



OFFICE OF THE DIRECTOR GENERAL

SAN MIGUEL PURE FOODS  
COMPANY, INC.,  
Appellant,

Appeal No. 10-2012-0001

IPV No. 10-2010-00017

-versus-

For: Trademark Infringement and  
Unfair Competition

FOODSPHERE, INC.,  
Appellee.

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DECISION

SAN MIGUEL PURE FOODS COMPANY, INC. ("Appellant") appeals the decision of the Director of the Bureau of Legal Affairs ("Director") dismissing the Appellant's complaint for trademark infringement and unfair competition against FOODSPHERE, INC. ("Appellee").

Records show that the Appellant filed on 04 November 2010 a "COMPLAINT" alleging the following:

1. It is engaged in the manufacturing, selling, and distribution of food products in the Philippines and one of its valued trademarks is the mark "FIESTA";
2. Its FIESTA ham was first introduced in 1980 and became more popular during Christmas season as it was commonly patronized by corporations for use as Christmas present to employees, clients, and patrons; FIESTA ham became a regular fixture in the dining tables of countless Filipinos during *Noche Buena*;
3. The mark FIESTA has been consistently associated with great taste, superior quality, and food safety of ham products and this mark has acquired goodwill to mean sumptuous ham; consumers are always looking for FIESTA ham in supermarkets;
4. Its trade dress for FIESTA ham, which is prominently combined with a figure of a partly sliced ham served on a plate with fruits

on the side, has likewise earned goodwill; for thirty (30) years now, FIESTA ham has been offered for sale and is actually being sold in various markets in the Philippines;

5. Its total estimated sales for FIESTA ham amounts to Four Billion Five Hundred Fifty-Nine Million Pesos (Php 4,559,000,000.00) while its average annual sales amounts to approximately Ten Million Seven Hundred Ninety-One Thousand Five Hundred Thirty-Seven Pesos and Twenty-Five Centavos (P10,791,537.25);
6. Its success has significantly contributed to the growth of the ham industry and made it lucrative even for new players and competitors;
7. Notwithstanding the tremendous goodwill already earned by its FIESTA mark, it continues to invest considerable amount of resources to promote the FIESTA ham through advertisements and press releases; from 2003 to 2009, it spent not less than Three Million Six Hundred Seventy-Eight Thousand Four Hundred Seven Pesos and Ninety-Five Centavos (Php 3,678,407.95) for its advertisements in various television networks, radio stations and publications;
8. In 2008, it launched the "Dapat ganito ka-espesyal" campaign and spent a total of Five Hundred Forty-Three Thousand Three Hundred Twelve Pesos (Php 543,312.00); this campaign continued to run in 2009;
9. The Appellee in 2009 launched its "Make Christmas even more special" campaign as and by way of copying the Appellant's campaign and intended message to the consumers;
10. The Appellee also launched in 2009 its paper ham bag, which looked significantly similar to the Appellant's paper ham bag; the trade dress and the use of the word "PISTA" in the packages render the Appellee's mark confusingly similar with FIESTA;
11. The striking similarities between the Appellant's and Appellee's marks and products warrant its claim of trademark infringement on the ground of likelihood of confusion as to origin, and being the owner of FIESTA, it has the right to prevent the Appellee from the unauthorized use of a deceptively similar mark;

12. The Appellee is guilty of unfair competition; there is confusing similarity in the general appearance of its "PUREFOODS FIESTA HAM" and the Appellee's "PISTA COOKED HAM"; the presentation at the principal display panel of its and the Appellee's package of a picture of one (1) partly sliced ham served on a plate with fruits on the side create the same impression on the mind of the public – sumptuous meal; the pictures of different hams at the back panel of its and the Appellee's product package present the same idea to the public – variety of meal hams available for the public's consumption;
13. FIESTA as used in its trade dress, is printed in white bold stylized font, while PISTA as appearing on the Appellee's trade dress, is likewise printed in white bold stylized font; the Appellant's and Appellee's product packages consist of box-typed paper bags made of cardboard materials with cut-out holes on the middle top portion thereof for their handles;
14. Both the Appellant's and Appellee's product packages are colored red with background design associated with festivities (i.e., Christmas balls, stars, snowflakes and ornate scroll design);
15. The Appellee's continued use of "PISTA" for ham products and the adoption of packaging with a strong resemblance to FIESTA ham product packaging is deliberately carried out for the obvious purpose of capitalizing upon or riding on the valuable goodwill and popularity of FIESTA which the Appellant gained through tremendous effort and expenses over a long period of time; the Appellee's act is calculated to cause not only confusion of goods but also confusion as to the origin or source of the ham product; and
16. It is entitled to actual damages and attorney's fees.

The Appellee filed an "ANSWER" dated 06 December 2010 denying the material allegations of the Appellant and alleged the following:

1. PISTA and PUREFOODS FIESTA HAM are not confusingly similar; they are visually and aurally distinct and different from each other;
2. The Appellant does not have a monopoly on the mark FIESTA and does not have an exclusive rights of appropriation over the

word 'FIESTA', much less to what it believes to be a translation of said mark; the Appellant does not have registration for this mark and is not entitled to claim exclusivity for this term;

3. The Appellant cannot appropriate for itself the images of traditional utensils and garnishing for ham in its advertisements;
4. Its campaign ads are totally distinct and different from the Appellant's ads;
5. There are several products found in supermarkets which bear the mark FIESTA; there are at least three (3) other ham brands which bear the mark FIESTA, namely "ARO FIESTA HAM", "ROYAL FIESTA" and "PUREGOLD FIESTA HAM"; the fact that there are other hams in the market that designated "FIESTA" and that the Appellant has done nothing against these manufacturers show that the Appellant does not believe that it owns the FIESTA mark exclusively; this fact also belies the claim that use by other manufacturers of FIESTA will result in confusion and/or cause damage to the Appellant;
6. In doing absolutely nothing against the use of FIESTA by other ham manufacturers, the Appellant is guilty of *estoppel in pais*, and thus estopped from asserting that the usage of FIESTA by other ham manufacturers will result in confusion and/or cause damage to it;
7. PISTA is always used in conjunction with its house mark "CDO", and that PUREFOODS FIESTA HAM bears the Appellant's house mark "PUREFOODS", rendering confusion impossible;
8. The Appellant's and Appellee's marks are substantially different and distinct from each other, aurally and visually, as well as in the idea or impression it leaves in the mind of the consuming public, thus, rendering the possibility of confusion impossible; furthermore, the possibility of confusion is rendered impossible by the fact that both the Appellant's and Appellee's products are being sold in booths manned by promodisers;
9. This case involves ham, items which are considerably expensive; the purchasers of these products are, therefore, well-informed, not only of the features of the products but also its source and or manufacturer, as this is usually a concern to consumers, especially those buying high priced food items;

10. It is the owner and prior user of the mark "HOLIDAY" which is the translation of FIESTA and PISTA; it first used HOLIDAY in the 1970's and first obtained registration for this mark in 1986; it, thus, has superior rights over this mark or its translation and, consequently, the registration of PUREFOODS FIESTA HAM is void; the Appellant is the one guilty of trademark infringement and unfair competition for infringing and copying HOLIDAY;
11. It has been using PISTA in at least the year 2006 which is earlier than the Appellant's filing for the registration of PUREFOODS FIESTA HAM;
12. It is not guilty of unfair competition; its PISTA labels which are always used in conjunction with its house mark CDO, are substantially different from the Appellant's label on PUREFOODS FIESTA HAM;
13. Its bags are labeled with its house mark CDO on all four sides and these bags are given to consumers only after purchase has been made; from 2006 until 2009, it had been using boxes or bags which are predominantly red in color while the Appellant had used green-colored bags in 2007 and 2008 ; for 2010 it has adopted a red and green colored bag while the Appellant maintained its dominantly red bag;
14. As counterclaims, the Appellee contended that the Appellant instituted the complaint with malice and in bad faith; this complaint is a crafty ploy to disrupt its lawful business operations, especially at the onset of the holiday season where the sales will be at its peak;
15. Because of the baseless claims and accusations by the Appellant, it has been needlessly harassed and its resources drained because it had to devote time and effort in defending itself from this baseless complaint;
16. Its good name and reputation, which it has painstakingly nurtured and protected over the years has been seriously damaged by reason of the present suit; and
17. It was compelled to secure the services of counsel to protect and vindicate its rights and interests and, consequently, is entitled to actual and exemplary damages and attorney's fees.

After the appropriate proceedings, the Director ruled that the Appellee cannot be held liable for trademark infringement and unfair competition. The Director held that the Appellant was issued Cert. of Reg. No. 4-2007-006325 for "PUREFOODS FIESTA HAM LABEL DESIGN" on 17 December 2007 while the Appellee has used PISTA since 2006. Thus, according to the Director:

"Considering therefore that at the time the Respondent used the mark "Pista" there is no trademark application much less a trademark registration yet for "Purefoods Fiesta Ham", the Complainant has no cause of action or enforceable right against the Respondent pertaining to a trademark rights holder."<sup>1</sup>

The Director also held that it appears that the four (4) year prescriptive period to file this case had already lapsed as the complaint was only filed on 05 November 2010.

The Director ruled that PISTA is not a reproduction or a counterfeit or a copy of the Appellant's mark PUREFOODS FIESTA HAM LABEL DESIGN and that there is no way that in looking at these competing marks, even if placed side by side, the eyes would be deceived or be confused as to the origin or manufacturer of these hams. The Director did not give credence to the surveys presented and opined that without the presentation of the respondents to these surveys, the responses are mere hearsay. Moreover, the Director held that with the finding that the competing marks are not confusingly similar, it follows that the Appellee is also not guilty of unfair competition. The Director averred that the general appearance of the goods through their labels and packaging are unlikely to cause confusion much less deception as to the origin or manufacturer of hams.

On 17 August 2012, the Appellant filed an "APPEAL MEMORANDUM" assigning the following errors:

#### VI Assignment of Errors

THE HONORABLE DIRECTOR ERRED IN RULING THAT RESPONDENT-APPELLEE IS NOT GUILTY OF TRADEMARK INFRINGEMENT.

- A. The Honorable Director erred in ruling that, because at the time the Respondent-Appellee first used the mark PISTA there was no trademark application, much less a trademark registration yet

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<sup>1</sup> Decision No. 2012-03 dated 17 July 2012, page 20.

for the Complainant-Appellant's FIESTA mark, there is no cause of action for infringement or enforceable right against Respondent-Appellee;

- B. The Honorable Director erred in ruling that the four (4) year prescriptive period to file this case had already lapsed;
- C. The Honorable Director erred in not admitting Complainant-Appellant's survey evidence and in ruling that the said survey evidence is self-serving and negated by Respondent-Appellee's survey evidence; and
- D. The Honorable Director erred in ruling that the competing marks are not confusingly similar.

THE HONORABLE DIRECTOR ERRED IN RULING THAT RESPONDENT-APPELLEE IS NOT GUILTY OF UNFAIR COMPETITION.

- A. The Honorable Director erred in ruling that the general appearance of the goods through their labels and packaging are unlikely to cause confusion, much less deception; and
- B. The Honorable Director erred in ruling that Respondent-Appellee had no intent to deceive the public or defraud the competitor.

The Appellant argues that the Director ignored the fact that it has used FIESTA since 1980 and that the Appellee adopted and used PISTA with full knowledge of the existence of the mark FIESTA. The Appellant contends that when it registered FIESTA on 17 December 2007, the Appellee's continued use of PISTA infringes its rights as a trademark holder. The Appellant also argues that the Director is mistaken in his reckoning point and computation of the prescriptive period which should be from the date of discovery of the violation in 2009 and not in 2006 when the Appellee started using PISTA.

The Appellant asserts that hearsay objection does not apply to survey evidence because it is the state of mind of the respondents in the survey that is sought to be proven by the survey evidence and not the veracity or truthfulness of the matters alleged in the survey.

The Appellant maintains that FIESTA and PISTA are similar visually, pronounced similarly and both have the same number of syllables, sharing common consonants and vowels. According to the Appellant, it is patent that if

the degree of similarity between the two marks is analyzed in terms of sight, sound and connotation or meaning, there is no denying that these marks are so similar that confusion is very likely. Furthermore, the Appellant avers that actual confusion is not necessary and mere likelihood of confusion is sufficient to establish a charge of trademark infringement.

The Appellant claims that the Director erred in ruling that the Appellee had no intent to deceive the public or defraud the competitor. According to the Appellant, the Appellee has a myriad of other lay-out, symbols, arrangements, and depictions to choose from to distinguish its products but the Appellee choose to depict its ham and fruits appearing on its packaging in the exact same way as the Appellant has laid-out its ham and fruits. The Appellant asserts that in 2009, the Appellee shifted from using plastics and boxes for its hams to using paper bags like the Appellant and that the Appellee's adoption also in 2009 of the campaign "Make Christmas even more special" is a direct translation of the Appellant's "Dapat ganito ka-espesyal" campaign that have been running in 2008.

On 09 October 2012, the Appellee filed a "COMMENT" refuting the assignment of errors by the Appellant. The Appellee maintains that irrespective of the existence of confusing similarity, the Appellant has no cause of action or enforceable right against it because its use of PISTA preceded the registration of FIESTA. Moreover, the Appellee claims that the Appellant's contention that the prescriptive period commenced to run only in 2009 is unsupported by evidence. The Appellee posits that it has been using PISTA as early as 05 November 2006 and, thus, when the Appellant filed its complaint on 05 November 2010, the four (4) year prescriptive period had expired. The Appellee agrees to the ruling of the Director rejecting the Appellant's evidence on survey evidence for being hearsay and self-serving.

The Appellee argues that there is neither trademark infringement nor unfair competition in this case. According to the Appellee, PISTA is duly registered and, hence, there is no unauthorized use of the Appellant's mark and there can be no confusing similarity, much less intent to deceive the public or defraud the competitor. The Appellee contends that a certificate of registration is a *prima facie* evidence of the validity of the registration, the registrant's ownership of the mark and the registrant's exclusive right to use the same in connection to the goods and services.

The Appellee avers that FIESTA and PISTA are substantially different and distinct from each other, aurally and visually, as well as in the idea or impression they leave in the mind of the consuming public, thus rendering the possibility of confusion impossible. The Appellee maintains that the Appellant's mark is composite (Purefoods Fiesta Ham) and that "Fiesta" is always used in



conjunction with "Purefoods" which consistently appears on the four (4) corners of its packaging much like "PISTA" which is always accompanied by "CDO". The Appellee claims that the special circumstances under which hams are sold render any confusion impossible. According to the Appellee, they are sold only during the Christmas season, which is regarded as the most significant and special among all Filipino holidays, thus, consumers would be more discerning and particular on the food they will serve at the *Noche Buena*, especially the Christmas ham. The Appellee maintains that Christmas hams are expensive, hence, consumers will be more discerning on their purchase thereof.

The Appellee also argues that the accusation of unfair competition is totally baseless and that consumers will not be confused with the packaging and general appearance of the competing products. The Appellee asserts that the color and packaging of Christmas hams are similar across all ham manufacturers where red and green are always the predominant colors. The Appellee maintains that the picture of ham and/or partly sliced ham with colorful fruits in the packaging is also commonly and generally used and, hence, the Appellant cannot claim exclusivity over the color and packaging, or the use of ham bags.

Pursuant to Office Order No. 154, Series of 2010, Rules of Procedure for IPO Mediation Proceedings, this case was referred to mediation. Subsequently, this Office received on 29 November 2012 a copy of the "MEDIATOR'S REPORT" stating the termination of the mediation proceedings as both parties refused to submit the case to mediation. The parties also failed to file a manifestation to submit this case to arbitration.

The main issue in this case is whether the Director was correct in ruling that the Appellee is not liable for trademark infringement and unfair competition.

#### On the issue of trademark infringement

Section 155 of the Intellectual Property Code of the Philippines ("IP Code") provides that:

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 herein set forth: Provided, That the infringement takes place at the moment any of the acts stated in Subsection 155.1 or this subsection are committed regardless of whatever there is actual sale of goods or services using the infringing material.

In this regard, the relevant question in a trademark infringement is the use of a mark confusingly similar with a registered mark. In the case of *Coffee Partners, Inc. v. San Francisco Coffee & Roastery, Inc.*<sup>2</sup>, the Supreme Court of the Philippines held that:

It is the likelihood of confusion that is the gravamen of infringement. But there is no absolute standard for likelihood of confusion. Only the particular, and sometimes peculiar, circumstances of each case can determine its existence. Thus, in infringement cases, precedents must be evaluated in the light of each particular case.

In determining similarity and likelihood of confusion, our jurisprudence has developed two tests: the dominancy test and the holistic 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. If the competing trademark contains the main, essential, and dominant features of another, and confusion or deception is likely to result, infringement occurs. Exact duplication or imitation is not required. 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 consumers.

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. The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing on both marks in order that the observer may draw his conclusion whether one is confusingly similar to the other.

Below are the illustrations of the Appellant's and Appellee's marks:

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<sup>2</sup> G. R. No. 169504, 03 March 2010.



*Appellant's mark*



*Appellee's mark*

At a glance, one can see the obvious differences in these marks. The Appellant's mark is a composite mark where the Appellant's "house mark", namely "PUREFOODS" is clearly indicated and is followed by the phrase "Fiesta Ham" written in stylized font. On the other hand, the Appellee's mark is the word "Pista" written also in stylized font. In this regard, applying either the "Dominancy Test" or the "Holistic Test", the Appellee cannot be held liable for trademark infringement. These marks are not visually or aurally similar and the glaring differences in the presentation of these marks will prevent any likely confusion, mistake or deception to the purchasing public.

Moreover, the Appellee correctly pointed out that PISTA was duly registered in this Office.<sup>3</sup> This strengthens the position of the Appellee that its use of PISTA is not an infringement of the trademark PUREFOODS FIESTA HAM. A certificate of registration of a mark shall be *prima facie* evidence of the validity of the registration, the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate.<sup>4</sup>

With this finding of the absence of trademark infringement, this Office need not discuss the other issues raised by the Appellant surrounding the Director's ruling of not holding the Appellee liable for trademark infringement.

On the issue of unfair competition

Sec. 168 of the IP Code provides that:

SEC. 168. Unfair Competition, Rights, Regulations and Remedies.-  
168.1. A person who has identified in the mind of the public the goods he manufactures or deals in, his business or services from those of others, whether or not a registered mark is employed, has a property right in the goodwill of the

<sup>3</sup> COMMENT dated 05 October 2012, page 27.

<sup>4</sup> IP Code, Sec. 138.

said goods, business or services so identified, which will be protected in the same manner as other property rights.

168.2. Any person who shall employ deception or any other means contrary to good faith by which he shall pass off the goods manufactured by him or in which he deals, or his business, or services for those of the one having established such goodwill, or who shall commit any acts calculated to produce said result, shall be guilty of unfair competition, and shall be subject to an action therefor.

168.3. In particular, and without in any way limiting the scope of protection against unfair competition, the following shall be deemed guilty of unfair competition:

(a) Any person, who is selling his goods and gives them the general appearance of goods of another manufacturer or dealer, either as to the goods themselves or in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance, which would be likely to influence purchasers to believe that the goods offered are those of a manufacturer or dealer, other than the actual manufacturer or dealer, or who otherwise clothes the goods with such appearance as shall deceive the public and defraud another of his legitimate trade, or any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose;

b) Any person who by any artifice, or device, or who employs any other means calculated to induce the false belief that such person is offering the services of another who has identified such services in the mind of the public; or

(c) Any person who shall make any false statement in the course of trade or who shall commit any other act contrary to good faith of a nature calculated to discredit the goods, business or services of another.

168.4. The remedies provided by Sections 156, 157 and 161 shall apply mutatis mutandis.

In the case of *McDonalds Corp., et al., vs. L. C. Big Mak Burger*<sup>5</sup>, the Supreme Court cited the essential elements of an action for unfair competition:

The essential elements of an action for unfair competition are (1) confusing similarity in the general appearance of the goods, and (2) intent to deceive the public and defraud a competitor. The confusing similarity may or may not result from similarity in the marks, but may result from other external factors in the packaging or presentation of the goods. The intent to deceive and defraud may be inferred from the similarity of the appearance of the goods as offered for sale to the public. Actual fraudulent intent need not be shown.

In this regard, unfair competition is broader than trademark infringement and includes passing off goods with or without trademark infringement. Unfair competition is a question of fact and the determination of the existence thereof rests on the issue of whether or not, as a matter of fact, a defendant is, by conduct, passing off defendant's goods as plaintiff's goods or defendant's business as plaintiff's business.<sup>6</sup>

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<sup>5</sup>G.R. No. 143993, 18 August 2004.

<sup>6</sup>Del Monte Corporation v. Court of Appeals, G. R. No. L-78325, 25 January 1990.

Below are the product packaging of the goods of the Appellant and the Appellee:



Appellant



Appellee

A scrutiny of these product packages shows substantial similarities in the packaging of the Appellant's and Appellee's products. The Appellant and the Appellee are both using paper bags with green and red as the main colors. The representation of a partly sliced ham and fruits in the packaging products of the Appellant and the Appellee are very noticeable and would easily catch the attention of a prospective buyer. The Appellant has marketed its products since 1980 while the Appellee claims to have used PISTA and its labels only in 2006.

In this regard, the Appellee is giving its products the general appearance that would likely influence purchasers to believe that these products are similar with those of the Appellant. The Appellee is packaging its products in such a way that it would appear to be similar in the packaging of the Appellant's products. As a result, the purchasers are likely to be influenced to believe that the Appellee's products are those of the Appellant's. These acts by the Appellee are not only deceiving the public but is defrauding the Appellant of the latter's legitimate trade. The Appellee's intention to deceive is inferred from the similarity of the goods as packed and offered for sale, and, thus, action will lie to restrain such unfair competition.<sup>7</sup> As held by the Supreme Court in the case of *Rueda Hermanos & Co. v. Felix Paglinawan & Co.*<sup>8</sup>,

If the contents of the two packages are same commodity, it is no defense to an action for unfair competition to show minor differences in the size or shape of the packages or in the color or wording of the labels or wrappers of the packages. If the exterior size, shape, color, and description, in other words, those things which go to make up the general outside appearance of the article are so substantially similar, as to likely deceive the ordinary purchaser, exercising ordinary care, the defendant is guilty of unfair competition.

Moreover, the Appellant correctly pointed out that:

89. The Honorable Director did not even give much consideration to the fact that prior to 2009, Respondent-Appellee had been using plastics and boxes for its hams, while Complainant-Appellant was already using paper bags. Then in 2009, Respondent-Appellee shifted from using plastics and boxes for its hams to using paper bags like Complainant-Appellant, with full knowledge that Complainant-Appellant had already been using paper bags in the past...

90. The Honorable Director did not take into consideration Respondent-Appellee's adoption in 2009 of its "Make Christmas even more special campaign – a direct translation of Complainant-Appellant's "Dapat ganito ka-espesyal" campaign that had been running in the year prior, or in 2008.<sup>9</sup>

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<sup>7</sup>Jonas Brook Bros. v. Froelich & Kuttner, G. R. No. L-3369, 24 September 1907.

<sup>8</sup>G.R. No. 10738, 14 January 1916.

<sup>9</sup> APPEAL MEMORANDUM dated 17 August 2012, page 62.

Below are the illustrations of the packaging of the products of the Appellee that it used to market using plastic and boxes.



*Appellee*

The Appellee's shift to the use of paper bags was, therefore, an indication of the intent to ride on the goodwill that the Appellant's products marketed in paper bags have generated through the years. Succintly, as in all other cases of colorable imitations, the unanswered riddle is why, of the millions of terms and combinations of letters and designs available, the appellee had to choose those so closely similar to another's trademark if there was no intent to take advantage of the goodwill generated by the other mark.<sup>10</sup>

Goodwill is protected by law on unfair competition.<sup>11</sup> One who has built up a goodwill and reputation for his goods or business is entitled to all the benefits therefrom since goodwill is property and like any other property, is protected against invasion.<sup>12</sup> In this case, to permit the Appellee to continue its acts of packaging its products with the same general appearance as the packaging of the products of the Appellant would be to countenance the unlawful appropriation of the benefit of a goodwill, which Appellant has acquired, and would be tantamount to permitting the Appellee to grab the reputation or goodwill of the business of Appellant.

<sup>10</sup> American Wire & Cable Company v. Director of Patents, G. R. No. L-26557, 18 February 1970.

<sup>11</sup> De La Rama Steamship Co. v. National Development Co., G. R. No. L-26966, 30 October 1970.

<sup>12</sup> Alhambra Cigar and Cigarette Manufacturing Co. vs. Pedro N. Mojica, G. R. No. 8937, 21 March 1914.

In addition, while the Appellee may claim that by using the PISTA on its ham products, it cannot be held liable for trademark infringement, it is emphasized that the Appellee may still be held liable for unfair competition. The ruling of the Supreme Court of the Philippines in the case of *Mighty Corporation v. E. & J. Gallo Winery* is instructive.<sup>13</sup>

Although the laws on trademark infringement and unfair competition have a common conception at their root, that is, a person shall not be permitted to misrepresent his goods or his business as the goods or business of another, the law on unfair competition is broader and more inclusive than the law on trademark infringement. The latter is more limited but it recognizes a more exclusive right derived from the trademark adoption and registration by the person whose goods or business is first associated with it. The law on trademarks is thus a specialized subject distinct from the law on unfair competition, although the two subjects are entwined with each other and are dealt with together in the Trademark Law (now, both are covered by the IP Code). Hence, even if one fails to establish his exclusive property right to a trademark, he may still obtain relief on the ground of his competitor's unfairness or fraud. Conduct constitutes unfair competition if the effect is to pass off on the public the goods of one man as the goods of another. It is not necessary that any particular means should be used to this end.

The Director, thus, is in error when it did not hold the Appellee liable for unfair competition. Moreover, it is also not correct for the Director to rule that the four (4) year prescriptive period to file this case had lapsed. The allegations in the complaint of the Appellant expressly stated that:

17. In 2009, complainant continued to run its "Dapat ganito ka-espesyal" campaign. On the other hand, respondent launched its "Make Christmas even more special" campaign as and by way of copying complainant's campaign and intended message to the consumers. Respondent's promotion was posted in its website. The print out of the screen shots of respondent's website is attached as Annexes "V" and "V-1".
18. For the very first time, respondent introduced in 2009 its paper ham bag, which looked significantly similar to complainant's paper ham bag. The side-by-side presentation of complainant's and respondent's actual trademarks, as used in their product packages, is contained in paragraphs 31 and 37 hereof. The trade dress and the use of the word "PISTA" in the packages render the same confusingly similar with complainant's "FIESTA" trademark. The side-by-side presentation of complainant's and respondent's trade dresses is contained in paragraph 37 hereof.<sup>14</sup>

Accordingly, the Appellant's filing of the complaint for unfair competition in 2010 is well within the four (4) year period contemplated in the Rules and

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<sup>13</sup> G.R. No. 154342, 14 July 2004.

<sup>14</sup> COMPLAINT dated 03 November 2010, pages 8-9.



Regulations on Administrative Complaints for Violation of Law Involving Intellectual Property Rights.<sup>15</sup>

Consequently, in cases of unfair competition, the remedies provided by Sections 156 and 157 of the IP Code shall apply *mutatis mutandis*.<sup>16</sup> Sections 156 and 157 of the IP Code provide as follows:

Sec. 156. Actions, and Damages and Injunction for Infringement.-

156.1 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 the infringement, or in the event such measure of damages cannot be readily ascertained with reasonable certainty, then the court may award as damages a reasonable percentage based upon the amount of gross sales of the defendant 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 complainant.

156.2. On application of the complainant, the court may impound during the pendency of the action, sales invoices and other documents evidencing sales.

156.3 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.

156.4. The complainant, upon proper showing, may also be granted injunction.

Sec. 157. Power of Court to Order Infringing Material Destroyed.

157.1 In any action arising under this Act, in which a violation of any right of the owner of the registered mark is established, the court may order that goods found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder, or destroyed; and all labels, signs, prints, packages, wrappers, receptacles and advertisements in the possession of the defendant, bearing the registered mark or trade name or any reproduction, counterfeit, copy or colorable imitation thereof, all plates, molds, matrices and other means of making the same, shall be delivered up and destroyed.

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<sup>15</sup> Rule 2 Section 1 of the Rules and Regulations on Administrative Complaints for Violation of Law Involving Intellectual Property Rights states in part that:

Section 1. *Complaint, When and to Whom Filed* - All administrative complaints for violation of the IP Code or IP Laws shall be commenced by filing a verified complaint with the Bureau within four (4) years from the date of commission of the violation, or if the date be unknown, from the date of discovery of the violation.

<sup>16</sup> IP Code, Sec. 168.4.

In this case, the Appellee claims that it failed to realize income in the amount of at least Twenty-Seven Million Six Hundred Sixty-Eight Thousand Five Hundred Thirty-Eight Pesos and Thirty-Eight Centavos (Php 27,668,538.38) and the amount of at least Eight Hundred Ninety-Nine Thousand Two Hundred Ninety Four Pesos and Seventy-Seven Centavos (Php899, 294.77) per month in estimated actual damages, representing foregone income in sales for the continuous use of the "PISTA" mark in connection with the selling, offering for sale and distribution of its ham product during the pendency of this case.<sup>17</sup>

However, the Appellant neither adduced evidence to prove the claim of foregone income or sales nor presented evidence to show the profit or sales of the Appellee. Accordingly, this Office has no basis to award the damages claimed by the Appellant. Nonetheless, this Office awards the amount of One hundred thousand pesos (Php 100,000.00) as nominal damages and is given in order that the right of the Appellant which has been violated by the Appellee is vindicated or recognized and not for the purpose of indemnifying the Appellant.<sup>18</sup>

Moreover, under Section 157 of the IP Code, the labels, signs, prints, packages, wrappers, receptacles and materials used by the Appellee in committing unfair competition should be seized and disposed of outside the channels of commerce. The Appellee must, therefore, refrain from using these materials.

In addition, this Office deems it just and equitable<sup>19</sup> to grant the claim of the Appellant for attorney's fees amounting to at least Three Hundred Thousand Pesos (Php 300,000.00).

Wherefore, premises considered, the appeal is partially granted. The decision of the Director finding the Appellee not liable for unfair competition is hereby reversed. The Appellee is hereby ordered to pay nominal damages of One Hundred Thousand Pesos (Php 100,000.00) and Three hundred thousand pesos (Php 300,000.00) as attorney's fees. Accordingly, the labels, signs, prints, packages, wrappers, receptacles and materials used by the Appellee in committing unfair competition should be seized and disposed of outside the channels of commerce. The Appellee is hereby ordered to cease and desist from using these materials.

Let a copy of this Decision and the records of this case be furnished and returned to the Director of Bureau of Legal Affairs for appropriate action. Further,

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<sup>17</sup> COMPLAINT dated 03 November 2010, page 26.

<sup>18</sup> New Civil Code, Art. 2221.

<sup>19</sup> New Civil Code, Art. 2208 (11).

let a copy of this Decision be furnished the Documentation, Information and Technology Transfer Bureau for their information and records purposes.

SO ORDERED.

**SEP 10 2013**

  
RICARDO R. BLANCAFLOR  
Director General