

SAN FRANCISCO COFFEE
AND ROASTERY, INC.,
Complainant,

IPV CASE NO. 10-2001-00016

For: Infringement and Unfair
Competition with Claim
for Damages

-versus-

COFFEE PARTNERS, INC.,
Under the business name and style
of SAN FRANCISCO COFFEE,
2002-01

DECISION NO. {IPV}

Respondent.

x-----x

DECISION

This is a case for infringement and unfair competition filed by San Francisco Coffee and Roastery, Inc. ("Complainant") against Coffee Partners, Inc. ("Respondent"). Both parties are corporations organized and existing under Philippine laws with principal office address at Pines St. cor. Sheridan St., Mandaluyong City and 624-B Calderon Street, Mandaluyong City, respectively.

On October 24, 2001, Complainant filed the instant case praying that a decision be rendered ordering Respondent to cease and desist from using the trade name "San Francisco Coffee" and to pay damages, attorney's fees and cost of suit. Complainant relied on Sec. 165 of Rep. Act No. 8293 which provides that the owner of a trade name or business name may avail of the remedies of infringement and/or unfair competition as may be necessary.

After service of summons, Respondent filed its Answer on November 19, 2001 alleging special and affirmative defenses and seeking compulsory counterclaims. Respondent argues that there is no likelihood of confusion with the concurrent use of its service mark along with Complainant's trade name, that Complainant has ceased or abandoned the use of its trade name, and that Respondent has not committed fraudulent commercial acts meant to pass off its mark as that of Complainant's.

On December 18, 2001, the pre-trial conference was conducted where both parties made their stipulation of facts and marking of exhibits. However, as the parties failed to arrive at an amicable settlement during the pre-trial, the case proceeded to trial on the merits.

Complainant presented the testimonies of Roberto Francisco and Ana Maria Ilaog, and documents consisting of Exhibits "A" to "AA" and their submarkings, which were admitted in evidence under Order No. 2002-30 dated February 13, 2002.

Respondent, for its part, presented the testimonies of Robert Boxwell and David Puyat, and documents consisting of Exhibits "1" to "8" and their submarkings, which were admitted in evidence under Order No. 2002-57 dated April 16, 2002.

After the parties filed their respective memoranda, the case was deemed submitted for decision.

From the evidence on record, both testimonial and documentary, it is undisputed that Complainant San Francisco Coffee and Roastery, Inc. was registered with the Securities and Exchange Commission on May 5, 1995 under SEC Registration No. ASO 95-004457 (*Exhibit "A"*) and organized for the primary purpose of carrying on the business of manufacturing, processing

and marketing of goods such as but not limited to coffee, tea and other products (see *Exhibits "8" & "C"; referring to the Articles of Incorporation and By-Laws, respectively*). After registration with the SEC, Complainant secured a certificate of business name registration with the Department of Trade and Industry per Certificate No. 0269924 dated June 16, 1995, and later renewed it on October 29, 2001 under Certificate No. 817493 (*Exhibit "D"*).

To solicit clients, Complainant advertised its products and services by participating in various trade shows in the country (*pp. 8 & 11, TSN, testimony of Roberto Francisco dated January 22, 2002*). Evidence of Complainant's activities relating to the promotion of its products and services are supported by documents such as trade catalogues, manuals and directories distributed during the Asia Food Expo in 1996 (*Exhibit "E" and "E'-1"*), AsiaFood Expo in 1997 (*Exhibits "F" and "F-1"*), AsiaFood Expo 1998 (*Exhibits "G" to "G-3"*), and Food and Hotel 1998 (*Exhibits "H" and "H-1"*). Complainant's promotional activities are also evidenced by photographs of its booths taken during said trade fairs (*Exhibits "J" to "J-6"*).

As a result of its promotions and advertisements, Complainant was able to build a customer base that includes Figaro Coffee Company, Tagaytay Highlands, Fat Willy's and other coffee companies (*p. 13, TSN, testimony of Roberto Francisco dated January 22, 2002*) as shown by various invoices and delivery receipts for the sale of coffee beans and related products for the period 1996 to 1999 (*Exhibits "K" to "N" and their sub-markings*). The coffee beans were delivered in 500 gram and 200 gram packages bearing the label "San Francisco Coffee & Roastery, Inc.". Aside from the label, blend names such as French Roast, Metro blend, etc. were also placed in the label of the coffee bags (*pp. 21 & 23, TSN, testimony of Roberto Francisco dated January 22, 2002*).

To prove its continuing business activities, Complainant presented its income tax returns from 1995 to 2000 (*Exhibits "O" to "T" and their sub-markings*) showing its gross income as well as the profits and losses it suffered during said period. According to Roberto Francisco, the company generated income from 1995 to 1999, but no income was realized in 2000 as a result of its joint venture with Boyd Coffee Company, USA (*p. 26, TSN, testimony of Roberto Francisco dated January 22, 2002*). After the joint venture, Complainant decided to reposition its business activity by focusing on other coffee-related businesses such as the mobile and self-contained coffee carts which it initially planned to put up in the middle of 2001. However, due to the political uncertainties at that time, it postponed the launching of its coffee carts to a more appropriate time (*p. 28-29, TSN, testimony of Roberto Francisco dated January 22, 2002*).

In May 2001, the witness was informed by some of his colleagues that another coffee shop named "San Francisco Coffee" was being constructed in Libis, Quezon City (*p. 34, TSN, testimony of Roberto Francisco dated January 22, 2002*). The witness then ordered one of his employees to visit the site and verify the information. After realizing the difficulties he would run into from the existence of another coffee shop with the same name or mark, the witness decided to suspend his plan of putting up coffee carts (*p. 49-50, TSN, testimony of Roberto Francisco dated January 28, 2002*).

On July 2, 2001, Complainant sent a letter to Respondent demanding the latter to cease and desist from using the name "San Francisco Coffee" (*Exhibit "X"*), but the same was ignored. Complainant sent another letter on September 13, 2001 (*Exhibit "Y"*), but no reply was received, hence, the filing of the instant Complaint.

Complainant's second witness, Ana Maria Ilao, an accountant, testified that she made a Profit and Loss Statement (*Exhibit "W"*) indicating the projected sales, cost, expenses and income that Complainant would have made had it started operation of the coffee carts as planned (*p. 73, TSN, testimony of Ana Maria Ilao dated January 28, 2002*). The witness declared that some of the figures in the Profit and Loss Statement were derived from inputs and assumptions made by Roberto Francisco whose suggestions in turn were based on his prior business experience in the coffee business.

On the other hand, Respondent company was formed on May 12, 2001 per SEC Registration No. A200100448 on May 12, 2001, and organized for the purpose of establishment of coffee shops and restaurants including service of 'foods and drinks and sale of related products, merchandise and services to the public (*Exhibit "1" to "9-X"*). According to its president, David Puyat, Respondent's coffee shop in Libis, Quezon City opened sometime in June 2001, and that another kiosk will be opened soon in Glorietta, Makati (*p. 9 6, TSN, testimony of David Puyat dated February 26, 2002*). The witness stated that the San Francisco Coffee shop was set lip pursuant to a franchise agreement (*Exh. "2"*) executed on January 29, 2001 by Respondent company and Coffee Partners, Ltd., a British Virgin Islands Co. owned by Robert Boxwell. He became involved in the business when a certain Arthur Gindang asked him if he was interested in investing in a coffee shop, and was later introduced to Robert Boxwell, the director of Coffee Partners Ltd., a British Virgin Islands company which operates coffee shops in Malaysia and Singapore (*p. 9, TSN, testimony of David Puyat dated February 26, 2002*). After evaluating the feasibility of the business, the witness obtained a franchise from Robert Boxwell for the establishment of a coffee shop in the Philippines.

Robert Boxwell, the director of the British Virgin Islands company named Coffee Partners, Ltd., declared in his testimony that the "San Francisco Coffee" coffee shop has existing branches in Malaysia and Singapore (*p. 6, TSN, testimony of Robert Boxwell dated March 20, 2002*). The witness stated that he formed his company in 1997 along with two (2) other colleagues, Shirley Miller John and Leah Warren, who were former managers of Starbucks Coffee Shop in the United States. They decided to invest in a similar venture and adopted the name "San Francisco Coffee" from that famous city in California where he and his former colleagues once lived, and where special coffee roasts originate (*p. 11-13, TSN, testimony of Robert Boxwell dated March 20, 2002*). It must be noted that when Robert Boxwell started his company in 1997, the herein Complainant was already using its trade name in the Philippines since 1995.

Robert Boxwell also stated that the mark "San Francisco Coffee" and device have pending applications with the Intellectual Property Office for coffee and related food and beverages in Class 42 and for franchising and technical assistance in the operation of restaurant services in Class 35, filed on June 14, 1999 and March 23, 2000, respectively (*Exh. "3" & "4"*). The mark has also been registered in Indonesia (*Exh. "6" & "7"*) and in Thailand (*Exh. "8"*).

Issues for Resolution

Is Respondent liable for infringement and/or unfair competition, and is Complainant entitled to damages?

Infringement of Trade name

A trade name means the name or designation identifying or distinguishing an enterprise. [Sec. 121.3, Rep. Act 8293]. It is any individual name or surname, firm name, device or word used by manufacturers, industrialists, merchants and others to identify their businesses, vocations or occupations. [*Converse Rubber Corporation v. Universal Rubber Products, 1 47 SCRA 154 (998 7)*]. A corporation's right to use its corporate and trade name is a property right, a right in rem, which it may assert and protect against the whole world in the same manner as it may protect its tangible property, real or personal, against trespass or dwelling. [*Western Equipment and Supply Co. v. Reyes, 51 Phil. 115 (1927)*].

The applicable law, Sec. 165 of Republic Act 8293 provides that –

"Sec. 165. Trade Names or Business Names. - 165 .1. A name or designation may not be used as a trade name if by its nature or the use to which such name or designation may be put, it is contrary to public order or morals and if, in particular, it is liable to deceive trade circles or the public as to the nature of the enterprise identified by that name." (Underscoring supplied)

Although Complainant's trade name "San Francisco Coffee & Roastery, Inc." is not registered with the Intellectual Property Office, this does not prevent said Complainant from filing a case for infringement and/or unfair competition since a trade name shall be protected, even prior to or without registration, against any unlawful act committed by third parties [Sec. 165.2 (a) of Rep. Act No. 8293], provided that the trade name is previously used in trade or commerce in the Philippines. [see *Philips Export B. V. v. CA*, 206 SCRA 457 (1992)]. In particular, any subsequent use of the trade name by a third party, whether as a trade name or a mark (*meaning, as a trademark or service mark*) or collective mark, or any such use of a similar trade name or mark, likely to mislead the public, shall be deemed unlawful. [Sec. 165.2 (b) in relation Sec. 121 .1 of Rep. Act No. 8293]. The remedies available to the owner of the trade name include actions for infringement even without registering the trade name and for unfair competition.

Section 165.2 of Rep. Act No. 8293 provides:

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

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

Likewise, Sec. 165.3 of Rep. Act No. 8293 provides that the remedies provided for in Sections 153 to 156 and Sections 166 and 167 shall apply *mutatis mutandis*.

It is therefore clear under the law that Complainant's trade name enjoys protection even without registration, and any unauthorized use thereof either as a trade name, trademark or service mark by any third party gives Complainant the right to file an action for infringement and unfair competition.

The next element regarding consent of the trade name owner is rather evident and needs no discussion, since the filing by Complainant of this case implies that it has not allowed Respondent to use its trade name nor assigned its rights to the latter.

The right to the exclusive use of a corporate name with freedom from infringement by similarity is determined from priority of adoption. [*Philips Export B.V. v. Court of Appeals*, 206 SCRA 457 (1992)]. In the case at bar, evidence shows that Complainant San Francisco Coffee and Roastery, Inc. was organized on May 5, 1995 and still exists to this date under the same corporate and trade name. It has a valid and subsisting certificate of business name with the Department of Trade and Industry. On the other hand, Respondent Coffee Partners, Inc., which is doing business under the name San Francisco Coffee, was registered with the Securities and Exchange Commission only on May 17, 2001, and started operating its coffee shop only in June 2001. Moreover, as testified to by Respondent's witness, Robert Boxwell, Coffee Partners, Ltd. as Respondent's licensor started its coffee business only in 1997. It is obvious that Complainant's use of its trade name in the Philippines precedes by more than six (6) years Respondent's use of its service mark.

Evidence on record also suggests that Complainant has never abandoned the use of its trade name. Contrary to Respondent's claim, we find substantial evidence indicating that Complainant has continuously used its trade name in connection with the purposes for which the company was organized. In his testimony, Roberto Francisco declared that after the joint venture between Complainant and Boyd Coffee Co., USA, there was a transition period of committing the majority sales on a wholesale basis to the newly formed joint venture corporation, Boyd Coffee Philippines. Thereafter, Complainant decided to venture into other investments and focus on other businesses such as the coffee cart program (*p. 26-27, TSN, testimony of Roberto Francisco dated January 22, 2002*).

While it may be true that Complainant is no longer primarily involved in blending, roasting and distribution of coffee in view of the creation of the abovementioned joint venture corporation (p. 21-24, TSN, cross-examination of Roberto Francisco, January 28, 2002), it continued making plans and doing research on retailing of coffee and establishment of coffee carts. Under the circumstances, we do not find any evidence that Complainant has abandoned its trade name.

In, this case, the reduction in the business activities of Complainant as a result of the joint venture agreement could not be interpreted to mean a lack of interest to continue using its name. This Office takes notice of the current practice of corporations to enter into joint ventures with foreign and local companies as a mode of repositioning their businesses in order to maximize profits, reduce losses, increase competitiveness and capture greater market share. This is exactly what Complainant did. It transferred to the joint venture company the wholesale aspect of its business activities in order to concentrate and focus on the retail side of the business such the mobile coffee carts. There is no evidence to support a finding that Complainant transferred or assigned its entire goodwill to another entity. While Complainant has not, at the moment, started the retailing of its products through coffee carts, the same cannot be considered abandonment because the owner of a trade name or trademark may suspend his operations for some valid reasons such as financial difficulties, intention to secure additional capital from prospective investors, ongoing business planning and market research, political and economic conditions, judicially imposed suspension, and other similar causes.

Abandonment, which is in the nature of a forfeiture of a right, must be shown by clear and convincing evidence (74 Am. Jur 2d, p. 722). To work an abandonment, the disuse must be permanent and not ephemeral; it should be intentional and voluntary, and not involuntary or even compulsory. [*Philippine Nut v. Standard Brands, Inc.*, 65 SCRA 5751].

Most importantly, the filing of this case indicates an intention on the part of Complainant to preserve and assert its right to its trade name. After learning that Respondent was constructing a coffee shop with a similar name, Complainant immediately sent two (2) letters asking Respondent to cease and desist from using the name, and when these letters were ignored, Complainant resorted to the present litigation. All these circumstances establish Complainant's non abandonment of the use of its trade name.

With respect to the other elements of infringement such as reproduction or colorable imitation of the mark, use in commerce, and likelihood of confusion, the same are closely related and will be discussed jointly.

Complainant started using "San Francisco Coffee & Roastery, Inc." as a trade name in connection with the sale of coffee beans and coffee-making machines, while Respondent is using "San Francisco Coffee" together with a device consisting of a diamond-shaped figure with a cup in the center as a service mark in connection with its operation of a coffee shop and kiosk. However, despite the presence of the words "Roastery, Inc." in Complainant's trade name and the inclusion of a device in Respondent's mark, we find that confusion is likely to occur in view of the exact similarity in sound, spelling, pronunciation and commercial impression of the words "San Francisco Coffee", particularly with regard to the words "San Francisco" which is the dominant portion of Complainant's trade name as well as Respondent's service mark. Even if Respondent is using its service mark together with the above-described device, the same does not provide for any significant difference because when a mark consists of words and a figure, greater emphasis and weight is usually given to the words since they are the ones used by consumers in requesting the goods and services.

This finding is consistent with the prevailing rule on likelihood of confusion that has been recognized by the Supreme Court. Thus, it was held that the word "Planters" is the dominant feature in the trademark "Planters Cocktail Peanuts" and the mark "Philippine Planters Cordial Peanuts". [*Philippine Nut Industry v. Standard Brands, Inc.*, 65 SCRA 575 (1975)]. Likewise, it was also held that the dominant feature in the marks "Universal Converse and Device" and

"Converse Rubber Corporation" is the word "Converse". [*Converse Rubber Corp. v. Universal Rubber Products*, 147 SCRA 154 (1987)]. In these cases, it was held that the use of the mark by the junior user would create a likelihood of confusion. Moreover, a finding of infringement is not diminished even if only a portion of the mark was copied since the use of a single word comprising a trade name or trademark may violate a person's property rights to a mark where the result is that the two marks are confusingly similar. [see *Philips Expolf B.V. v. CA*, 206 SCRA 457 (1992); *Spinner v. Neuss Hessloin Corp.*, 54 Phil. 224 (1930)]

Aside from the exact similarity of the dominant feature of Complainant's trade name and Respondent's service mark, both parties deal with related products and services. From 1995 to 1999, Complainant sold coffee beans and coffee-making machines and is now planning to put up coffee carts. On the other hand, Respondent operates a coffee shop since May 12, 2001 and will soon open a kiosk having a similar operation.

The central inquiry in an infringement action is whether there is a likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled or confused about the source, affiliation or sponsorship of the goods or services. If consumers, upon encountering the defendant's goods or services, would believe they are produced by or somehow affiliated with a plaintiff's goods or services, the defendant's mark infringes the plaintiff's. [*Deborah Boucloux, Intellectual Property: The Law of Trademarks, Copyrights, Patents and Trade Secrets*, 2000 ed., p. 96].

Because of the similarity of the parties' trade name and service mark as well as the close connection of their goods and services, we find that the concurrent use in business of Complainant's trade name and Respondent's service mark will likely cause confusion of business or of origin. While coffee beans and coffee making machines may not necessarily compete with the services of a coffee shop and kiosk, confusion may still arise because the businesses of the parties revolve around just one product - coffee, and the public may be led to believe that the goods and services of Respondent come from or originate from Complainant, and vice versa. [see *Armco Steel Corp. v. SEC*, 156 SCRA 822].

Moreover, there is a possibility that the use by a subsequent user of an owner's trade name mark may preclude the latter from expanding his business within the zone of potential and logical operation of his business, in which case, the prior or earlier user must be protected against such use because to rule otherwise is to forestall the normal potential expansion of his business, or to preclude him from using the same mark on his goods. [see *Esso Standard v. CA*, 116 SCRA 336, (1982); *Sta. Ana v. Maliwat*, 24 SCRA 1018 (1968)]. Indeed, Complainant's president mentioned that he was planning to expand into the selling of coffee beverages by putting up coffee carts in malls, which could be reasonably expected to be within the natural zone of the operation of his coffee business, but which plan was postponed due to the existence of another coffee shop having a similar name.

Under the foregoing discussion, we find substantial evidence that Defendant's service mark infringes upon Complainant's trade name.

Unfair Competition

Unfair competition refers to a wide variety of acts and practices that constitute improper commercial conduct. [*Deborah Bouchoux, Intellectual Property: The Law of Trademarks, Copyrights, Patents and Trade Secrets*, 2000 ed., p. 373]. It is the employment of deception or any other means contrary to good faith by which a person shall pass off the goods manufactured by him or in which he deals, or his business, or services, for those of another who has already established goodwill for his similar goods, business or services, or any acts calculated to produce the same result. [Section 168.1 & 168.2 of Rep. Act No. 8293; see also *Asia Brewery, Inc. v. Court of Appeals*, G.R. No. 103543, July 5, 1993]. In actions for unfair competition, the remedies provided by Sections 156 (*Actions, Damages and Injunction for Infringement*), 157 (*Power of*

Court to Order Infringing Material Destroyed) and 161 (*Authority to Determine the Right to Registration*) should apply mutatis mutandis. [Section 168.4, Republic Act No. 8293].

In order to prevail on its allegation of unfair competition, it is necessary for Complainant to establish two (2) important elements: goodwill, and intent to deceive or defraud on the part of Respondent.

Relief against unfair competition is properly afforded upon the ground that one who has built up a goodwill and reputation for his goods or business is entitled to all the benefits therefrom. [*Alhambra Cigar v. Mojica*, G.R. No. 8937, March 21, 1914].

In this regard, goodwill has been defined as the "[advantage or benefit which is acquired by an establishment or business beyond the mere value of the capital stock, funds or property employed therein, in consequence of the general public patronage and encouragement which it receives from constant or habitual customers on account of its local position, or common celebrity, or reputation for skill, or affluence, or punctuality, or from other accidental circumstances or necessities, or even from ancient particularities or prejudices." [*Bachrach Motor Co., v. Esteva*, 67 Phil. 16 (1938)]

Complainant was organized in 1995 under the trade name "San Francisco Coffee and Roastery, Inc." and started conducting business pursuant to the purposes for which it was formed. It participated in trade fairs by setting up booths and distributing catalogues and brochures; it sold various types of coffee beans and blends as well as coffee-making equipment to various customers in the Philippines such as Figaro Coffee Co., Tagaytay Highlands, Embassy of Peru, Fat Willy's Bar, Ford Co., and ADB. The invoices and delivery receipts show that some of these customers made repeat orders of coffee products indicating that Complainant was able to generate patronage. For this reason, we hold that Complainant has an existing goodwill that entitles it to protection against unfair competition.

On the issue of fraudulent intent, it has been held that the inherent element of unfair competition is fraud or deceit. [*Shell Co. v. Insular Petroleum Refining Co.*, 11 SCRA 436 (1964)]. In order that an action for unfair competition can be maintained, it is necessary that actual intent to deceive the public or defraud a competitor shall affirmatively appear on the part of the person sought to be made liable. [*Baxter v. Zuazua*, 5 Phil. 160 (1905)]. Intent to deceive or to defraud is a state of mind, and may only be shown by outward acts or conduct on the part of the unfair competitor. Such intent may be inferred from the similarity in the appearance of goods manufactured or sold by the person sought to be held liable for unfair competition or unfair business practice and those of the party claiming to have been damaged by such competition. [*La Yebana v. Chua Seco*, 14 Phil. 534 (1909)]. All the surrounding circumstances must be taken into account, especially the identity or similarity of the names, the identity or similarity of their business, how far are the name as true description of the kind or quality of the articles involved fall under the same category, the extent of confusion which may be created or produced, and the distance between the place of business of one and the other. [*Ang Si v. Wellington Dept. Store, Inc.*, 92 Phil. 441i (1953)].

We have earlier found similarity between Complainant's trade name and Respondent's service mark as well the close connection of their respective businesses. For these reasons, we held in the foregoing discussion that confusion is likely to occur. It is most relevant, however, to determine whether there was intent to deceive on the part of Respondent as to make it liable for unfair competition, because unlike infringement that requires no proof of fraudulent intent, intent to defraud is necessary for a finding of unfair competition. [see *Del Monte v. Court of Appeals*, 181 SCRA 410]. Plaintiff must allege and prove the intent to deceive the public and defraud him before he can recover. Fraud is the essence of an action for unfair competition. [*Compania General de Tabacos v. Alhambra Cigar*, 33 Phil. 485 (1916)].

Evidence reveals that Respondent established its coffee shop bearing the service mark "San Francisco Coffee" after obtaining a franchise from the British Virgin Islands company

named Coffee Partners, Ltd. According to their Franchise Agreement dated January 29, 2001, Coffee Partners, Ltd., the franchisor, owns and operates coffee shops under its proprietary service mark "San Francisco Coffee." Said franchisor has agreed to grant the herein Respondent, the nonexclusive franchise to operate coffee shops under the trade name and style "San Francisco Coffee" within the territory and subject to the terms and conditions of the said agreement (*Exh. "2"*). As franchisee, the right of Respondent to use the subject mark was derived only from the authority given by its franchisor under the terms of their agreement, hence, no intent to deceive or defraud could be attributed to Respondent for using the mark.

As the records bear out, Complainant's president, Roberto Francisco, adopted the trade name "San Francisco Coffee and Roastery, Inc." because his surname is also Francisco (*p. 32, TSN, testimony of Roberto Francisco dated January 22, 2002*), while Respondent obtained the authority to use the service mark "San Francisco Coffee" from Robert Boxwell, who in turn adopted the said mark from the name of the famous city in California, U.S.A., where he once lived (*p. 13, TSN, testimony of Robert Boxwell dated March 20, 2002*).

Finding the absence of intent to defraud or to deceive, we hold that Respondent committed no act of unfair competition.

Damages

Complainant prays for actual damages and lost profits in the amount of P5, 669,041.68, moral and exemplary damages amounting to P500, 000.00, attorney's fees of P300, 000.00 and cost of suit.

The owner of a registered mark may recover damages from any person who infringes his rights, and the measure of the damages suffered shall be either the reasonable profit which the complaining party would have made, had the defendant not infringed his rights, or the profit which the defendant actually made out of infringement, or in the event such measure of damages cannot readily be ascertained with reasonable certainty, then the court may award damages a reasonable percentage based upon the amount of gross sales of the defendant or the value of the services in connection with which the mark or trade name was used in the infringement of the rights of the complaining party. [*Section 156.1 in relation to Sec. 165.3 of Rep. Act No. 8293*]. In cases where actual intent to mislead the public or to defraud the complainant is shown, in the discretion of the court, the damages may be doubled. [*Section 156.3, Rep. Act No. 8293*].

To prove damages, Complainant presented the testimony of its accountant, Ana Maria Ilao, who made reference to a Projected 3-Year Profit and Loss Statement that showed a conservative income of P5, 669,041.68 which Complainant would have made had it been able to put up the coffee carts were it not for existence of Respondent's coffee shop with a similar name. According to the witness, some of figures she used in the income statement came from Roberto Francisco who in turn based his assumptions from his previous experience in the coffee business. However, the basis for these assumptions, i.e., the previous years' Profit and Loss Statements, etc. were not presented.

After evaluating the evidence, we find that Complainant is not entitled to actual damages because the income from the Profit and Loss Statement is based on mere assumptions. Moreover, the award of reasonable profits that Complainant would have made had the Respondent not infringed his rights must be based on some actual reference or benchmark. In this case, no actual reference could be made since Complainant has not started operation of its coffee carts, and no actual sales pattern, which may be used as basis for determining profits, has been established.

We also cannot award damages based on the profits that defendant actually made out of infringement since no evidence was presented showing the income derived by Respondent from the operation of the coffee shop. Neither can damages be awarded based on the reasonable

percentage of the gross sales earned by Respondent from the time the infringement occurred because no evidence was shown to prove the same.

The record also does not support a finding of entitlement to moral damages. In general, a juridical entity like the Complainant cannot suffer mental anguish, shock, humiliation, wounded feelings and similar injury [*Article 2217, Civil Code*], except in case of besmirched reputation [see *Mambulao Lumber v. PNB, 22 SCRA 359 (1968)*]. There being no evidence that its reputation or goodwill has been actually damaged, no moral damages may be awarded to Complainant. Neither can exemplary damages be awarded to Complainant absent an award of moral damages [*Art. .2234, Civil Code*].

However, we find that Complainant is entitled to payment of attorney's fees considering that it was compelled to litigate in order to protect its interest [*Art. 2208, Civil Code*]. We therefore award the amount of P30, 000.00 including P1, 500.00 per counsel's appearance plus 20% of the amount awarded as attorney's fees spent for the litigation of this case [see *Exh. "Z"*].

WHEREFORE, in view of the foregoing discussion and under the applicable rules and jurisprudence, we hold Respondent liable for infringement of Complainant's trade name, and is hereby ordered to permanently cease and desist from using the trade name or mark "San Francisco Coffee" or any colorable imitation or reproduction of its dominant word "San Francisco" in connection with the operation of its coffee shop, kiosk, and any other related goods and services.

Respondent is likewise ordered to pay Complainant the following amounts:

- a) PESOS THIRTY THOUSAND (P30,000.00) plus 20% of the total amount awarded as attorney's fees,
- b) P1,500 .00 for every appearance of Complainant's counsel, and
- c) cost of suit.

SO ORDERED

Makati City, August 14, 2002.

ESTRELLITA BELTRAN-ABELARDO
Director, Bureau of Legal Affairs
Intellectual Property Office