

Republic of the Philippines
SUPREME COURT
Manila

PROSOURCE INTERNATIONAL, INC.,
Petitioner,

G.R. No. 180073

- versus -

Present:

HORPHAG RESEARCH MANAGEMENT SA,
Respondent.

Promulgated: November 25, 2009

NACHURA, J.:

This is a petition for review on certiorari under Rule 45 of the Rules of Court seeking to reverse and set aside the Court of Appeals (CA) Decision^{1[1]} dated July 27, 2007 and Resolution^{2[2]} dated October 15, 2007 in CA-G.R. CV No. 87556. The assailed decision affirmed the Regional Trial Court (RTC)^{3[3]} Decision^{4[4]} dated January 16, 2006 and Order^{5[5]} dated May 3, 2006 in Civil Case No. 68048; while the assailed resolution denied petitioner's motion for reconsideration.

The facts are as follows:

Respondent Horphag Research Management SA is a corporation duly organized and existing under the laws of Switzerland and the owner^{6[6]} of trademark PYCNOGENOL, a food supplement sold and distributed by Zuellig Pharma Corporation. Respondent later discovered that petitioner Prosource International, Inc. was also distributing a similar food supplement using the mark PCO-GENOLS since 1996.^{7[7]} This prompted respondent to demand that petitioner cease and desist from using the aforesaid mark.^{8[8]}

Without notifying respondent, petitioner discontinued the use of, and withdrew from the market, the products under the name PCO-GENOLS as of June 19, 2000. It, likewise, changed its mark from PCO-GENOLS to PCO-PLUS.^{9[9]}

On August 22, 2000, respondent filed a Complaint^{10[10]} for Infringement of Trademark with Prayer for Preliminary Injunction against petitioner, praying that the latter cease and desist from using the brand PCO-GENOLS for being confusingly similar with respondent's trademark PYCNOGENOL. It, likewise, prayed for actual and nominal damages, as well as attorney's fees.^{11[11]}

In its Answer,^{12[12]} petitioner contended that respondent could not file the infringement case considering that the latter is not the registered owner of the trademark PYCNOGENOL, but one Horphag Research Limited. It, likewise, claimed that the two marks were not confusingly similar. Finally, it denied liability, since it discontinued the use of the mark prior to the institution of the infringement case. Petitioner thus prayed for the dismissal of the complaint. By way of

1[1] Penned by Associate Justice Vicente S.E. Veloso, with Associate Justices Juan Q. Enriquez, Jr. and Marlene Gonzales-Sison, concurring; *rollo*, pp. 38-47.

2[2] *Id.* at 48.

3[3] Branch 167, Pasig City.

4[4] Penned by Judge Alfredo C. Flores; *rollo*, pp. 230-234.

5[5] *Id.* at 248-250.

6[6] Evidenced by Registration No. 62413 issued by the Bureau of Patents, Trademarks and Technology Transfer.

7[7] *Rollo*, p. 39.

8[8] *Id.* at 163-164.

9[9] *Id.* at 68.

10[10] *Id.* at 49-54.

11[11] *Id.* at 50-51.

12[12] *Id.* at 57-61.

counterclaim, petitioner prayed that respondent be directed to pay exemplary damages and attorney's fees.^{13[13]}

During the pre-trial, the parties admitted the following:

1. Defendant [petitioner] is a corporation duly organized and existing under the laws of the Republic of the Philippines with business address at No. 7 Annapolis Street, Greenhills, San Juan, Metro Manila;
2. The trademark PYCNOGENOL of the plaintiff is duly registered with the Intellectual Property Office but not with the Bureau of Food and Drug (BFAD).
3. The defendant's product PCO-GENOLS is duly registered with the BFAD but not with the Intellectual Property Office (IPO).
4. The defendant corporation discontinued the use of and had withdrawn from the market the products under the name of PCO-GENOLS as of June 19, 2000, with its trademark changed from PCO-GENOLS to PCO-PLUS.
5. Plaintiff corporation sent a demand letter to the defendant dated 02 June 2000.^{14[14]}

On January 16, 2006, the RTC decided in favor of respondent. It observed that PYCNOGENOL and PCO-GENOLS have the same suffix "GENOL" which appears to be merely descriptive and thus open for trademark registration by combining it with other words. The trial court, likewise, concluded that the marks, when read, sound similar, and thus confusingly similar especially since they both refer to food supplements. The court added that petitioner's liability was not negated by its act of pulling out of the market the products bearing the questioned mark since the fact remains that from 1996 until June 2000, petitioner had infringed respondent's product by using the trademark PCO-GENOLS. As respondent manifested that it was no longer interested in recovering actual damages, petitioner was made to answer only for attorney's fees amounting to P50, 000.00.^{15[15]} For lack of sufficient factual and legal basis, the court dismissed petitioner's counterclaim. Petitioner's motion for reconsideration was likewise denied.

On appeal to the CA, petitioner failed to obtain a favorable decision. The appellate court explained that under the Dominancy or the Holistic Test, PCO-GENOLS is deceptively similar to PYCNOGENOL. It also found just and equitable the award of attorney's fees especially since respondent was compelled to litigate.^{16[16]}

Hence, this petition, assigning the following errors:

- I. THAT THE COURT OF APPEALS ERRED IN AFFIRMING THE RULING OF THE LOWER [COURT] THAT RESPONDENT'S TRADEMARK P[YC]NOGENOLS (SIC) WAS INFRINGED BY PETITIONER'S PCO-GENOLS.
- II. THAT THE COURT OF APPEALS ERRED IN AFFIRMING THE AWARD OF ATTORNEY'S FEES IN FAVOR OF RESPONDENT HORPHAG RESEARCH MANAGEMENT S.A. IN THE AMOUNT OF Php50,000.00.^{17[17]}

The petition is without merit.

13[13] Id. at 60.
14[14] Id. at 68-69.
15[15] Id. at 233-234.
16[16] Id. at 44-46.
17[17] Id. at 26.

It must be recalled that respondent filed a complaint for trademark infringement against petitioner for the latter's use of the mark PCO-GENOLS which the former claimed to be confusingly similar to its trademark PYCNOGENOL. Petitioner's use of the questioned mark started in 1996 and ended in June 2000. The instant case should thus be decided in light of the provisions of Republic Act (R.A.) No. 166^{18[18]} for the acts committed until December 31, 1997, and R.A. No. 8293^{19[19]} for those committed from January 1, 1998 until June 19, 2000.

A trademark is any distinctive word, name, symbol, emblem, sign, or device, or any combination thereof, adopted and used by a manufacturer or merchant on his goods to identify and distinguish them from those manufactured, sold, or dealt by others. Inarguably, a trademark deserves protection.^{20[20]}

Section 22 of R.A. No. 166, as amended, and Section 155 of R.A. No. 8293 define what constitutes trademark infringement, as follows:

Sec. 22. Infringement, what constitutes. – Any person who shall use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or tradename in connection with the sale, offering for sale, or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services, or identity of such business; or reproduce, counterfeit, copy of colorably imitate any such mark or tradename and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business, or services, shall be liable to a civil action by the registrant for any or all of the remedies herein provided.

Sec. 155. Remedies; Infringement. – Any person who shall, without the consent of the owner of the registered mark:

155.1. Use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps necessary to carry out the sale of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

155.2. Reproduce, counterfeit, copy or colorably imitate a registered mark or a dominant feature thereof and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action for infringement by the registrant for the remedies hereinafter set forth: Provided, That infringement takes place at the moment any of the acts stated in Subsection 155.1 or this subsection are committed regardless of whether there is actual sale of goods or services using the infringing material.

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

18[18] Trademark Law.

19[19] Intellectual Property Code.

20[20] *Philip Morris, Inc. v. Fortune Tobacco Corporation*, G.R. No. 158589, June 27, 2006, 493 SCRA 333, 345.

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

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

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

(d) [S]uch act is done without the consent of the trademark registrant or assignee.^{21[21]}

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

- (1) The trademark being infringed is registered in the Intellectual Property Office; however, in infringement of trade name, the same need not be registered;
- (2) The trademark or trade name is reproduced, counterfeited, copied, or colorably imitated by the infringer;
- (3) The infringing mark or trade name is used in connection with the sale, offering for sale, or advertising of any goods, business or services; or the infringing mark or trade name is applied to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services;
- (4) The use or application of the infringing mark or trade name is likely to cause confusion or mistake or to deceive purchasers or others as to the goods or services themselves or as to the source or origin of such goods or services or the identity of such business; and
- (5) It is without the consent of the trademark or trade name owner or the assignee thereof.^{22[22]}

In the foregoing enumeration, it is the element of “likelihood of confusion” that is the gravamen of trademark infringement. But “likelihood of confusion” is a relative concept. The particular, and sometimes peculiar, circumstances of each case are determinative of its existence. Thus, in trademark infringement cases, precedents must be evaluated in the light of each particular case.^{23[23]}

In determining similarity and likelihood of confusion, jurisprudence has developed two tests: the Dominancy Test and the Holistic or Totality Test. The Dominancy Test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion and deception, thus constituting infringement^{24[24]} If the competing trademark contains the main,

21[21] Id. at 360.

22[22] Ruben E. Agpalo, *The Law on Trademark, Infringement and Unfair Competition* (2000), pp. 142-143.

23[23] *Philip Morris, Inc. v. Fortune Tobacco Corporation*, supra note 20, at 356.

24[24] *Philip Morris, Inc. v. Fortune Tobacco Corporation*, id; *Mighty Corporation v. E. & J. Gallo Winery*, G.R. No. 154342, July 14, 2004, 434 SCRA 473, 506.

essential and dominant features of another, and confusion or deception is likely to result, infringement takes place. Duplication or imitation is not necessary; nor is it necessary that the infringing label should suggest an effort to imitate. The question is whether the use of the marks involved is likely to cause confusion or mistake in the mind of the public or to deceive purchasers.^{25[25]} Courts will consider more the aural and visual impressions created by the marks in the public mind, giving little weight to factors like prices, quality, sales outlets, and market segments.^{26[26]}

In contrast, the Holistic Test entails a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity.^{27[27]} The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing on both labels in order that the observer may draw his conclusion whether one is confusingly similar to the other.^{28[28]}

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

Both the word[s] PYCNOGENOL and PCO-GENOLS have the same suffix "GENOL" which on evidence, appears to be merely descriptive and furnish no indication of the origin of the article and hence, open for trademark registration by the plaintiff thru combination with another word or phrase such as PYCNOGENOL, Exhibits "A" to "A-3." Furthermore, although the letters "Y" between P and C, "N" between O and C and "S" after L are missing in the [petitioner's] mark PCO-GENOLS, nevertheless, when the two words are pronounced, the sound effects are confusingly similar not to mention that they are both described by their manufacturers as a food supplement and thus, identified as such by their public consumers. And although there were dissimilarities in the trademark due to the type of letters used as well as the size, color and design employed on their individual packages/bottles, still the close relationship of the competing products' name in sounds as they were pronounced, clearly indicates that purchasers could be misled into believing that they are the same and/or originates from a common source and manufacturer.^{29[29]}

We find no cogent reason to depart from such conclusion.

This is not the first time that the Court takes into account the aural effects of the words and letters contained in the marks in determining the issue of confusing similarity. In *Marvex Commercial Co., Inc. v. Petra Hawpia & Co., et al.*,^{30[30]} cited in *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*,^{31[31]} the Court held:

The following random list of confusingly similar sounds in the matter of trademarks, culled from *Nims, Unfair Competition and Trade Marks, 1947, Vol. 1*, will reinforce our view that "SALONPAS" and "LIONPAS" are confusingly similar in sound: "Gold Dust" and "Gold Drop"; "Jantzen" and "Jass-Sea"; "Silver Flash" and "Supper Flash"; "Cascarete" and "Celborite"; "Celluloid" and "Cellonite"; "Chartreuse" and "Charseurs"; "Cutex" and "Cuticlean"; "Hebe" and "Meje"; "Kotex" and "Femetex"; "Zuso" and "Hoo Hoo." Leon Amdur, in his book "Trade-Mark Law and Practice," pp. 419-421, cites, as coming within the purview of the idem sonans rule, "Yusea" and "U-C-A," "Steinway Pianos" and "Steinberg Pianos," and "Seven-Up" and "Lemon-Up." In *Co Tiong vs. Director of Patents*,

25[25] *Mighty Corporation v. E. & J. Gallo Winery*, supra note 24, at 506-507.

26[26] *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*, G.R. No. 143993, August 18, 2004, 437 SCRA 10, 32.

27[27] *Philip Morris, Inc. v. Fortune Tobacco Corporation*, supra note 20, at 356-357.

28[28] *Mighty Corporation v. E. & J. Gallo Winery*, supra note 24, at 507.

29[29] *Rollo*, p. 45.

30[30] 125 Phil. 295 (1966).

31[31] Supra note 26.

this Court unequivocally said that “Celdura” and “Cordura” are confusingly similar in sound; this Court held in *Sapolin Co. vs. Balmaceda*, 67 Phil. 795 that the name “Lusolin” is an infringement of the trademark “Sapolin,” as the sound of the two names is almost the same.^{32[32]}

Finally, we reiterate that the issue of trademark infringement is factual, with both the trial and appellate courts finding the allegations of infringement to be meritorious. As we have consistently held, factual determinations of the trial court, concurred in by the CA, are final and binding on this Court.^{33[33]} Hence, petitioner is liable for trademark infringement.

We, likewise, sustain the award of attorney’s fees in favor of respondent. Article 2208 of the Civil Code enumerates the instances when attorney’s fees are awarded, viz.:

Art. 2208. In the absence of stipulation, attorney’s fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

1. When exemplary damages are awarded;
2. When the defendant’s act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
3. In criminal cases of malicious prosecution against the plaintiff;
4. In case of a clearly unfounded civil action or proceeding against the plaintiff;
5. Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff’s plainly valid, just and demandable claim;
6. In actions for legal support;
7. In actions for the recovery of wages of household helpers, laborers and skilled workers;
8. In actions for indemnity under workmen’s compensation and employer’s liability laws;
9. In a separate civil action to recover civil liability arising from a crime;
10. When at least double judicial costs are awarded;
11. In any other case where the court deems it just and equitable that attorney’s fees and expenses of litigation should be recovered.

In all cases, the attorney’s fees and expenses of litigation must be reasonable.

As a rule, an award of attorney’s fees should be deleted where the award of moral and exemplary damages is not granted.^{34[34]} Nonetheless, attorney’s fees may be awarded where the court deems it just and equitable even if moral and exemplary damages are unavailing.^{35[35]} In the instant case, we find no reversible error in the grant of attorney’s fees by the CA.

32[32] *McDonald’s Corporation v. L.C. Big Mak Burger, Inc.*, supra note 26, at 34.

33[33] *Philip Morris, Inc. v. Fortune Tobacco Corporation*, supra note 20, at 361-362.

34[34] *Francisco v. Co*, G.R. No. 151339, January 31, 2006, 481 SCRA 241; *Ibaan Rural Bank, Inc. v. Court of Appeals*, 378 Phil. 707 (1999).

35[35] *Villanueva v. Court of Appeals*, G.R. No. 132955, October 27, 2006, 505 SCRA 564; *Carlos v. Sandoval*, G.R. Nos. 135830, 136035 and 137743, September 30, 2005, 471 SCRA 266.

WHEREFORE, premises considered, the petition is DENIED for lack of merit. The Court of Appeals Decision dated July 27, 2007 and its Resolution dated October 15, 2007 in CA-G.R. CV No. 87556 are AFFIRMED.

ORDERED.

ANTONIO EDUARDO B. NACHURA
Associate Justice

WE CONCUR:

RENATO C. CORONA
Associate Justice
Chairperson

MINITA V. CHICO-NAZARIO
Associate Justice

PRESBITERO J. VELASCO, JR.
Associate Justice

DIOSDADO M. PERALTA
Associate Justice

ATTESTATION

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

RENATO C. CORONA
Associate Justice
Chairperson, Third Division

CERTIFICATION

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

REYNATO S. PUNO
Chief Justice