



OFFICE OF THE DIRECTOR GENERAL

ELARFOODS, INC.,
Complainant-Appellant,

-versus-

Appeal No. **10-2010-0001**

IPV Nos. **10-2001-00015**
10-2001-00017
10-2001-00018

EMZEE FOODS, INC.,
Respondent-Appellee.

For: **Unfair Competition/Violation of
Intellectual Property Rights**

X-----X

DECISION

This is an Appeal from Decision No. 2005-02, dated August 8, 2005, of the Director of the Bureau of Legal Affairs, which was affirmed in Resolution No.09-03 (D), dated December 21, 2009, by the same Director.

CASE SUMMARY

Spouses Jose and Leonor Lontoc were the original owners of ELAR'S LECHON, whereby they engaged in the business of selling roasted pigs and other Filipino foods. In order to ensure that the business will continue even after their demise and to "leave a legacy" through their business, said spouses organized the family business into a corporation in 1989, with the name ELARFOODS, INC.¹ Ever since its incorporation, Complainant-Appellant invested its resources in the business and promoted it using the mark "Elar's Lechon on a Bamboo Tray".² In September and October 2001, Complainant-Appellant filed three trademark applications: ELARS LECHON, Pig Device, ON A BAMBOO TRAY.³

Respondent-Appellee used the marks ELARZLECHON, ELAR LECHON, the PIG DEVICE, and ON A BAMBOO TRAY in connection with its sale of roasted pigs and other Filipino foods.⁴ Complainant-Appellant alleged that Manuel Jose L. Zalamea, one of Respondent-Appellee's incorporators and a stockholder thereof, was once a trusted employee of the Complainant-Appellant, and, as such, came into possession of various confidential information relating to

¹ Complainant-Appellant's Memorandum of Appeal, nos. 8-9.

² *Id.* at No. 10.

³ Decision No. 2005-02 p. 4 of the Director of the Bureau of Legal Affairs, dated August 8, 2005.

⁴ Complainant-Appellant's Memorandum of Appeal, no. 17.

its business.⁵ It was also alleged that Respondent-Appellee represented to the public that its products are ELAR'S LECHON products and that it is a branch or franchisee of the Complainant-Appellant.⁶ On the other hand, the Respondent-Appellee claimed that the spouses Lontoc has assigned the subject trademarks to Melinda Zalamea, Manuel Jose Zalamea and Manuel Enrique Zalamea.⁷ Consequently, Complainant-Appellant served a cease and desist letter upon the Respondent-Appellee, which the latter ignored.⁸

Thus, Complainant-Appellant filed a Complaint for Unfair Competition and Violation of IPR with the BLA covering the three marks. The BLA dismissed the case in 2005, stating that the spouses Lontoc, and subsequently, their estate, was the owner of the subject marks, which were never assigned to any of the parties herein.⁹

Thereafter, a Motion for Reconsideration (MR) was filed by the Complainant-Appellant. Pending the resolution of said MR, Certificates of Registration were issued in favor of the three marks: ON A BAMBOO TRAY on Feb. 10, 2005; ELAR'S LECHON in April 28, 2006; Roasted Pig Device in October 2, 2006¹⁰. In Dec. 21, 2009, the BLA denied the MR. Hence, this appeal.

ISSUE/S:

1. Whether or not the BLA erred in ruling that the Sps. Lontoc are still the owners of the marks and the same were not assigned to Complainant-Appellant;
2. Whether or not the BLA erred in ruling that the Respondent-Appellee is not liable for damages and should not be subject of injunction;
3. Whether or not the approval of the Complainant-Appellant's application for TM registration categorically shows that it owns the subject marks (and, therefore, has exclusive rights over the same).

RULING:

The Appeal is impressed with merit.

The subject marks are the following:

⁵ *Id.* at No. 18-19.

⁶ *Id.* at No. 20.

⁷ Decision No. 2005-02 p. 3.

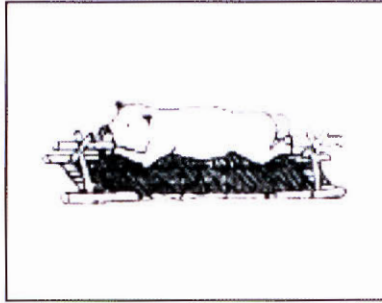
⁸ Complainant-Appellant's Memorandum of Appeal, no. 21-22.

⁹ Decision No. 2005-02 p. 15.

¹⁰ Trademark Search, available at www.ipophil.gov.ph (last accessed Nov. 7, 2013).

ELARS LECHON

ON A BAMBOO TRAY



The BLA ruled that the owners of the marks remain to be the Spouses Lontoc and not the Complainant-Appellant, by virtue of prior commercial use under Sec. 2-A of Republic Act No. 166¹¹. It also held that only the estate may apply for registration and may appropriate for its exclusive use the said marks, and that a usufruct acquires no right to the same. BLA ruled that in the absence of a valid transfer or assignment, any goodwill that may be earned through the use of the trademark shall redound, not to the Complainant-Appellant's favor, whom the BLA merely considered as a usufructuary, but to the estate's benefit.

We take exception to the above finding of the BLA. While it is true that the Spouses Lontoc did not transfer or assign the rights over the subject trademarks in writing, there was no need for a written transfer to the Complainant-Appellant as it was the said spouses themselves, in their desire to "leave a legacy", who incorporated and registered the latter with the Securities and Exchange Commission (SEC).¹² As a result of the incorporation of the family business, all rights and interests of the spouses Lontoc, including the subject trademarks, were transferred to the Complainant-Appellant.¹³ This fact clearly manifests their implicit intent to transfer ownership over the said trademarks to the family corporation. Significantly, before their deaths, the Spouses Lontoc actively managed the Complainant-Appellant and represented to the public that the latter is the owner of the business along with the subject marks.¹⁴ Even the Respondent-Appellee itself has characterized the Complainant-Appellant as a "mere alter ego or business conduit" of the Spouses Lontoc, thereby implying and admitting that the rights and interests of the Complainant-Appellant are identical and inseparable from those of the said spouses.¹⁵

Moreover, at the time of the incorporation of the Complainant-Appellant, the subject marks were not yet registered, nor was there even any application for

¹¹ An Act to Provide for the Registration and Protection of Trademarks, Trade-names and Service-marks, Defining Unfair Competition and False Marking and Providing Remedies Against the same, and for Other Purposes, Republic Act No. 166 (1947).

¹² Complainant-Appellant's Memorandum of Appeal, no. 8-9.

¹³ *Id.* at no. 9.

¹⁴ *Id.* at no. 61.

¹⁵ Decision No. 2005-02 p. 3, citing paragraphs 13-17, Answers.

registration to speak of. The requirement of the applicable law at the time of the incorporation, as regards a written assignment of rights was only applicable if a trademark was already duly registered, or at least, an application for registration is pending.¹⁶ Hence, as correctly observed by the Complainant-Appellant, a formal written assignment of the subject marks cannot be possibly made at that time.¹⁷

BLA also ruled that the Zalameas do not have the right to appropriate the subject marks for their own use nor to authorize any third party to do so. BLA likewise declared that there is no evidence on record that would show that the Respondent or the Zalameas have been granted a right by the Spouses Lontoc or by their estate to use the subject marks.

We agree with the BLA's finding that the Zalameas do not have the right to use the subject marks but for a different reason – they do not have a right not because the Spouses Lontoc did not transfer the marks to them in writing, but precisely for the reason that the Complainant-Appellant is the owner thereof, by virtue of their transfer to the latter by the spouses Lontoc at the time of its incorporation.

Consequently, the use by the Respondent-Appellee of the marks ELARZLECHON, ELAR LECHON, the PIG DEVICE, and ON A BAMBOO TRAY, which are substantially identical to the subject marks belonging to the Complainant-Appellant, for the same line of business, constitute an unfair competition, during the time when the said marks were not yet registered, and trademark infringement, after the same had been granted trademark registration. Consequently, the Respondent-Appellee should have been made liable for the payment of the appropriate damages and should have been subject to injunction.

As earlier mentioned, pending the resolution of the Complainant-Appellant's MR filed with the BLA, Certificates of Registration were issued in its favor covering the three subject marks. The said registration categorically shows that the Complainant-Appellant owns the said marks, and hence, exercises exclusive rights over the same under the Law on Trademarks of the Intellectual Property Code of the Philippines.

At this point, mention should be made of the Complainant-Appellant's Manifestation with Motion to Strike Out Comment to the Appeal filed on September 23, 2010. Said Manifestation was filed by the Complainant-Appellant due to the belated filing by the Respondent-Appellee, on September 9, 2010, of its Comment to the former's Appeal Memorandum, which was filed almost a year earlier, or on October 16, 2009. In the interest of substantial justice, and in order for this Office to have a complete picture of the substantial issues, we deny the Motion incorporated in the said Manifestation.

¹⁶ Republic Act. No. 166, Sec. 31.

¹⁷ Complainant-Appellant's Memorandum of Appeal, no. 59.

However, even with the admission of the said belated Comment this Office is of the opinion that the said Comment does not, in any way, alter the findings and conclusions herein as, upon a careful reading of its contents, the same is evidently a rehash of the allegations found in the Respondent-Appellee's Answer.

WHEREFORE, in view of the foregoing, the herein Appeal is hereby **GRANTED**, and Decision No. 2005-02, dated August 8, 2005, of the Director of the Bureau of Legal Affairs, together with Resolution No.09-03 (D), dated December 21, 2009, which affirmed the same, are hereby **REVERSED**.

Concerning the prayer for damages made by the Complainant-Appellant, we hereby award the following:

1. Moral damages in the amount Five Hundred Thousand Pesos (PhP 500,000) in view of the injury to its goodwill;
2. Exemplary damages in the amount of Four Hundred Thousand Pesos (PhP 400,000);
3. Attorney's fees in the amount of Five Hundred Thousand Pesos; and
4. Costs of litigation.

No actual damages can be awarded as there was no evidence adduced to prove the same.

Let a copy of this Decision as well as the records be furnished and returned to the Director of Bureau of Legal Affairs for appropriate action. Further, let also the Director of the Bureau of Trademarks and the library of the Documentation, Information and Technology Transfer Bureau be furnished a copy of this Decision for information, guidance, and records purposes.

SO ORDERED.

20 DEC 2013 , Taguig City


RICARDO R. BLANCAFLOR
Director General