCRA 373 [1984]), to the effect that a foreign corporation not doing business in the Philippines may have the right to sue before Philippine Courts, but existing adjective axioms require that qualifying circumstances necessary for the assertion of such right should first be affirmatively pleaded (2 Agbayani Commercial Laws of the Philippines, 1991 Ed., p. 598; 4 *Martin*, Philippine Commercial Laws, Rev. Ed., 1986, p. 381). Indeed, it is not sufficient for a foreign corporation suing under Section 21-A to simply allege its alien origin. Rather, it must additionally allege its personality to sue. Relative to this condition precedent, it may be observed that petitioners were not remiss in averring their personality to lodge a complaint for infringement (p. 75, *Rollo* in AC-G.R. SP No. 13132) especially so when they asserted that the main action for infringement is anchored on an isolated transaction (p. 75, *Rollo* in AC-G.R. SP No. 13132; *Atlantic Mutual Ins. Co. vs. Cebu Stevedoring Co., Inc.*, 17 SCRA 1037 (1966), 1 Regalado, Remedial Law Compendium, Fifth Rev. Ed., 1988, p. 103).

Another point which petitioners considered to be of significant interest, and which they desire to impress upon us is the protection they enjoy under the Paris Convention of 1965 to which the Philippines is a signatory. Yet, insofar as this discourse is concerned, there is no necessity to treat the matter with an extensive response because adherence of the Philippines to the 1965 international covenant due to *pacta sunt servanda* had been acknowledged in *La Chemise* (*supra* at page 390).

Given these confluence of existing laws amidst the cases involving trademarks, there can be no disagreement to the guiding principle in commercial law that foreign corporations not engaged in business in the Philippines may maintain a cause of action for infringement primarily because of Section 21-A of the Trademark Law when the legal standing to sue is alleged, which petitioners have done in the case at hand.

In assailing the justification arrived at by respondent court when it recalled the writ of preliminary injunction, petitioners are of the impression that actual use of their trademarks in Philippine commercial dealings is not an indispensable element under Article 2 of the Paris Convention in that:

(2) . . . no condition as to the possession of a domicile or establishment in the country where protection is claimed may be required of persons entitled to the benefits of the Union for the enjoyment of any industrial property of any industrial property rights. (p. 28, Petition; p. 29, *Rollo* in G.R. No. 91332.)

Yet petitioners' perception along this line is nonetheless resolved by Sections 2 and 2-A of the Trademark Law which speak loudly, about necessity of actual commercial use of the trademark in the local forum:

Sec. 2. What are registrable. — Trademarks, tradenames and service marks owned by persons, corporations, partnerships or associations domiciled in the Philippines and by persons, corporations, partnerships or associations domiciled in any foreign country may be registered in accordance with the provisions of this Act; *Provided, That said trademarks, tradenames, or service marks are actually in use in commerce* and services not less than two months *in the Philippines* before the time the applications for registration are filed; And provided, further, That the country of which the applicant for registration is a citizen grants by law substantially similar privileges to citizens of the Philippines, and such fact is officially certified, with a certified true copy of the foreign law translated into the English language, by the government of the foreign country to the Government of the Republic of the Philippines. (As amended by R.A. No. 865).

Sec. 2-A. Ownership of trademarks, tradenames and service marks; how acquired. — Anyone who lawfully produces or deals in merchandise of any kind

or who engages in any lawful business, or who renders any lawful service in commerce, *by actual use thereof in manufacture or trade, in business*, and in the service rendered, may appropriate to his exclusive use a trademark, a tradename, or a service mark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or service of others. The ownership or possession of a trademark, tradename, service mark, heretofore or hereafter appropriated, as in this section provided, shall be recognized and protected in the same manner and to the same extent as are other property rights known to the law. (As amended by R.A. No. 638). (*Kabushi Kaisha Isetan vs. Intermediate Appellate Court*, 203 SCRA 583 [1991], at pp. 589-590; emphasis supplied.)

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 (*Mortensen 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 (*Salonga and Yap*, *Public International Law*, Fourth ed., 1974, p. 16).

The aforequoted basic provisions of our Trademark Law, according to Justice Gutierrez, Jr., in *Kabushi Kaisha Isetan vs. Intermediate Appellate Court* (203 SCRA 583 [1991]), have been construed in this manner:

A fundamental principle of Philippine Trademark Law is that actual use in commerce in the Philippines is a pre-requisite to the acquisition of ownership over a trademark or a tradename.

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These provisions have been interpreted in *Sterling Products International, Inc. v. Farbenfabriken Bayer Actiengesellschaft* (27 SCRA 1214 [1969]) in this way:

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

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

In fact, a prior registrant cannot claim exclusive use of the trademark unless it uses it in commerce.

We rule[d] in *Pagasa Industrial Corporation v. Court of Appeals* (118 SCRA 526 [1982]):

3. *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 (Exhibits 7, 7-a, and 8-b) 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. (*Sy Ching v. Gaw Lui*, 44 SCRA 148-149) "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 the 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. (*Pagasa Industrial Corp. v. Court of Appeals*, 118 SCRA 526 [1982]; Emphasis Supplied)

The records show that the petitioner has never conducted any business in the Philippines. It has never promoted its tradename or trademark in the Philippines. It is unknown to Filipino except the very few who may have noticed it while travelling abroad. It has never paid a single centavo of tax to the Philippine government. Under the law, it has no right to the remedy it seeks. (at pp. 589-591.)

In other words, petitioners 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 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 Philippines files a complaint for infringement, the entity need not be actually using its trademark in commerce in the Philippines. Such a foreign corporation may have the personality to file a suit for infringement but it may not necessarily be entitled to protection due to absence of actual use of the emblem in the local market.

Going back to the first assigned error, we cannot help but notice the manner the ascription was framed which carries with it the implied but unwarranted assumption of the existence of petitioners' right to relief. It must be emphasized that this aspect of exclusive dominion to the trademarks, together with the corollary allegation of irreparable injury, has yet to be established by petitioners by the requisite quantum of evidence in civil cases. It cannot be denied that our reluctance to issue a writ of preliminary injunction is due to judicial deference to the lower courts, involved as there is mere interlocutory order (*Villarosa vs. Teodoro, Sr.*, 100 Phil. 25 [1956]). In point of adjective law, the petition has its roots on a remedial measure which is but ancillary to the main action for infringement still pending factual determination before the court of origin. It is virtually needless to stress the obvious reality that critical facts in an infringement case are not before us more so when even Justice Feliciano's opinion observes that "the evidence is scanty" and that petitioners "have yet to submit copies or photographs of their registered marks as used in cigarettes" while private respondent has not, for its part, "submitted the actual labels or packaging materials used in selling its "Mark" cigarettes." Petitioners therefore, may not be permitted to presume a given state of facts on their so called right to the trademarks which could be subjected to irreparable injury and in the process, suggest the fact of infringement. Such a ploy would practically place the cart ahead of the horse. To our mind, what appears to be the insurmountable barrier to petitioners' portrayal of whimsical exercise of discretion by the Court of Appeals is the well-taken remark of said court that:

The petitioner[s] will not be prejudiced nor stand to suffer irreparably as a consequence of the lifting of the preliminary injunction considering that they are not actually engaged in the manufacture of the cigarettes with the trademark in question and the filing of the counterbond will amply answer for such damages. (p. 54. *Rollo* in G.R. No. 91332.)

More telling are the allegations of petitioners in their complaint (p. 319, *Rollo* G.R. No. 91332) as well as in the very petition filed with this Court (p. 2, *Rollo* in G.R. No. 91332) indicating that they are not doing business in the Philippines, for these frank representations are inconsistent and incongruent with any pretense of a right which can be breached (Article 1431, New Civil Code; Section 4, Rule 129; Section 3, Rule 58, Revised Rules of Court). Indeed, to be entitled to an injunctive writ, petitioner must show that there exists a right to be protected and that the facts against which injunction is directed are violative of said right (*Searth Commodities Corporation vs. Court of Appeals*, 207 SCRA 622 [1992]). It may be added in this connection that albeit petitioners are holders of certificate of registration in the Philippines of their symbols as admitted by private respondent, the fact of exclusive ownership cannot be made to rest solely on these documents since dominion over trademarks is not acquired by the mere fact of registration alone and does not perfect a trademark right (*Unno Commercial Enterprises, Inc. vs. General Milling Corporation*, 120 SCRA 804 [1983]).

Even if we disregard the candid statements of petitioners anent the absence of business activity here and rely on the remaining statements of the complaint below, still, when these averments are juxtaposed with the denials and propositions of the answer submitted by private respondent, the supposed right of petitioners to the symbol have thereby been controverted. This is not to say, however, that the manner the complaint was traversed by the answer is sufficient to tilt the scales of justice in favor of private respondent. Far from it. What we are simply conveying is another basic tenet in remedial law that before injunctive relief may properly issue, complainant's right or title must be undisputed and demonstrated on the strength of one's own title to such a degree as to unquestionably exclude dark clouds of doubt, rather than on the weakness of the adversary's evidence, inasmuch as the possibility of irreparable damage, without prior proof of transgression of an actual existing right, is no ground for injunction being mere *damnum absque injuria* (*Talisay-Silay Milling Co., Inc. vs. CFI of Negros Occidental*, 42 SCRA 577 [1971]; *Francisco*, Rules of Court, Second ed., 1985, p. 225; 3 *Martin*, Rules of Court, 1986 ed., p. 82).

On the economic repercussion of this case, we are extremely bothered by the thought of having to participate in throwing into the streets Filipino workers engaged in the manufacture and sale of private respondent's "MARK" cigarettes who might be retrenched and forced to join the ranks of the many unemployed and unproductive as a result of the issuance of a simple writ of preliminary injunction and this, during the pendency of the case before the trial court, not to mention the diminution of tax revenues represented to be close to a quarter million pesos annually. On the other hand, if the status quo is maintained, there will be no damage that would be suffered by petitioners inasmuch as they are not doing business in the Philippines.

With reference to the second and third issues raised by petitioners on the lifting of the writ of preliminary injunction, it cannot be gainsaid that respondent court acted well within its prerogatives under Section 6, Rule 58 of the Revised Rules of Court:

Sec. 6. Grounds for objection to, or for motion of dissolution of injunction. — The injunction may be refused or, if granted *ex parte*, may be dissolved, upon the insufficiency of the complaint as shown by the complaint itself, with or without notice to the adverse party. It may also be refused or dissolved on other grounds upon affidavits on the part of the defendants which may be opposed by the plaintiff also by affidavits. It may further be refused or, if granted, may be dissolved, if it appears after hearing that although the plaintiff is entitled to the injunction, the issuance or continuance thereof, as the case may be, would cause great damage to the defendant while the plaintiff can be fully compensated for such damages as he may suffer, and the defendant files a bond in an amount

fixed by the judge conditioned that he will pay all damages which the plaintiff may suffer by the refusal or the dissolution of the injunction. If it appears that the extent of the preliminary injunction granted is too great, it must be modified.

Under the foregoing rule, injunction may be refused, or, if granted, may be dissolved, on the following instances:

(1) *If there is insufficiency of the complaint as shown by the allegations therein.* Refusal or dissolution may be granted in this case with or without notice to the adverse party.

(2) If it appears after hearing that although the plaintiff is entitled to the injunction, the issuance or continuance thereof would cause great damage to the defendant, while the plaintiff can be fully compensated for such damages as he may suffer. The defendant, in this case, must file a bond in an amount fixed by the judge conditioned that he will pay all damages which plaintiff may suffer by the refusal or the dissolution of the injunction.

(3) On the other grounds upon affidavits on the part of the defendant which may be opposed by the plaintiff also affidavits.

Modification of the injunction may also be ordered by the court if it appears that the extent of the preliminary injunction granted is too great. (3 Martin, Rules of Court, 1986 ed., p. 99; Francisco, *supra*, at p. 268.)

In view of the explicit representation of petitioners in the complaint that they are not engaged in business in the Philippines, it inevitably follows that no conceivable damage can be suffered by them not to mention the foremost consideration heretofore discussed on the absence of their "right" to be protected. At any rate, and assuming *in gratia argumenti* that respondent court erroneously lifted the writ it previously issued, the same may be cured by appeal and not in the form of a petition for *certiorari* (Clark vs. Philippine Ready Mix Concrete Co., 88 Phil. 460 [1951]). Verily, and mindful of the rule that a writ of preliminary injunction is an interlocutory order which is always under the control of the court before final judgment, petitioners' criticism must fall flat on the ground, so to speak, more so when extinction of the previously issued writ can even be made without previous notice to the adverse party and without a hearing (Caluya vs. Ramos, 79 Phil. 640 [1974]; 3 Moran, Rules of Court, 1970 ed., p. 81).

WHEREFORE, the petition is hereby DISMISSED and the Resolutions of the Court of Appeals dated September 14, 1989 and November 29, 1989 are hereby AFFIRMED.

SO ORDERED.

Bidin, J., concurs.

Davide, Jr., concurs in the result.

Romero, J. took no part.

Separate Opinions

FELICIANO, *J.*, dissenting:

I find myself unable to join in the opinion prepared by my distinguished brother, Melo, *J.*

It seems to me that the issues involved in this case are rather more complex than what has been assumed to be the case by the majority opinion. For this and related reasons, there is set out below a statement of the relevant facts (as I see them) that is more extensive than what is ordinarily found in dissenting opinions.

Petitioner Philip Morris, Inc. is a corporation organized and existing under the law of Virginia, U.S.A. Petitioners Benson & Hedges (Canada), Inc. and Fabriques de Tabac Reunies, S.A., both wholly owned subsidiaries of Philip Morris, Inc., are organized and existing under the law of Canada and Switzerland, respectively.

Philip Morris, Inc. is registered owner of the trademark "MARK VII" for cigarettes. Its ownership thereof is evidenced by Philippine Patent Office Trademark Certificate of Registration No. 18723, dated 26 April 1973. The statement attached to the Certificate of Registration states that the trademark "MARK VII" had been registered in the United States Patent Office, on the Principal Register, under Certificate of Registration No. 888,931 issued on 7 April 1970. The statement also requested that the trademark be registered in the Philippine Patent Office on the Principal Register in accordance with Section 37 of R.A. No. 166, as amended.

Benson & Hedges (Canada), Inc. is the registered owner of the trademark "MARK TEN" also for cigarettes, as evidenced by Philippine Patent Office Trademark Certificate of Registration No. 11147, dated 28 May 1964, on the Principal Register. This Trademark Certificate of Registration was originally issued in the name of Canadian Tabacofina Ltd. and later assigned to Benson & Hedges (Canada), Inc. Petitioners alleged that the name Canadian Tabacofina Ltd. was later changed to Benson & Hedges (Canada) Ltd. This trademark Certificate of Registration was renewed on 28 May 1984. The statement attached thereto stated that the "*date of first use of the trademark 'MARK TEN' in trade in or with the Philippines is April 15, 1963,*" and that trademark had "*been in actual use in commerce over the Philippines continuously for two months.*"

Fabriques de Tabac Reunies, S.A. is registered owner of the trademark "LARK" also for cigarettes, as evidenced by Philippine Patent Office Trademark Certificate of Registration No. 10953, dated 25 March 1964. This Trademark Certificate of Registration was originally issued in the name of Liggett and Myres Tobacco Company was later assigned to Fabriques de Tabac Reunies, S.A. Petitioners alleged that the name of Liggett and Myres Tobacco Company was changed later to Fabriques de Tabac Reunies, S.A. The statement attached to this Certificate of Registration states that the trademark "LARK" was first used by Liggett and Myres Tobacco Company on 31 May 1920, and *first used by it "in commerce in or with the Philippines on February 6, 1963" and has been continuously used by it "in trade in or with the Philippines since February 6, 1963."*

Sometime before 17 October 1981, private respondent Fortune Tobacco Corporation ("Fortune") commenced manufacturing and selling in the Philippines cigarettes under the brandname "MARK." Fortune also filed on 13 February 1981 with the Philippine Patent Office an application for registration of "MARK" as a trademark for cigarettes.

By a letter dated 17 October 1981, petitioner through their lawyers wrote to Fortune stating that the manufacturing, selling and advertising of "MARK" cigarettes by Fortune constituted an "infringement or an act of unfair competition with" petitioners' "well-known international trademarks used on cigarettes and tobacco products which were registered worldwide and with the Philippine Patent Office." Petitioners listed their Philippine Certificates of Registration for the trademarks "MARK VII," "MARK TEN," and "LARK." Petitioners then asked Fortune "to cease and desist from further manufacturing; selling or advertising 'MARK' cigarettes," otherwise appropriate court actions would be filed without further notice.

On 18 August 1982, petitioners commenced action before the Court of First Instance of Pasig, Metro Manila (Civil Case No. 47374). In their complaint, petitioners alleged that they were not doing business in the Philippines but had nonetheless the right and the capacity to bring the instant suit; that they were owners of Philippine Patent Office Trademark Certificates of Registration which were in full force and effect, covering "MARK VII," "MARK TEN," and "LARK," all for cigarettes (except the last which also covered chewing and smoking tobacco); that they had registered those trademarks in their respective countries of origin and in other countries the world and that by virtue of their "long and extensive use [had] gained international fame and

acceptance;" that they had their respective real and effective industrial or commercial establishments in the United States, Canada and Switzerland, which countries were, like the Philippines, members of the Convention of Paris for the Protection of Industrial Property; that under that Convention each member-country undertakes to prohibit the use of a trademark which constitutes a reproduction, imitation or translation of a mark already belonging to a person entitled to the benefits of the Convention and use for identical or similar goods; that petitioner Fabriques de Tabac Reunies, S.A. had long been using trademark "LARK" throughout the world, including the Philippines where its products bearing the trademark "LARK" had been sold in the duty-free market, and advertised and marketed in the Philippines at least since 1964 and have continued to be so to present; that Fortune had without previous consent, authority or license from petitioners, with knowledge of the popularity of petitioners' marks and their Philippine registrations, manufactured, advertised and sold cigarettes bearing the identical or confusingly similar trademark "MARK" which unauthorized use constituted an act of infringement under Section 22 of R.A. No. 166, as amended; that thereby the public and the patronizers of petitioners' products were being deceived into buying Fortune's cigarettes under the impression and mistaken belief that Fortune's cigarettes were identical with, or came from the same source as, petitioners' products or that Fortune was licensee of petitioners, which it was not; that the infringement by Fortune of petitioners' trademarks have inflicted damages upon petitioners; that the continued unauthorized and unlicensed manufacture and sale by Fortune of its infringing products during the litigation would work injustice and cause irreparable injury to petitioners in violation of their property rights and moreover tend to render the judgment which the court might render ineffectual. Petitioners accordingly asked for a writ of preliminary injunction to restrain Fortune from manufacturing or selling "MARK" cigarettes, and after trial, to make such preliminary injunction permanent and to order Fortune's infringing materials to be destroyed, and for damages.

Fortune filed an Opposition to petitioners' prayer for preliminary injunction. On 28 March 1983, the trial court¹ issued an Order denying petitioners' motion for preliminary injunction. In rendering that order, the trial court, while noting that petitioners were holders of Philippine Certificates of Trademark Registration, relied heavily on three (3) factors:

Firstly, that petitioners were foreign corporations not doing business in the Philippines;

Secondly, that Fortune's application for a registration as trademark of the word "MARK" for cigarettes was then pending before the Philippine Patent Office; and

Thirdly, that Fortune was the "only party authorized" by the Bureau of Internal Revenue ("BIR") to manufacture cigarettes bearing the mark "MARK" in the Philippines.

In respect of the first point, the trial court was obviously heavily influenced by Fortune's argument that because petitioners were not doing business in the Philippines, which meant that "they [were] not engaged in the sale, manufacture, importation, exportation and advertisement of their cigarette products in the Philippines," Fortune's manufacture and sale of its "MARK" cigarettes could not be said to be causing petitioners "irreparable damage" within the Philippines. In respect to the second point, the trial judge felt that because the Director of Patents had not, at that point, denied Fortune's pending application for registration of its trademark "MARK," the grant of a preliminary injunction was premature. With regard to the third point, the judge noted a letter dated 30 January 1979² of the then Acting Commissioner of Internal Revenue Mr. Conrado P. Diaz, temporarily granting the request of Fortune for a permit to manufacture two (2) new brands of cigarettes, one of which was "MARK." The trial judge also noted that the BIR letter contained the following paragraph:

Please be informed further that this authority herein granted does not give you protection against any person or entity whose rights may be prejudiced by

infringement or unfair competition in relation to your above named brands/trademarks.³

The trial judge, however, apparently gave no weight at all to this *caveat*.

Petitioners sought, on 15 April 1983, reconsideration of Judge Reyes' Order denying preliminary injunction. After Fortune had filed an Opposition to petitioners' Motion for Reconsideration, and petitioners had filed their Reply and Fortune a Rejoinder, and after an offer of exhibits by the parties respectively, Judge Reyes issued on 5 April 1984 another Order denying the Motion for Reconsideration. In his second order, the trial judge laid great stress on the fact that Fortune's application for registration of its trademark "MARK" for cigarettes remained subsisting. On the basis, Judge Reyes denied petitioners' motion for reconsideration.

More than two (2) years later, petitioners filed a "Second Motion for Issuance of Preliminary Injunction" dated 1 September 1986. In their Second Motion, petitioners invited attention to Paper No. 3, dated 6 April 1983, relating to Fortune's application for registration of its brandname "MARK." This Paper No. 3 reproduced a letter to Fortune's counsel by Bienvenido A. Palisoc, Senior Trademark Examiner, and Wilfredo T. Jaramillo, Trademark Examiner, stating that:

This application [for registration of "Mark"] has been examined.

Caption mark of the application must tally with the drawing on file.

Subject mark is confusingly similar with the following marks on file:

- a. "Mark" with Reg. No. SR-2659 for cigarettes.
- b. "Mark VII" with Reg. No. 18723 for cigarettes.
- c. "Mark Ten" with Reg. No. 11147 for cigarettes.
- d. "Lark" with Reg. No. 10953 for cigarettes.

Hence, registration is barred under Sec. 4 (d) of Rep. Act No. 166 as amended.

Subject mark has no trademark significance and cannot serve its purpose as to indicate the source and origin of goods.

Furthermore, the word "Mark" is *generic* and therefore *incapable of exclusive appropriation*.

Makati, Metro Manila, April 6, 1983.⁴ (Emphasis supplied)

Petitioners also invited attention to a certification dated 8 August 1986 issued by Mr. Luis M. Daca, Jr., Assistant Director, Philippine Patent Office, to the effect that Fortune's application for the mark "MARK" for cigarettes was declared abandoned as of 16 February 1986 and was now deemed forfeited. In addition, petitioners explained in some detail how Fortune's use of its mark "MARK" was "destructive of [petitioners'] property right to [their] registered trademarks."⁵ Further, petitioners assailed Fortune's argument that issuance of preliminary injunction would cause "loss of revenue and taxes to the Government" and that more damages would be sustained by Fortune than by petitioners since the petitioners do not market their cigarettes in the Philippines.

After Fortune had filed an Opposition to petitioners' Second Motion, the trial court, this time presided over by Judge Nicolas Galing, issued an Order dated 22 April 1987 denying once more the motion for issuance of a writ of preliminary injunction. In this order, Judge Galing relied on two (2) points: firstly, according to the trial judge, petitioners had not shown that the products

they sought to protect from Fortune's "MARK" cigarettes were "in actual use and available for commercial purposes anywhere in the Philippines;" and secondly, it appeared that while Fortune's original application had been abandoned, it could be refiled and was in fact re-filed. Thus, Judge Galing in effect reiterated Judge Reyes's position that until the Director of Patents had definitely acted upon Fortune's application for registration of "MARK," petitioners' prayer for preliminary injunction could not be granted.

Petitioners then filed a Petition for Review with the Supreme Court, which Petition was docketed as G.R. No. 78141. The Court ordered respondents to file their Comments on the Petition and on 30 September 1987, the Court referred the Petition to the Court of Appeals.

In due course of time, the Court of Appeals, through Cacadac, Jr., J.,⁶ rendered a decision on 5 May 1989 setting aside the 22 April 1987 order of the trial court and ordering issuance of a writ of preliminary injunction upon filing of a bond by petitioners in the sum of P200,000.00 to be approved by the appellate court, "enjoining the private respondents, its agents, employees and representatives from manufacturing, selling and/or advertising "MARK" cigarettes until further orders." The Court of Appeals said in pertinent part:

There is no dispute that *petitioners are the registered owners of the trademarks for cigarettes "MARK VII," "MARK TEN," and "LARK"*. (Annexes B, C and D, Petition). *As found and reiterated by the Philippine Patent Office in two (2) official communications dated April 6, 1983 and January 24, 1984, the trademark "MARK" is "confusingly similar" to the trademarks of petitioners, hence, registration was barred under Sec. 4(d) of Rep. Act No. 166, as amended (pp. 106, 139 SCA rollo)*. In a third official communication dated April 8, 1986, the trademark application of private respondent for the mark "MARK" under Serial No. 44008 filed on February 13, 1981 which was declared abandoned as of February 16, 1986, is now deemed forfeited, there being no revival made pursuant to Rule 98 of the Revised Rules of Practitioners in Trademark Cases.¹ (p. 107, CA rollo). The foregoing documents or communications mentioned by petitioners as "the changes in material facts which occurred after March 28, 1983", are not also questioned by respondents.⁷ (Emphasis supplied)

The Court of Appeals also noted the BIR letter of 30 January 1979 temporarily granting Fortune's request for a permit to manufacture two (2) new brands of cigarettes, including one branded "MARK," and the caveat (earlier noted)⁸ that the BIR's authorization would not give Fortune any protection against any person or entity whose rights may be prejudiced by infringement or unfair competition on the part of Fortune. The Court of Appeals also referred to the certificate dated 26 September 1986 of Mr. Cesar G. Sandico, then Director of Patents, issued upon request of Fortune's counsel stating that there was a *pending application for registration of the trademark "MARK" for cigarettes under Serial No. 59872, filed on 16 September 1986, noting at the same time, that Director Sandico's certification contained the following caveat or qualification:*

This certification, however, does *not* give protection *as against any person or entity whose right may be prejudiced by infringement or unfair competition* in relation to the aforesaid trademark *nor the right to register as contrary to the provisions of the Trademark Law, Republic Act No. 166 as amended and the Revised Rules of Practice in Trademark Cases.* (Emphasis supplied)

The Court of Appeals then went on to say that:

[We] believe and hold that *petitioners have shown a prima facie case for the issuance of the writ of prohibitory injunction* for the purposes stated in their complaint and subsequent motions for the issuance of the prohibitory writ. (Buayan Cattle Co. v. Quintillan, 125 SCRA 276).

The *requisites* for the granting of preliminary injunction are the *existence of the right protected* and *the facts against which the injunction is to be directed as violative of said right*. (Buayan Cattle Co. v. Quintillan, *supra*; Ortigas & Co. vs. Ruiz, 148 SCRA 326). It is a writ framed according to the circumstances of the case commanding an act which the Court regards as essential to justice and restraining an act it deems contrary to equity and good conscience (Rosauro vs. Cuneta, 151 SCRA 570). *If it is not issued, the defendant may, before final judgment, do or continue the doing of the act which the plaintiff asks the court to restrain, and thus make ineffectual the final judgment rendered afterwards granting the relief sought by the plaintiff* (Calo vs. Roldan, 76 Phil. 445). Generally, its grant or denial rests upon the sound discretion of the Court except on a clear case of abuse (Belish Investment & Finance Co. vs. Statement House, 151 SCRA 636). *Petitioners' right of exclusivity to their registered trademarks being clear and beyond question, the respondent court's denial of the prohibitive writ constituted excess of jurisdiction and grave abuse of discretion*. If the lower court does not grant preliminary injunction, the appellate court may grant the same (Service Specialists, Inc. v. Sheriff of Manila. 145 SCRA 139).⁹ (Emphasis supplied)

Fortune moved for reconsideration of the Decision of the Court of Appeals insisting that petitioners must first prove their "clear, unmistakable and unquestioned right to the writ, coupled with the possible damages it would suffer;" that petitioners had not suffered any "great and irreparable injury to speak of" because "petitioners have never done business in this country in the past nor in the future;" that, on the other hand, Fortune had been authorized by the BIR to manufacture "MARK" cigarettes, "thereby generating much needed funds for the Government;" that Fortune's application for registration of its brandname "MARK" with the Philippine Patent Office "still pending" and not "finally rejected" by the Director of Patents. On 12 July 1989, the Court of Appeals issued a Minute Resolution stating that the issues and arguments in Fortune's motion for reconsideration had been "fully discussed" in the Decision sought to be reconsidered, that no new arguments were raised, and accordingly denied the Motion for Reconsideration.

Fortune then filed a "Motion to Dissolve Writ of Preliminary Injunction with Offer to File Counterbond" date 25 July 1989, where it reiterated the basic arguments it previously made.

A "Supplemental Motion to Lift Writ of Preliminary Injunction with Offer of Counterbond" dated 17 August 1989 was next filed by Fortune. In this "Supplemental Motion," Fortune averred that it had paid to the BIR for 1988 the amount of P181,940,177.38 for specific taxes; while for January to July 1989, it had paid the amount of P120,120,735.28. Fortune also referred to its employees assigned to the manufacture of "MARK" cigarettes who were apparently apprehensive that their services would eventually be terminated and that they would join the ranks of the unemployed.

Petitioners filed an Opposition to the "Motion to Dissolve" and a Comment on the "Supplemental Motion" of Fortune.

On 14 September 1989, the Court of Appeals once more through Cacdac, Jr., J. issued a Resolution lifting the preliminary injunction it had earlier granted upon the filing of counterbond by private respondent in the amount of P400,000.00 to answer for any damages petitioners may suffer as a consequence of such lifting. In its Resolution, the Court of Appeals referred to the "lots of workers employed [who] will be laid off as a consequence of the injunction" and that Government "will stand to lose the amount of specific taxes being paid by" Fortune. It when went on to say:

After a thorough re-examination of the issues involved and the arguments advanced by both parties in the offer to file a counterbond and the opposition thereto, WE believe that there are sound and cogent reasons for Us to grant the dissolution of the writ of preliminary injunction by the offer of the private respondent to put up a counterbond to answer for whatever damages the

petitioner may suffer as a consequence of the dissolution of the preliminary injunction.

The petitioner will not be prejudiced nor stand to suffer irreparably as a consequence of the lifting of the preliminary injunction considering that they are not actually engaged in the manufacture of the cigarettes with the trademarks in question and the filing of the counterbond will amply answer for such damages.

While the rule is that an offer of a counterbond does not operate to dissolve an injunction previously granted, nevertheless, it is equally true that an injunction could be dissolved only upon good and valid grounds subject to the sound discretion of the court. As WE have maintained the view that there are sound and good reasons to lift the preliminary injunction the motion to file a counterbond is granted.¹⁰ (Emphasis supplied)

Petitioners filed a Motion for Reconsideration, without success.

In the instant Petition, petitioners make the following basic submissions:

1. that the Court of Appeals gravely abused its discretion amounting to excess of jurisdiction when it required, contrary to law and jurisprudence that in order that petitioners may suffer irreparable injury due to the lifting of the injunction, petitioners should be using actually their registered trademarks in commerce in the Philippines;
2. that the Court of Appeals gravely abused its discretion amounting to excess of jurisdiction when it lifted the injunction in violation of Section 6 of Rule 58 of the rules of Court;
3. that the Court of Appeals gravely abused its discretion amounting to excess of jurisdiction when, after having found that the trial court had committed grave abuse of discretion and exceeded its jurisdiction for having refused to issue the writ of injunction to restrain respondent's acts that are contrary to equity and good conscience, it made a complete about face for legally insufficient grounds and authorized private respondent to continue performing the very same acts that it had considered contrary to equity and good conscience, thereby ignoring not only the mandates of the trademark law, the international commitments of the Philippines, the judicial admission of private respondent that it will have no more right to use the trademark "MARK" after the Director of Patents shall have rejected the application to register it, and the admonitions of the Supreme Court.¹¹

The Court required private respondent to file a comment. The comment reiterated the basic arguments made by private respondent before the Court of Appeals:

- a. the petitioners are not suffering any irreparable damage by the lifting of the preliminary injunction by the Court of appeals. *Whatever damages they might suffer are "based purely on speculation, since by judicial admission, petitioners are not doing business in the Philippines. Private respondent stressed that petitioners "are not manufacturing, importing or selling "MARK TEN," "MARK VII" or "LARK" in this country," notwithstanding "false allegation" that petitioners have been "using" the said trademarks "in commerce and trade" in the Philippines since 1963 up to the present.*
- b. that *whatever damage petitioners may be suffering is negligible when compared to the taxes that would have to be foregone by the Government considering that private respondent "paid an annual specific tax of*

P240 Million only on the manufacture and sale of "MARK cigarettes." Private respondent claims that, in contrast, petitioners which are foreign corporations "based in three different countries" have not contributed anything to Government tax revenues.

c. that the Court of Appeals lifted the writ of preliminary injunction it had earlier issued upon the submission of a counter bond in double the amount of the bond submitted by petitioners, under Section 6, Rule 58 of the Rules of Court, *which act was within the sound discretion of the Court of Appeals*. Private respondent also stresses that the right of petitioners to the injunction was still being litigated before the trial court.

Reformulating the issues raised by the petitioners here, we think the principal issues may be reduced to the following: firstly, is there a clear legal right to the relief asked by petitioners in the form of a preliminary injunction to restrain private respondent from manufacturing, selling and distributing cigarettes under the trademark "MARK"? The second question is: are private respondent's acts complained of by petitioners causing irreparable injury to petitioners' rights in the premises? These two (2) basic issues are obviously related and need to be addressed together.

I

The first point that needs to be stressed is that petitioners have Philippine Certificates of Registration for their trademarks "MARK TEN", "MARK VII," and "LARK" in the Principal Register.

Upon the other hand, private respondent's trademark "MARK" is *not* registered in the Principal Register in the Office of the Director of Patents; private respondent is simply an applicant for registration of a mark, the status of which application may be noted later.

It is important to stress the legal effects of registration of a trademark in the Principal Register in the Office of the Director of Patents. Section 20 of R.A. No. 166, as amended, sets out the principal legal effects of such registration:

Sec. 20. Certificate of registration prima facie evidence of validity. — A certificate of registration, of a mark or a trade name shall be prima facie evidence of the validity of the registration, the registrant's ownership of the mark or trade name, and of the registrant's exclusive right to use the same in connection with the goods, business or services specified in the certificate, subject to any conditions and limitations stated therein. (Emphasis supplied)

In *Lorenzana v. Macagba*,¹² the Court distinguished between the effects of registration in the Principal Register and registration in the Supplemental Register in the following manner:

(1) *Registration in the Principal Register gives rise to a presumption of the validity of the registration, the registrant's ownership of the mark, and his right to the exclusive use thereof.* There is no such presumption in registrations in the Supplemental Register.

(2) *Registration in the Principal Register is limited to the actual owner of the trademark* (*Unno Commercial Enterprises v. Gen. Milling Corp.*, 120 SCRA 804 [1983]) and proceedings therein pass on the issue of ownership, which may be contested through opposition or interference proceedings, or after registration, in a petition for cancellation.

Registration in the Principal Register is constructive notice of the registrant's claims of ownership, while registration in the Supplemental Register is merely

proof of *actual use* of the trademark and notice that the registrant has used or appropriated it. (Le Chemise Lacoste, S.A. v. Fernandez, 129 SCRA 373 [1984]: "Registration in the Supplemental Register . . . serves as notice that the registrant is using or has appropriated the trademark.") It is not subject to opposition although it may be cancelled after its issuance. Corollarily, *registration in the Principal Register is a basis for an action for infringement*, while registration in the Supplemental Register is not.

(3) In application for registration in the Principal Register, publication of the application is necessary. This is not so in applications for registration in the Supplemental Register. Certificates of registration under both Registers are also different from each other.

(4) Proof of *registration in the Principal Register* may be filed with the Bureau of Customs to *exclude foreign goods bearing infringing marks* while it does not hold true for registrations in the Supplemental Register. ¹³(Emphasis supplied)

When taken with the companion presumption of regularity of performance of official duty, it will be seen that issuance of a Certificate of Registration of a trademark in the Principal Register also gives rise to the presumption that all requirements of Philippine law necessary for a valid registration (*including prior use in commerce in the Philippines for at least two [2] months*) were complied with and satisfied.

In contrast, private respondent filed an application for registration of its mark "MARK" for cigarettes with the Director of Patents soon after it commenced manufacturing and selling cigarettes trademark with "MARK." This application was abandoned or "forfeited", ¹⁴ for failure of private respondent to file a necessary Paper with the Director of Patent. It also appears, however, that private respondent later re-filed or reinstated its application for registration of "MARK" ¹⁵ and that, so far as the record here before us is concerned, *this application remains merely an application and has not been granted* and a Certificate of Registration in the Principal Register issued. ¹⁶ While final action does not appear as yet to have been taken by the Director of Patents on private respondent's application, there was *at least a preliminary determination of the trademark examiners that the trademark "MARK" was "confusingly similar" with petitioners' marks "MARK VII," "MARK TEN" and "LARK"* and that *accordingly, registration was barred under Section 4 (d) of R.A. No. 166, as amended.* ¹⁷

In the trial court, both Judge Reyes and Judge Galing took the position that until the Director of Patents shall have finally acted on private respondent's application for registration of "MARK," petitioners cannot be granted the relief of preliminary injunction. It is respectfully submitted that this position is both erroneous and unfortunate. In reliance upon that position, private respondent has kept its application for registration alive and pending. The Director of Patents in turn may well have refrained from taking final action on that application, even in the absence of a restraining order from the courts, out of deference to the courts. The pendency of the application before the Director of Patents is not *in itself* a reason for denying preliminary injunction. Our courts have jurisdiction and authority to determine whether or not "MARK" is an infringement on petitioners' registered trademarks. Under our case law, the issuance of a Certificate of Registration of a trademark in the Principal Register by the Director of Patents would not prevent a court from ruling on whether or not the trademark so granted registration is confusingly similar with a previously registered trademark, where such issue is essential for resolution of a case properly before the court. *A fortiori*, a mere *application* for registration cannot be a sufficient reason for denying injunctive relief, whether preliminary or definitive. In the case at bar, petitioners' suit for injunction and for damages for infringement, and their application for a preliminary injunction against private respondent, cannot be resolved without resolving the issue of claimed confusing similarity.

In the case at bar, the evidence of record is scanty. Petitioners have not submitted actual copies or photographs of their registered marks as used in cigarettes. Private respondent has not, for its

part, submitted the actual labels or packaging material used in selling its "MARK" cigarettes. Petitioners have appended to their Petition a photocopy of an advertisement of "MARK" cigarettes. Private respondent has not included in the record a copy of its application for registration of "MARK" for cigarettes, which would include a facsimile of the trademark being applied for. It should be noted that "MARK" and "LARK," when read or pronounced orally, constitute *idem sonans* in striking degree. Further, "MARK" has taken over the dominant word in "MARK VII" and "MARK TEN." These circumstances, coupled with private respondent's failure to explain how or why it chose, out of all the words in the English language, the word "mark" to refer to its cigarettes, lead me to the submission that there is a *prima facie* basis for holding, as the Patent Office has held and as the Court of Appeals did hold originally, that private respondent's "MARK" infringes upon petitioners' registered trademarks.

II

There is thus no question as to the legal rights of petitioners as holders of trademarks registered in the Philippines. Private respondent, however, resists and assails petitioners' effort to enforce their legal rights by heavily underscoring the fact that petitioners are not registered to do business in the Philippines and are not in fact doing business in the Philippines. It is thus necessary to determine what consequences, if any, flow from this circumstance so far as enforcement of petitioners' rights as holders of registered Philippine trademarks is concerned.

It should be stressed at the outset that circumstance has no legal impact upon the right of petitioners to own and register their trademarks in the Philippines. Section 2 of R.A. No. 166 as amended expressly recognizes as registrable, under this statute, marks which are owned by corporations domiciled in any foreign country:

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

It is also entirely clear that foreign corporations and corporations domiciled in a foreign country are not disabled from bringing suit in Philippine courts to protect their rights as holders of trademarks registered in the Philippines. Under Section 21-A of R.A. No. 166, as amended, any foreign corporation which is a holder of a trademark registered under Philippine law may bring an action for infringement of such mark or for unfair competition or false designation of origin and false description "*whether or not it has been licensed to do business in the Philippines under the [Corporation Law] at the time it brings complaint,* subject to the proviso that:

. . . that the country of which the said foreign corporation or juristic person is a citizen or in which it is domiciled by treaty, convention or law, grants similar privilege to corporate or juristic persons of the Philippines. (Emphasis supplied)

The rule thus embodied in Section 21-A of R.A. No. 166 as amended is also set out in Article 2 of the Paris Convention for the Protection of Industrial Property ("Paris Convention"), to which the Philippines, the United States, Canada and Switzerland are all parties.¹⁸ Article 2 of the Paris Convention provides in relevant part:

Article 2

(1) Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon national are complied with.

(2) However, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of countries of the Union for the enjoyment of any industrial property rights.

xxx xxx xxx

(Emphasis supplied)

Article 2, paragraph 1 of the Paris Convention embodies the principle of "national treatment" or "assimilation with nationals," one of the basic rules of the Convention.¹⁹ Under Article 2, paragraph 1 of the Paris Convention, nationals of Canada, Switzerland and the United States who are all countries of the Paris Union are entitled to enjoy in the Philippines, also a country of the Union, the advantages and protections which Philippine law grants to Philippine nationals. Article 2 paragraph 2 of the Paris Convention restrains the Philippines from imposing a requirement of local incorporation or establishment of a local domicile as a pre-requisite for granting to foreign nationals the protection which nationals of the Philippines are entitled to under Philippine law in respect of their industrial property rights. It should be noted that Article 2, paragraph 2 also constitutes proof of compliance with the requirement of reciprocity between, on the one hand, the Philippines and, on the other hand, Canada, Switzerland and the United States required under Section 21-A of R.A. No. 166 as amended.

The net effect of the statutory and treaty provisions above referred to is that a corporate national of a member country of the Paris Union is entitled to bring in Philippine courts an action for infringement of trademarks, or for unfair competition, without necessity for obtaining registration or a license to do business in the Philippines. Article 2 as quoted above is in effect with respect to all four (4) countries.

Such has been the rule in our jurisdiction even before the enactment of R.A. No. 166 and before the Philippines became a party to the Paris Convention. In *Western Equipment and Supplies Company, et al. v. Reyes, etc., et al.*,²⁰ petitioner Western Electrical Company, a U.S. manufacturer of electrical and telephone equipment and supplies *not doing business in the Philippines*, commenced action in a Philippine court to protect its corporate name from unauthorized use thereof by certain Philippine residents. The Philippine residents sought to organize a Philippine corporation to be known as "Western Electrical Company" for the purpose of manufacturing and selling electrical and telephone equipment in the Philippines. The local residents resisted the suit by contending, *inter alia*, that the petitioner Western Electrical Company had never transacted business in the Philippines and that registration of private respondent's articles of incorporation could not in any way injure petitioner. The Supreme Court, in rejecting this argument, stated that:

. . . a foreign corporation which has never done business in the Philippines — but is widely and favorably known in the Philippines through the use therein of its products bearing its corporate name and tradename has a *legal right to maintain an action in the [Philippines]*. The purpose of such a suit is *to protect its reputation, corporate name and goodwill* which has been *established through the natural development of its trade for a long period of years* in the doing of which it does not seek to enforce any legal or contract rights arising from or closing out of

any business which it has transacted in the Philippines. . . .²¹ (Emphasis supplied)

Similarly, in *Asari Yoko v. Kee Boc*,²² a Japanese corporation, also *not engaged in any business in the Philippines*, successfully opposed an application for registration of its trademark "Race Brand" on shirts and undershirts by a local businessman, *even though the Japanese company had not previously registered its own mark "Race Brand" in the Philippines*.

Again, in *General Garments Corporation v. Director of Patents and Puritan Sportswear Corporation*,²³ Puritan Sportswear Corporation, an entity organized in Pennsylvania U.S.A. and not doing business in the Philippines, filed a petition for cancellation of the mark "Puritan" which was registered in the name of petitioner General Garments Corporation for assorted men's wear, undershirts, briefs, shirts, sweaters and jackets. Puritan Sportswear alleged ownership and prior use of the trademark "Puritan" in the Philippines. Petitioner General Garments, on the other hand, contended that Puritan Sportswear, *being a foreign corporation not licensed to do, and not doing, business in the Philippines*, could not maintain an action for cancellation of a trademark. The Court, in upholding the Director of Patents' cancellation of the registration of the mark "Puritan" in the name of General Garments, said:

. . . .*such mark should not have been registered in the first place (and consequently may be cancelled if so required) if it consists of or comprises a mark or tradename which so resembles a mark or tradename previously used in the Philippines by another and not abandoned, as to be likely, when applied to or used in connection with goods, business or services of the applicant, to cause confusion or mistake or to deceive purchasers.*²⁴ (Emphasis supplied)

In *Converse Rubber Corporation v. Universal Rubber Products, Inc.*,²⁵ petitioner Converse Rubber Corporation was an American manufacturer of rubber shoes, *not doing business on its own in the Philippines and not licensed to do business in the Philippines*, opposed the application for registration of the trademark "Universal Converse and Device" to be used also in rubber shoes and rubber slippers by private respondent Universal Rubber Products, Inc. ("Universal"). In reversing the Director of Patents and holding that Universal's application must be rejected, the Supreme Court said:

The sales of 12 to 20 pairs a month of petitioner's rubber shoes cannot be considered insignificant, considering that they appear to be of high expensive quality, which not too many basketball players can afford to buy. *Any sale made by a legitimate trader from his store is a commercial act establishing trademark rights since such sales are made in due course of business to the general public, not only to limited individuals. It is a matter of public knowledge that all brands of goods filter into the market, indiscriminately sold by jobbers, dealers and merchants not necessarily with the knowledge or consent of the manufacturer. Such actual sale of goods in the local market establishes trademark use which serves as the basis for any action aimed at trademark pre-emption.* It is a corollary logical deduction that *while Converse Rubber Corporation is not licensed to do business in the country and is not actually doing business here, it does not mean that its goods are not being sold here or that it has not earned a reputation or goodwill as regards its products.* The Director of Patents was, therefore, remiss in ruling that the proofs sales presented "was made by a single witness who had never dealt with nor had never known opposer {petitioner} . . . without Opposer having a direct or indirect hand in the transaction to be the basis of trademark pre-exemption."²⁶ (Emphasis supplied)

Three (3) other cases may be noted. The first is *La Chemise Lacoste, S.A. v. Fernandez*²⁷ La Chemise Lacoste, S.A. although a *foreign corporation not engaged in and not licensed to do business in the Philippines*, was accorded protection for its trademarks "Lacoste", "Chemise

Lacoste," and "Crocodile Device" for clothing and sporting apparel. The Court recognized that those marks were "world famous trademarks which the Philippines, as a party to the Paris Union, is bound to protect." Similarly, in *Del Monte Corporation, et al. v. Court of Appeals, et al.*,²⁸ petitioner Del Monte Corporation was a company organized under the laws of the United States and *not engaged in business in the Philippines*. Because both the Philippines and the United States are signatories to the Convention of Paris, which grants to nationals of the parties the rights and advantages which their own nationals enjoy for the repression of acts of infringement and unfair competition, the Court, having found that private respondent's label was an infringement of Del Monte's trademark, held Del Monte entitled to recover damages.

In *Puma Sportschuhfabriken Rudolf Dassler, K.G. v. Intermediate appellate Court, et al.*,²⁹ petitioner Puma was a foreign corporation existing under the laws of the Federal Republic of Germany *not registered to do business and not doing business in the Philippines*, filed a complaint for infringement of trademark and for issuance of a writ of preliminary injunction against a local manufacturing company. Reversing the Court of Appeals, this Court held that Puma had legal capacity to bring the suit in the Philippines under Section 21-A of R.A. No. 166 as amended and under the provisions of the Paris Convention to which both the Philippines and the Federal Republic of Germany are parties. The Court also noted that "Puma" is an internationally known brandname.

The relevancy of the doctrines set out in the cases above cited are conceded by my distinguished brother Melo, *J.* in the majority opinion. The majority opinion, however, goes on to say:

In other words, petitioners 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 symbols 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 its trademark in commerce in the Philippines. Such a foreign corporation may have the personality to file a suit for infringement but it may not necessarily be entitled to protection due to absence of actual use of the emblem in the local market.*

With great respect, certain essential qualifications must be made respecting the above paragraph. Firstly, of the petitioners' three (3) marks here involved, two (2) of them — i.e., "MARK TEN" and "LARK" — were registered in the Philippines on the basis of actual use in the Philippines, precisely in accordance with the requirements of Section 2-A and Section 5 (A) of R.A. No. 166 as amended. The pre-registration use in commerce and trade in the Philippines for at least two (2) months as required by the statute, is explicitly stated in the Certificates of Registration. The very fact that the appropriate Philippine Government office issued the Certificates of Registration necessarily gave rise to the presumption that such pre-registration use had in fact been shown to the satisfaction of the Philippine Patent Office (now the Bureau of Patents, Trademark and Technology Transfer ["BPTTT"]). It is important to note that respondent Fortune has not purported to attack the validity of the trademarks "Mark Ten" and "Lark" by pretending that no pre-registration use in commerce in the Philippines had been shown.³⁰

The third mark of petitioners — "MARK VII" — was registered in the Philippines on the basis of Section 37 of R.A. No. 166 as amended, i.e., on the basis of registration in the country of origin and under the Paris Convention. In such registration, by the express provisions of Section 37 (b) of R.A. No. 166 as amended, prior (pre-registration) use in commerce in the Philippines need *not* be alleged.

Whether the Philippine trademark was based on actual use in the Philippines (under Section 2-A) or on registration in a foreign country of origin (under Section 37), the statute appears to require

that trademarks (at least trademarks not shown to be internationally "well-known") must continue to be used in trade and commerce in the Philippines. It is, however, essential to point out that such continued use, as a requirement for the continued right to the exclusive use of the registered trademark, is presumed so long as the Certificate of Registration remains outstanding and so long as the registered trademark owner complies with the requirements of Section 12 of R.A. No. 166 as amended of filing affidavits with the BPTTT on the 5th, 10th and 15th anniversaries of the date of issuance of the Certificate of Registration, showing that the trademark is still in use or showing that its non-use is not due to any intention to abandon the same. In the case at bar, again, respondent Fortune has not explicitly pretended that the petitioners' trademarks have been abandoned by non-use in trade and commerce in the Philippines although it appears to insinuate such non-use and abandonment by stressing that petitioners are not doing business in the Philippines.

That petitioners are not doing business and are not licensed to do business in the Philippines, does *not* by any means mean either that petitioners have not complied with the requirements of Section 12 of R.A. No. 166 relating to affidavits of continued use, or that petitioners' trademarks are not in fact used in trade and commerce in the Philippines. In the *Converse* case, as earlier noted, the Court held that *the circumstance that the foreign owner of a Philippine trademark is not licensed to do business and is not doing business in the Philippines, does not mean that petitioner's goods (that is, goods bearing petitioner's trademark) are not sold in the Philippines. For cigarettes bearing petitioners' trademarks may in fact be imported into and be available for sale in the Philippines through the acts of importers or distributors.* Petitioners have stated that their "Mark VII," "Mark Ten" and "Lark" cigarettes are in fact brought into the country and available for sale here in, e.g., duty-free shops, though not imported into or sold in the Philippines *by petitioners themselves*. There is no legal requirement that the foreign registrant itself manufacture and sell its products here. All the statute requires is the use in trade and commerce in the Philippines, and that can be carried out *by third party manufacturers operating under license granted by the foreign registrant or by the importation and distribution of finished products by independent importers or traders.* The "use" of the trademark in such instances by the independent third parties constitutes use of the foreign registrant's trademarks to the benefit of the foreign registrant.³¹

III

We turn to petitioners' claim that they are suffering irreparable damage by reason of the manufacture and sale of cigarettes under the trademark "MARK." Here again, a basic argument of private respondent was that petitioners had not shown any damages because they are not doing business in the Philippines. I respectfully maintain that this argument is specious and without merit.

That petitioners are not doing business and are not licensed to do business in the Philippines, does *not* necessarily mean that petitioners are not in a position to sustain, and do not in fact sustain, damage through trademark infringement on the part of a local enterprise.³² Such trademark infringement by a local company may, for one thing, affect the volume of importation into the Philippines of cigarettes bearing petitioners' trademarks by independent or third party traders.

The damage which the petitioners claim they are sustaining by reason of the acts of private respondents, are not limited to impact upon the volume of actual imports into the Philippines of petitioners' cigarettes. Petitioners urge that private respondent's use of its confusingly similar trademark "MARK" is invasive and destructive of petitioners property right in their registered trademarks because.

- a) Plaintiffs' undeniable right to the exclusive use of their registered trademarks is effectively effaced by defendant's use of a confusingly similar trademark;

- b) Plaintiffs would lose control of the reputation of their products as their reputation will depend on defendant's commercial activities and the quality of defendant's products;
- c) The market in the Philippines for plaintiffs' products will be pre-empted;
- d) Purchasers will think that defendant's goods are approved or sponsored by plaintiff;
- e) Defendant will be allowed to benefit from the reputation of the plaintiffs' goods and trademarks;
- f) Defendant will be effectively authorized to continually invade plaintiffs' property rights, for which invasion no fair and reasonable redress can be had in a court of law; and
- g) Plaintiffs will lose their goodwill and trade and the value of their registered trademarks will irreparably dilute and the damages to be suffered by plaintiffs cannot be redressed fairly in terms of money.³³

Modern authorities on trademark law view trademarks as symbols which perform three (3) distinct functions: first, they indicate origin or ownership of the articles to which they are attached; second, they guarantee that those articles come up to a certain standard of quality; third, they advertise the articles they symbolize.³⁴

The first two (2) functions have long been recognized in trademark law which characterizes the goodwill or business reputation symbolized by a trademark as a property right protected by law. Thus, the owner of a trademark is held entitled to exclude others from the use of the same, or of a confusingly similar, mark where confusion results in diversion of trade or financial injury. At the same time, trademarks warn against the imitation or faking of products and prevent the imposition of fraud upon the public. The first two (2) functions of trademarks were aptly stressed in e.g., the *La Chemise Lacoste* case where the objectives of trademark protection were described in the following terms:

. . . to stem the tide of fake and counterfeit consumer items flooding the Philippine market or exported abroad from our country. The greater victim is not so much the manufacturer whose product is being faked but the Filipino consuming public and in the case of exportations, our image abroad . . . We buy a kitchen appliance, a household tool, perfume, a face powder, other toilet articles, watches, brandy or whisky, and items of clothing like jeans, T-shirts, neckties, etc. — the list is quite lengthy — and pay good money relying on the brand name as guarantee of its quality and genuine nature only to explode in bitter frustration and helpless anger because the purchased item turns out to be a shoddy imitation, albeit a clever looking counterfeit, of the quality product . . .³⁵

The third or advertisement function of trademark has become of especial importance given the modern technology of communication and transportation and the growth of international trade.³⁶ Through advertisement in the broadcast and print media, the owner of the trademark is able to establish a nexus between its trademark products and the public in regions where the owner does not itself manufacture or sell its own products.³⁷ Through advertisement, a well-established and well-earned reputation may be gained in countries where the trademark owner has itself no established business connection.³⁸ Goodwill may thus be seen to be much less closely confined territorially than, say, a hundred or fifty years ago.³⁹ It is no longer true that "a trademark of itself cannot travel to markets where there is no article to wear the badge and no trader to offer the article."⁴⁰ Advertisement of trademarks is geared towards the promotion of use of the marked article and the attraction of potential buyers and users;⁴¹ by fixing the identity of the marked article in the public mind, it prepares the way for growth in such commerce *whether*

the commerce be handled by the trademark owner itself or by its licensees or independent traders.

That a registered trademark has value in itself apart from the trade physically accompanying its use, has been recognized by our Court. In *Ang v. Teodoro*,⁴² the Court was called upon to determine whether there was infringement in the use of the same trademark on articles which do *not* belong to the same class of goods which the lawful trademark owner manufactures and sells. In holding that there was infringing use in such case, the Court said:

. . . such unfair trading can cause *injury or damage* to the first user of a given trade-mark, *first, by prevention of the natural expansion of his business and, second, by having his business reputation confused with and put at the mercy of the second user.* When noncompetitive products are sold under the same mark, *the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark created by its first user, inevitably result.* The original owner is entitled to the preservation of *the valuable link between him and the public that has been created by his ingenuity and the merit of his wares or services.* Experience has demonstrated that when a well-known trade-mark is adopted by another even for a totally different class of goods, it is done to get the benefit of the reputation and advertisements of the originator of said mark, to convey to the public a false impression of some supposed connection between the manufacturer of the article sold under the original mark and the new articles being tendered to the public under the same or similar mark . . . The owner of a trademark or tradename has a property right in which he is entitled to protection, since *there is damage to him* in the form of *confusion of reputation or goodwill in the mind of the public as well as from confusion of goods.* (Emphasis supplied)

In *Sta. Ana v. Maliwat*,⁴³ the Court, through J.B.L. Reyes, J., in holding that the use of the name "Flormen" with respect to shoes was infringement of the mark "Flormann" used in the men's wear such as shirts, polo shirts and pants, said:

Modern law recognizes that the protection to which the owner of a trade-mark is entitled is not limited to guarding his goods or business from actual market competition with identical or similar products of the parties, but extends to all cases in which the use by a junior appropriator of a trade-mark or trade-name is likely to lead to a confusing of source, as *where prospective purchasers would be misled into thinking that the complaining party has extended his business into the field* (see 148 ALR 56 et seq; 52 Am. Jur. 576) *or is in any way connected with the activities of the infringer; or when it forestalls the normal potential expansion of his business* (v. 148 ALR, 77, 84; 52 Am. Jur. 576, 577). . . .⁴⁴ (Emphasis supplied)

Petitioners did not try to put a peso figure on their claimed damage arising from the erosion and possible eventual destruction of the symbolic value of their trademark. Such damage, while not easily quantifiable, is nonetheless real and effective. I submit, with respect, that such continuing damage falls clearly within the concept of irreparable damage or injury described in *Social Security Commission v. Bayona*⁴⁵ in the following terms:

Damages are irreparable within the meaning of the rule relative to the issuance of injunction *where there is no standard by which their amount can be measured with reasonable accuracy* (Crouc v. Central Labor Council, 83 ALR, 193). "An irreparable injury which a court of equity will enjoin includes that degree of *wrong of a repeated and continuing kind which produce hurt, inconvenience, or damage that can be estimated only by conjecture, and not by any accurate standard of measurement*" (Phipps v. Rogue River Valley Canal Co., 7 ALR, 741). An irreparable injury to authorize an injunction consists of a serious charge of, or is destructive to, the property if affects, either physically or in the character in which

it has been held and enjoined, or *when the property has some peculiar quality or use, so that its pecuniary value will not fairly recompense the owner of the loss thereof* (Dunker v. Field and Tub Club, 92 P., 502).

Respondent corporations made a lengthy discourse on the matter of irreparable injury they may suffer if the injunction were not issued, but the array of figures they have laid out merely succeeded in proving that the damage, if any they may suffer, is *susceptible of mathematical computation. It is not then irreparable.* As already stated, this term has a definite meaning in law. *It does not have reference to the amount of damages that may be caused but rather to the difficulty of measuring the damages inflicted. If full compensation can be obtained by way of damages, equity will not apply the remedy of injunction* (28 Am. Jur., 244; 43 C.J.S., 427, 446).⁴⁶

I next turn to private respondent's claim that issuance of an injunction would impose heavy damage upon itself and upon Government. As noted, private respondent stated that it had paid many millions of pesos as *ad valorem* and VAT taxes to the Government in 1988 and 1989 in connection with its "MARK" cigarettes.⁴⁷ Presumably, the total volume of its business associated with the manufacture and sale of cigarettes trademarked "MARK" would be even larger. In addition, private respondent suggests, albeit indirectly only, that hundreds if not thousands of its employees would find themselves unemployed if it were restrained from the manufacture and sale of "MARK" cigarettes.

Private respondent's claims concerning alleged damages both to itself and to the Government, which obviously loomed very large in the mind of the majority here, and of the Court of Appeals when it lifted the injunction it had issued, appear to me to be extravagant indeed. Petitioners cannot claim to be entitled to an injunction which could restrain private respondent from manufacturing and selling *cigarettes completely*; petitioner do *not* pretend to be so entitled to such a comprehensive injunction. Petitioners seek only the reinstatement of the original injunction issued by the Court of Appeals, *i.e.*, one that restrains private respondent *from using the trademark "MARK" on its cigarettes*. There is nothing to prevent private respondent from continuing to manufacture and sell cigarettes under any of its already existing and registered trademarks, of which it has several, or under some new and specially created trademark(s). Realistically, private respondent, if enjoined, would lose only the value of the packaging material imprinted with the same trademark (which cigarettes and material may well be amenable to recycling) and the cost of past advertisements of "MARK" in media, if any. Thus, the apprehension on the part of the majority which private respondent tried diligently to foment — that the Government would lose many millions of pesos in tax revenues and that many employees would lose their jobs, if an injunction is issued — is more apparent than real. The damages private respondent would sustain from reinstatement of the preliminary injunction are clearly quantifiable in pesos.

Besides, as pointed out by petitioners, to pay heed to private respondent's creative economic argument would ultimately mean that the greater the volume of sales and the profits of the infringer, the greater would be the infringer's claim to be entitled to continue infringement. I respectfully submit that the law should not countenance such a cynical result.

My conclusion is that private respondent's claims concerning damage which it would sustain if the petitioners were granted the injunction they seek, did not constitute a sufficient basis for overturning the original decision of the Court of Appeals. The Resolution of the Court of Appeals granting private respondent's Motion to Dissolve, in effect disregarded everything that Court had set out in its original Decision. The mere offer and filing of a counterbond does not, *by itself*, provide a sufficient basis for lifting the preliminary injunction earlier granted. For all the elements which supported the original issuance of a preliminary injunction continued to exist. Private respondent's hyperbolic claims concerning the damages that it and the Government would sustain by reason of an injunction, had been made earlier both before the trial court and the Court of Appeals. Finally, it is not enough to say as private respondent says, that the Court of

Appeals in granting its Motion to Dissolve the preliminary injunction was merely exercising its discretion; for the Court of Appeals obviously was also exercising its discretion when it rendered its original Decision granting the preliminary injunction.

I vote to grant due course to the petition for *Certiorari*, to set aside the Resolution of the respondent Court of Appeals dated 14 September 1989 in C.A.-G.R. SP No. 13132 and to reinstate the Decision of that same Court dated 5 May 1989.

FOOTNOTES:

1 Then presided over by Judge Pastor P. Reyes.

2 Court of Appeals Decision, *Rollo*, p. 137.

3 *Rollo*, p. 339.

4 *Id.*, p. 73.

5 *Id.*, p. 88.

6 With the concurrence of Nocon and G.C. Paras, *JJ.*

7 *Rollo*, p. 165.

8 Note 3.

9 *Rollo*, pp. 166-167.

10 *Rollo*, pp. 53-54.

11 *Id.* pp. 25-26.

12 154 SCRA 723 (1987).

13 154 SCRA at 728-729.

14 Certification, dated 8 August 1986, Annex "I" of the Petition, *Rollo*, p. 74.

15 Certification dated 30 January 1984, issued by Cesar C. San Diego, Director of Patents, certifying that as of that date, private respondent's "Application Serial No. 44008 for the registration of trademark "MARK" and design filed on 13 February 1981 was still pending appropriate action." (*Rollo*, p.—).

16 This certification is quoted in the order dated 5 April 1984 of Judge Reyes; *Rollo*, p. 348.

17 Section 4 (d) of R.A. No. 166, as amended, specifies the kinds of trademarks, tradenames or service marks which *cannot be registered* on the Principal Register:

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

18 The Paris Convention was concurred in by the Senate by S.R. No. 69, May 10, 1965 and the Instrument of Ratification was signed by the President on October 11, 1965; *List of Treaties and Other International Agreements of the Republic of the Philippines*, p. 1 (1966; U.P. Law Center). The adhesion of the Philippines to the Convention became effective as of 27 September 1965; Canada on 12 June 1925; Switzerland on 7 July 1884; and the United States on 30 May 1887.

The text of the Paris Convention and of the List of "Members-States of the International Union for the Protection of Industrial Property (Paris Union) as in April 1968" may be found in *G.H.C. Bodenhausen, Guide to the Application of the Paris Convention for the Protection of Industrial Property* (1968).

19 G.H.C. Bodenhausen, *supra*, p. 27.

20 51 Phil., 115 (1927).

21 51 Phil., at.

22 1 SCRA 1 (1961).

23 41 SCRA 50 (1971).

24 41 SCRA at.

25 147 SCRA 154 (1987).

26 147 SCRA at 162.

27 129 SCRA 373 (1984).

28 181 SCRA 410 (1990).

29 158 SCRA 233 (1988).

30 Such an attack was apparently made in *Pag-Asa Industrial Corporation v. Court of Appeals*, 118 SCRA 526(1982) which the majority opinion cites.

31 Accordingly, the importer or distributor does not acquire ownership of the trademark on the goods imported or distributed; e.g., *Gabriel v. Perez*, 55 SCRA 406 (1974); *Unno Commercial Enterprises v. General Milling Corporation*, 120 SCRA 804 (1983); *Marvex Commercial Co., Inc. v. Petra Hawpia and Co.*, 18 SCRA 1178 (1966); *Operators, Inc. v. Director of Patents*, 15 SCRA 147 (1965).

32 See generally, *Western Equipment and Supply Co. v. Reyes*, 51 SCRA 115 (1927); *Asari Yoko Co. v. Kee Boc*, 1 S 1 a(1961); *General Garments v. Director of Patents*, 41 SCRA 50 (1971); *La Chemise Lacoste, S.A. v. Fernandez*, 129 SCRA 373 (1984); *Converse Rubber Corporation v. Universal Rubber Products*, 147 SCRA 154 (1987).

33 Petitioners' Second Motion for Issuance of Preliminary Injunction, filed with the trial court; *Rollo*, p. 88. See also the Petition for *Certiorari* filed with the Supreme Court, *Rollo*, p. 16.

34 See 2 Callman, *Unfair Competition and Trade Marks* (1945), p. 804. See also Grass, "Territorial Scope of Trademark Rights," 44 U Miami L. Rev. 1075 (1990).

35 *La Chemise Lacoste*, 129 SCRA at 403.

36 See Schechter, "The Rational Basis of Trademark Protection," 40 Harv. L. Rev. 813 (1927); 2 Callman, *supra* at 810.

37 2 Callman, *supra* at 811, citing *Coca-Cola Company v. Brown*, 60 T 2d 319.

38 See generally, 1 Nims, "Unfair Competition and Trademark," S. 35A (1947), p. 149.

39 See also 1 Nims, *supra* at 150.

40 See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916); see also *Territorial Scope of Trademark Rights*, *supra* at 1086.

In *Hanover Star Milling Company v. Metcalf*, the United States Supreme Court realized that advertising had the potential for spreading business goodwill beyond the areas of actual market sales. The Court alluded to the possibility that, in certain instances, the protection of trademarks could extend beyond the zone of actual market penetration: "Into whatever markets the use of a trademark has extended, or its meaning has become known, there will the manufacturer or trader whose trade is pirated by an infringing use be entitled to protection and redress."

41 See 2 Callman, *supra* at 811.

42 74 Phil. 50 (1942).

43 24 SCRA 1018 (1968).

44 24 SCRA at 1025. In *Faberge, Inc. v. Intermediate Appellate Court* (G.R. No. 71189, 4 November 1992), a Third Division Decision, the Court held that the use of the trademark "Brute" for men's briefs, was not an infringement of the mark "Brut 33 and Device" for anti-perspirants, personal deodorant, shaving cream, after shave-shower lotion, hair spray and hair shampoo. This case turned on interpretation of Section 20 R.A. No. 166 as amended, which appeared to limit the exclusive right of the senior user to the goods specified in its Certificate of Registration. *Faberge* does not, as I read it, deny the existence of categories or damage or injury in trademark cases which transcend the quantifiable loss of volume of commercial sales. Moreover, *the case at bar involves competing goods of one and the same class, i.e. cigarettes.*

45 5 SCRA 126 (1962). See further Phil. *Virginia Tobacco Adm. v. De los Angeles*, 164 SCRA 543 (1988); *Yu v. Court of Appeals*, G.R. No. 86683, 21 January 1993; *Golding v. Balatbat*, 36 Phil. 941 (1917); *Liongson v. Martinez*, 36 Phil. 948 (1917). 46 5 SCRA at 130-131.

47 See Certification, dated 11 August 1989, issued by Mr. Melchor Banares, Assistant BIR Commissioner, being Annex "A" to private respondent's "Supplemental Motion to Lift Writ of Preliminary Injunction with Offer of Counterbond" filed with the Court of Appeals; *Rollo* p. 221.