

Republic of the Philippines
SUPREME COURT
Manila

EN BANC

G.R. No. L-19906 April 30, 1969

STERLING PRODUCTS INTERNATIONAL, INCORPORATED, plaintiff-appellant,

vs.

FARBENFABRIKEN BAYER AKTIENGESELLSCHAFT, and ALLIED MANUFACTURING AND TRADING CO., INC., defendant-appellants.

SANCHEZ, J.:

In this, a case for trademark infringement and unfair competition, each of the principal suitors, namely, plaintiff Sterling Products International, Inc.,¹ and defendant Farbenfabriken Bayer Aktiengesellschaft,² seeks to exclude the other from use in the Philippines of the trademarks BAYER and BAYER CROSS IN CIRCLE. SPI asks this Court to strike down FBA's registration of BAYER CROSS IN CIRCLE covering industrial and agricultural products — insecticides and other chemicals, not medicines — from the supplemental register. FBA, for its part, prays for the cancellation from the principal register of SPI's certificates of registration of the trademarks aforesaid for medicines.

Contending parties are doing business in the Philippines. SPI markets Bayer Aspirin, Aspirin for Children and Cafiaspirina. The BAYER and BAYER CROSS IN CIRCLE are being used by SPI in the Philippines only for said products — Bayer Aspirin, Cafiaspirina and Bayer Aspirin for Children. On the containers (bottles or printed cellophane strips, which, in turn, are placed in cardboard boxes) of Bayer Aspirin, Aspirin for Children and Cafiaspirina, SPI features the trademarks BAYER and BAYER CROSS IN CIRCLE. FBA thru Allied Manufacturing & Trading Co., Inc.³ distributes "Folidol" and other industrial and agricultural chemicals. FBA's "Folidol" (in steel or fiber drums or aluminum containers) displays a replica of SPI's trademark BAYER CROSS IN CIRCLE; on the tin cap and label of the container.

The conflict apparent, suit followed.

The trial court declared itself "in favor of the solution that favors division of the market rather than monopoly." But to avoid confusion, it directed defendants "to add a distinctive word, or words in their mark to indicate that their products come from Germany." The judgment below reads:

IN VIEW WHEREOF, both complaint and counterclaim are dismissed without costs; the Court sustains plaintiff's right to use the Bayer trademark for its medicines, and defendants' right to use it for chemicals, insecticides, and other products not medicines, but the Court orders defendants to add a distinctive word or words in their mark to indicate that their products come from Germany.⁴

Both parties appealed: Plaintiff, insofar as the judgment "dismisses plaintiff's complaint and sustains defendants' right to use the BAYER trademark for their chemicals, insecticides, and other products not medicines";⁵ and defendants, from the portions of the aforementioned decision particularly those which dismiss the counterclaim of the defendants for the cancellation of the registrations by the plaintiff of the trademarks Bayer and Bayer Cross and which allow the plaintiff "to continue using the Bayer trademarks for medicines."⁶

And now to the facts.

The word BAYER was the surname of Friedrich Bayer, a German, who, on August 1, 1868, organized a drug company bearing his name — Friedr Bayer et comp. — at Barmen, Germany. The company was at first engaged in the manufacture and sale of chemicals. At about the year 1888 it started to manufacture pharmaceutical preparations also. A change of name from Friedr Bayer to Farbenfabriken vorm. Friedr. Bayer & Co. (FFB, for short) effective July 1, 1881 was followed in 1912 by a change of principal place of business from Elberfeld to Luverkusen, Germany.⁷ Its products came to be known outside Germany. With the discovery in 1899 of the Bayer Aspirin, the mark BAYER acquired prestige. The time was ripe to register the trademarks. The record, however, does not clearly show when the word BAYER was registered as a trademark in Germany. The BAYER CROSS IN CIRCLE trademark was registered in Germany on January 6, 1904 — No. 65777.⁸ It was intended to be used on "medicines for human beings and animals, disinfectants preservatives, tar dyestuffs and chemical preparations for dyes and for photographic purposes."⁹ This registered trademark consists of the BAYER CROSS encircled by the company's name Farbenfabriken vorm. Friedr. Bayer & Co. Elberfeld.

When the company was merged with other German companies in 1925 to form the I.G. Farbenindustrie, the name of the former company was deleted from the trademark and what remained was the present BAYER CROSS IN CIRCLE. A new registration was effected on June 17, 1929 in Germany and for which it was issued a certificate with serial no. 404341. The trademark BAYER CROSS IN CIRCLE was registered by FFB and its subsidiaries in other parts of the world, viz, in Norway, England, Denmark, and Argentina in 1904; in Japan and the United States in 1908; in Spain in 1911; in Peru in 1913.

Sometime in 1895, FFB established a subsidiary in New York, United States. It was named Farbenfabriken of Elberfeld Co. Its purpose was to sell FFB's products in the United States and Canada. It was this subsidiary that registered the trademarks BAYER and BAYER CROSS IN CIRCLE in the United States between the years 1907-1908.

Sometime in 1913, FFB organized another subsidiary — The Bayer Co., Inc. of New York. This new subsidiary was authorized by FFB to negotiate for and acquire the trademarks, goodwill, assets and property of Farbenfabriken of Elberfeld Co. By an agreement dated June 12, 1913 (Exh. 106) Bayer of New York purchased for the sum of US \$750,000.00 Farbenfabriken of Elberfeld Co.'s "right for the sale in the United States and Canada of the drugs, chemicals, pharmaceuticals and any and all other products and articles manufactured and (or) controlled by Leverkusen" (FFB) and its "trademarks, good will and other assets and property."

On April 6, 1917,¹⁰ the United States declared war on Germany. Pursuant to the provisions of the Trading with the Enemy Act, the Alien Property Custodian classified The Bayer Co., Inc. of New York as an enemy-controlled corporation. Hence, the Alien Property Custodian seized its assets about the early part of 1918. Between December 1918 and January 1919, all the assets of The Bayer Co., Inc. of New York were sold by the Alien Property Custodian to Sterling Drug, Inc. for the sum of US \$5,310,000.00. The Bayer Co., Inc. of New York then became a subsidiary of Sterling Drug, Inc. Winthrop Chemical Co., Inc. was later organized as a new subsidiary of Sterling Drug, Inc. to manufacture and sell the physicians' drugs which had been acquired" by the purchase of the Bayer Co., Inc. Winthrop's operation was evidently hampered because 'the Germans had kept manufacturing processes secret, so that the manufacture of physicians' drugs on a commercial scale became an almost insoluble problem.'¹¹

Sterling Drug, Inc. secured registrations of the BAYER trademarks in different countries of the world.¹²

It would appear that the trademark BAYER for medicines was known in the Philippines about the close of the 19th century. This appears on page 88 of the Revista Farmaceutica de Filipinos Año I, Numero 7, 3 de Julio de 1893. Before World War I, BAYER products entering the Philippines came from Germany.

In 1922, a worldwide conflict of interests occurred between Farbenfabriken vorm. Friedrich Bayer & Co. and The Bayer Co., Inc. of New York, in reference to the trademarks BAYER and BAYER CROSS IN CIRCLE as they were applied to various products.

Two agreements resolved this conflict, both executed on April 9, 1923 in London, England: one, between FFB and Winthrop Chemical Co., Inc. (Exh. 66), and the other between FFB and Bayer New York (Exh. WWW). Under the terms of the agreement with Winthrop Chemical Co., Inc., FFB stipulated, amongst others: (1) not to contest anymore Winthrop's right over the trademarks BAYER and BAYER CROSS IN CIRCLE; (2) to discontinue the use of said trademarks in the United States which was understood to include the Philippines under par. 16 of said agreement; and (3) to disclose all secrets of other processes relating to the manufacture of pharmaceuticals.

Paragraph 26 of the FFB — Bayer New York agreement reads —

26. NEW YORK (The Bayer Company, Inc. of New York) agree that they will not sell or offer for sale any goods other than hereunder or those they may market for Winthrop as hereinbefore provided and other than Aspirin and compounds of Aspirin which New York shall continue to market for their own account in the United States of America, Puerto Rico, the Philippines and Hawaiian Islands and the Panama Zone.¹³

In 1925, Farbenfabriken vorm. Friedrich Bayer & Co. became I.G. Farbenindustrie, AG. This necessitated a new agreement incorporating Exh. 66 with modifications. Said new agreement was signed on November 15, 1926 between I.G. Farbenindustrie and Winthrop.

On September 5, 1941, in the anti-trust suits against Sterling Drug, Inc., Winthrop Chemicals Co. and The Bayer Co., of New York, two consent decrees [Exh. 68 (No. 15-363) and Exh. 69: (No. 15-364)] were promulgated by the U.S. District Court for Southern New York. Said consent decrees declared the April 9 1923, cartel agreements violative of the U.S. anti-trust laws. One reason given is that the German company, FFB (later I.G. Farbenindustrie) — FBA's predecessors — was excluded from the U.S. pharmaceutical market. The sentence, however, contains a saving clause, thus —

The Bayer contract of 1923, the Bayer contract of 1926, and any and all amendments or supplements thereto are declared and adjudged to be unlawful under the Anti-Trust Laws of the United States, and the defendants Bayer and Sterling, and their respective successors and subsidiaries, or any of them, be and they are hereby enjoined and restrained from carrying out or enforcing any of the aforesaid contracts, or any supplements, amendments or modifications thereof, or from paying to I.G. Farben, its subsidiaries, successors, or assigns, any royalties or share of profits pursuant to said contracts with respect to sales following the effective date of this decree.

Provided, however, that nothing herein contained in this Sec. III shall:

x x x x x x x x x

Affect in any way the rights or title of the defendant Bayer, its successors, subsidiaries or assigns, in or to the name "Bayer" and the "Bayer Cross" mark or registrations thereof, or

Affect or diminish any right, title or interest of said defendants, their successor subsidiaries or assigns, in or to or under any heretofore acquired and presently existing patents, patent applications, patent licenses, trade-marks, trade-names (such as the name "Bayer" and the "Bayer Cross" mark and registrations thereof), processes or formulae relating to the manufacturing, processing, use or sale of aspirin, aspirin compounds, pharmaceutical or other drug or chemical products, or impair any rights or remedies of said defendants, their successors, subsidiaries or assigns, provided by statute or convention, and by suits for damages, injunction

or other remedy with respect to any such patents, patent applications, patent licenses or trademarks....¹⁴

Meanwhile, in 1935, plaintiff Sterling Products International, Inc. (SPI) a Delaware corporation, a subsidiary of Sterling Drug, Inc. of New York, was issued a license to do business in the Philippines.¹⁵ The trademarks BAYER and BAYER CROSS IN CIRCLE were then registered in the Philippines under the old Trademark Law (Act 666) by The Bayer Co., Inc.; the BAYER CROSS IN CIRCLE trademark on April 18, 1939 for which it was issued Certificate of Registration No. 13081; the BAYER trademark on April 22, 1939 for which it was issued Registration Certificate No. 13089. These trademark rights were assigned to SPI on December 30, 1942 and the assignment was recorded in the Philippines Patent Office on March 5, 1947. With the passage of Republic Act 166 repealing the old Trademark Law (Act 666), SPI was issued by the Philippines Patent Office on June 18, 1948 two new certificates of registration: No. 1260-S for BAYER CROSS IN CIRCLE; No. 1262-S for BAYER. The registration of these trademarks was only for "Medicines".

Came World War II. I.G. Farbenindustrie AG. was seized by the allied powers. In 1945, after World War II, I.G. Farbenindustrie AG. was decartelized by the Allied High Commission. The unit known as Farbenfabriken Bayer was transferred in 1953 to Farbenfabriken Bayer Aktiengesellschaft (FBA), one of the defendants in this case, which was organized in 1951.

Sometime in 1958, defendant Allied Manufacturing & Trading Co., Inc. (AMATCO) started selling FBA's products especially "Folidol" a chemical insecticide which bears the BAYER CROSS IN CIRCLE trademark.¹⁶

On November 18, 1959, FBA applied for the registration of the BAYER CROSS IN CIRCLE trademark with the Philippines Patent Office for animal and plant destroying agents. The examiner's report dated December 17, 1959 stated that the subject mark appears to be similar to SPI's registered BAYER trademarks as covered by Certificates of Registration Nos. 1260-S and 1262-S. He concluded that "[r]egistration of applicant's mark is proscribed by Section 4-d of the Statute because it would cause confusion or mistake or [to] deceive purchasers."¹⁷ This action of the Philippines Patent Office drew a reply from FBA. In its letter dated February 1, 1960 applicant FBA, thru counsel, said that it "offers no question or objection to the assertion of the Examiner that the registrant's mark and that of the applicant are similar to each other. It emphasized the fact that it was seeking registration in the Supplemental Register. Its concluding statement runs thus:

Being aware of the duties and obligations of a trademark user in the Philippines and the penalties provided for in the pertinent law on trademarks and being aware also that Supplemental Registration is not a prima facie evidence of ownership of mark but merely a recordation of the use as in fact the mark is actually being used by the applicant in the Philippines, it is respectfully urged that this [application] be given due course.¹⁸

On February 25, 1960, FBA was issued a certificate of registration in the Supplemental Register, SR-304.

We now grapple with the problems raised in the separate appeals.

1. A rule widely accepted and firmly entrenched because it has come down through the years is that actual use in commerce or business is a prerequisite to the acquisition of the right of ownership over a trademark. This rule is spelled out in our Trademark Law thus:

SEC. 2-A. Ownership of trade-marks, trademark names and service-mark; how acquired. — Anyone who lawfully produces or deals in merchandise of any kind or who engages in any lawful business, or who renders any lawful service in commerce, by actual use thereof in manufacture or trade, in business, and in the service rendered, may appropriate to his, exclusive use a trademark, a trade-name, or a service-mark not so appropriated by another, to distinguish

his merchandise, business, or service from the merchandise, business or service of others. The ownership or possession of a trademark, trade-name, service mark, heretofore or hereafter appropriated, as in this section provided, shall be recognized and protected in the same manner and to the same extent as are other property rights known to the law. (As inserted by Section 1 of Republic Act 638)

It would seem quite clear that adoption alone of a trademark would not give exclusive right thereto. Such right grows out of their actual use.¹⁹ Adoption is not use. One may make advertisements, issue circulars, give out price lists on certain goods; but these alone would not give exclusive right of use. For trademark is a creation of use. The underlying reason for all these is that Purchasers have come to understand the mark as indicating the origin of the wares.²⁰ Flowing from this is the trader's right to protection in the trade he has built up and the goodwill he has accumulated from use of the trademark. Registration of a trademark, of course, has value: it is an administrative act declaratory of a pre-existing right. Registration does not, however, perfect a trademark right.

The BAYER trademarks registered in the Philippines to which plaintiff SPI may lay claim, as correctly stated in the decision below, are those which cover medicines only. For, it was on said goods that the BAYER trademarks were actually used by it in the Philippines. Therefore, the certificates of registration for medicines issued by the Director of Patents upon which the protection is enjoyed are only for medicines. Nothing in those certificates recited would include chemical or insecticides.

But plaintiff insists that the statement of the applicant (The Bayer Co., Inc.) in its registrations of the BAYER marks states that "the merchandise for which the trademark is appropriated is d. — Chemicals, Medicines and Pharmaceutical Preparations." Plaintiff's position is that such statement determines the goods for which said marks had been registered. Validity does not attach to this proposition. First, the statement itself admits that "the particular description of the articles comprised in said class (d) on which the trademark is used is Medicines."²¹ It is not used for *chemicals*.

Then, Section 11 of the Trademark Law requires that the certificate of registration state "*the particular goods . . . for which it is registered.*" This is controlling. Under Section 11 aforesaid, likewise to be entered in the certificate of registration is "*the date of the first use in commerce or business.* SPI may not claim "first use" of the trademarks prior to the registrations thereof on any product other than medicines.

Besides, Section 7 of the same Trademark Act directs that upon the filing of the application and the payment of the required fee, the "Director [of Patents] shall cause an examination of the application" — for registration of the trademark — "to be made, and, if on such examination it shall appear that the applicant *is entitled to registration*, the Director . . . shall cause the mark . . . to be published in the Official Gazette." This examination, it would seem to us, is necessary in order that the Director of Patents may be satisfied that the application conforms to the requirement of *actual use* in commerce of the trademark in Section 2 and 2-A of the Trademark Law; and that the statement in said application — as to the "first use" thereof and "*the goods . . . in connection with which the mark . . . is used*" (Section 5) — is true.

Really, if the certificate of registration were to be deemed as including goods not specified therein, then a situation may arise whereby an applicant may be tempted to register a trademark on any and all goods which his mind may conceive even if he had never intended to use the trademark for the said goods. We believe that such omnibus registration is not contemplated by our Trademark Law.

Because of this and of the fact that the Bayer trademarks were never used in the Philippines by plaintiff except for medicines — Aspirin, Aspirin for Children and Cafiaspirina — we find ourselves unwilling to draw a hard and fast rule which would absolutely and under all

circumstances give unqualified protection to plaintiff against the use of said trademarks by all others on goods other than medicines.

2. Neither will the 1927 registration in the United States of the BAYER trademark for insecticides serve plaintiff any. The United States is not the Philippines. Registration in the United States is not registration in the Philippines. At the time of the United States registration in 1927, we had our own Trademark Law, Act No. 666 aforesaid of the Philippine Commission, which provided for registration here of trademarks owned by persons domiciled in the United States.

What is to be secured from unfair competition in a given territory is the trade which one has in that particular territory. There is where his business is carried on; where the goodwill symbolized by the trademark has immediate value; where the infringer may profit by infringement.

There is nothing new in what we now say. Plaintiff itself concedes²² that the principle of territoriality of the Trademark Law has been recognized in the Philippines, citing *Ingenohl vs. Walter E. Olsen*, 71 L. ed. 762. As Callman puts it, the law of trademarks "rests upon the doctrine of nationality or territoriality."²³

Accordingly, the 1927 registration in the United States of the BAYER trademark would not of itself afford plaintiff protection for the use by defendants in the Philippines of the same trademark for the same or different products.

3. A question basic in the field of trademarks and unfair competition is the extent to which a registrant of a trademark covering one product may invoke the right to protection against the use by other(s) of the same trademark to identify merchandise different from those for which the trademark has been appropriated.

Plaintiff's trenchant claim is that it should not be turned away because its case comes within the protection of the *confusion of origin* rule. Callman notes two types of confusion. The first is the *confusion of goods* "in which event the ordinarily prudent purchaser would be induced to purchase one product in the belief that he was purchasing the other." In which case, "defendant's goods are then bought as the plaintiff's, and the poorer quality of the former reflects adversely on the plaintiff's reputation." The other is the *confusion of business*: "Here though the goods of the parties are different, the defendant's product is such as might reasonably be assumed to originate with the plaintiff, and the public would then be deceived either into that belief or into the belief that there is some connection between the plaintiff and defendant which, in fact, does not exist."²⁴

A judicial test giving the scope of the rule of confusion of origin is *Ang vs. Teodoro* (December 14, 1942), 74 Phil. 50. Briefly, the facts of the just cited case are as follows: Toribio Teodoro, at first in partnership with Juan Katindig and later as sole proprietor, had continuously used "Ang Tibay" both as trademark and as tradename in the manufacture and sale of slippers, shoes and indoor baseballs since 1910. He formally registered it as a trademark on September 29, 1915 and as a tradename on January 3, 1933. Ana L. Ang registered the same trademark "Ang Tibay" for pants and shirts on April 11, 1932 and established a factory for the manufacture of said articles in 1937. Suit was lodged by Teodoro against Ang to cancel the latter's registration of the trademark "Ang Tibay" and to perpetually enjoin her from using the said trademark on goods manufactured and sold by her. The judgment of the trial court absolved defendant (Ana L. Ang) from the complaint with costs against the plaintiff. The Court of Appeals reversed. On appeal by certiorari, we affirmed the judgment of the Court of Appeals. We there said:

"In the present state of development of the law on Trade-Marks, Unfair Competition, and Unfair Trading, the test employed by the courts to determine whether noncompeting goods are or are not of the same class is confusion as to the origin of the goods of the second user. *Although*

two noncompeting articles may be classified under two different classes by the Patent Office because they are deemed not to possess the same descriptive properties, they would, nevertheless, be held by the courts to belong to the same class if the simultaneous use on them of identical or closely similar trademarks would be likely to cause confusion as to the origin, or personal source, of the second user's goods. They would be considered as not falling under the same class only if they are so dissimilar or so foreign to each other as to make it unlikely that the purchaser would think the first user made the second user's goods.

Such construction of the law is induced by cogent reasons of equity and fair dealing. The courts have come to realize that there can be unfair competition or unfair trading even if the goods are noncompeting, and that such unfair trading can cause injury or damage to the first user of a given trademark, first, by prevention of the natural expansion of his business and, second, by having his business reputation confused with and put at the mercy of the second user. When noncompetitive products are sold under the mark, the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark created by its first user, inevitably results. The original owner is entitled to the preservation of the valuable link between him and the public that has been created by his ingenuity and the merit of his wares or services. Experience has demonstrated that when a well-known trademark is adopted by another even for a totally different class of goods, it is done to get the benefit of the reputation and advertisements of the originator of said mark, to convey to the public a false impression of some supposed connection between the manufacturer of the article sold under the original mark and the new articles being tendered to the public under the same or similar mark. As trade has developed and commercial changes have come about, the law of unfair competition has expanded to keep pace with the times and the element of strict competition in itself has ceased to be the determining factor. The owner of a trademark or trade-name has a property right in which he is entitled to protection, since there is damage to him from confusion of reputation or goodwill in the mind of the public as well as from confusion of goods. The modern trend is to give emphasis to the unfairness of the acts and to classify and treat the issue as a fraud.²⁵

The thoughts expressed in *Ang Tibay* command respect. Conduct of business should conform to ethical business standards. Unfairness is proscribed. The invocation of equity is bottomed upon the injunction that no one should "reap where he has not sown."²⁶

Nonetheless, "[i]t has been emphasized that each case presents a unique problem which must be answered by weighing the conflicting interests of the litigants."²⁷ With this in mind, we are convinced that the case before us is not to be analogized with *Ang Tibay*. The factual setting is different. His Honor, Judge Magno S. Gatmaitan (now Associate Justice of the Court of Appeals), the trial judge, so found. He reached a conclusion likewise different. And the reasons, so well stated by His Honor, are these:

1st). — It was not plaintiff's predecessor but defendant's namely *Farbenfabriken* or *Bayer Germany* that first introduced the medical products into the Philippine market and household with the *Bayer* mark half a century ago; this is what the Court gathers from the testimony of *Frederick Umbreit* and this is the implication even of Exhs. 48, 49, 66 and as already shown a few pages back;²⁸

2nd). — There is thus reason plausible enough for defendant's plea that as *Sterling* was not the "originator" of the *Bayer* mark, the rule in *Ang vs. Teodoro*, *supra*, is not applicable; and this is correct notwithstanding Exhs. 106 and 63 and even giving unto these documents full force and virtue, because purchase of the assets of *Elberfeld*, defendant's previous affiliate in New York, by *Bayer of New York*, even if that were to be held to include purchase of the *Bayer* mark, did not make the purchaser *Bayer of New York* the originator of the mark; especially since *Bayer of New York* was only another subsidiary of *Bayer Germany* or *Farbenfabriken* which was the real originator;

3rd). — The Court is also impelled to believe that the evidence establishes that among the common people of the Philippines the "*Bayer*" medicines come from Germany; this

the Court deduces from the testimony of witness Florisa Pestano who only reproduced the belief of her grandmother; the Court might as well say that plaintiff itself has not discouraged that belief because the drug and its literature that came from the plaintiff and its affiliate would show that it represented its medicines to have come from defendant²⁹ and were manufactured in Germany with that Bayer mark; thus Exh. 70³⁰ which is the price list of 1928 of Botica de Sta. Cruz on page 6 indicates that Winthrop Chemical Company of New York, — plaintiff's subsidiary — was a distributor of I.G. Farbenindustrie, A.G. Leverkusen Germany; Exh. 80³¹ which is a medical diary published by Winthrop for 1934 on page 148 manifested that the journal, "Practical Therapeutics" was published by I.G. Farbenindustrie Aktiengesellschaft for Winthrop Chemical Company, Inc.; "with particular reference to the pharmacological products, sera and vaccines originated and prepared in the laboratories of the I.G. Farbenindustrie A.G."; and Exh. 79 a, b, c, d and e which are prospectuses for the medicines, Mitigal, Afridol, Aspirins, Novalgina and My-Salvarsan³² showed that these products were manufactured for Winthrop by I.G. Farbenindustrie; and then Exh. 81 the Revista Boie of 1928 would show that Winthrop represented itself as the distributor of the products of Bayer of Germany otherwise known as I.G. Farbenindustrie, "segun la alta calidad de la marca original";³³ the Court being also impelled to add in this connection that it has to take judicial notice of a belief of long standing common among the people in the Philippines that German products are of very high quality and it is only natural for a distributor or a retailer to take advantage of that, and as it is not debated that "Bayer" is a German surname, (see plaintiff's rebuttal Exh. QQQQ, see also p. 7 plaintiff's reply memorandum wherein it is said that this surname is a "pretty common one among members of the Germany race") it is all so very easy to associate the Bayer trademark with products that come from Germany and to believe that they are of high quality;

4th). — The rationale of the doctrine in *Ang vs. Teodoro*, supra being that:

The Courts have come to realize that there can be unfair competition or unfair trading even if the goods are non-competing, and that such unfair trading can cause injury or damage to the first user of a given trade mark, first, by prevention of the natural expansion of his business, and second, by having his business reputation confused with and put at the mercy of the second user. 74 Phil. 55-56; and the Court having found out that the 'first user' was Bayer Germany and it was this that had built up the Bayer mark and plaintiff apparently having itself encouraged that belief even after it had acquired the Bayer mark in America, thru forced sale, of defendant's subsidiary there in 1918, Exhs. 79, 80, 81, to apply the *Ang Tibay* rule in the manner advocated by *Sterling* would, the Court fears, produce the reverse result and the consequence would be not equity but injustice.³⁴

It would seem to us that the fact that plaintiff rode on the German reputation in the Bayer trademark has diluted the rationality of its exclusionary claim. Not that the free ride in the name of defendant's German predecessor was sporadic. It is continuing. Proof of this is the label on the box used by plaintiff (Exhibit U) in the distribution of Bayer Aspirin. This box bears prominently on the front part the legend "Genuine" in red color and two arrows: the first pointing to BAYER CROSS IN CIRCLE, and the second, to BAYER Aspirin. At the back thereof in big letters are the words "BAYER ASPIRIN", followed in small letters "Used since 1900" and down below the small words "Mfd. in the Phil. by Winthrop Stearns, Inc. for STERLING PRODUCTS INTERNATIONAL, INCORPORATED." In plaintiff's prospectus (Exhibit 1) found in the box of Bayer Aspirin tablets, children's size, there is the significant statement: "GENUINE BAYER — Each Children's Size Bayer Aspirin tablet is stamped with the Bayer Cross, the trademark of the genuine Bayer product. This means that your child is getting the same gentle-to-the-system Bayer Aspirin that has been used for over 50 years by millions of normal people without ill effect."

With the background of prior use in the Philippines of the word BAYER by FBA's German predecessor and the prior representations that plaintiff's medicines sold in the Philippines were manufactured in Germany, the facts just recited hammer on the mind of the public that the Aspirin. Cafiaspirina and Aspirin for Children being marketed for plaintiff in the Philippines come

from the same source — the German source — and in use since 1900. That this view is far from far-fetched, is illustrated by the testimony of plaintiff's own witness, Dr. Antonio Vasquez, viz:

Q. Have you ever heard of a pharmaceutical company of Bayer of Germany, or a company in Germany named Bayer?

A. Yes, sir.

Q. Since when have you heard of this pharmaceutical company in Germany with the name Bayer, since when have you heard of that?

A. I have always taken the name Bayer as associated with Winthrop & Stearns.

Q. But, you said a while ago....

Witness.

.... Yes

x x x x x x x x x

Q. ... that you have heard of a pharmaceutical company with the name of Bayer in Germany?

A. Yes, sir.

Q. Do you know if this Winthrop & Stearns you mentioned has ever been connected with Bayer Company of Germany?

A. I have always understood that they were distributing drugs of Bayer & Company.³⁵

4. The Ang Tibay doctrine, we believe, is not to be read as shunting aside the time-honored teaching that he who comes into equity must do so with clean hands.³⁶ Plaintiff cannot now say that the present worth of its BAYER trademarks it owes solely to its own efforts; it is not insulated from the charge that as it marketed its medicines it did so with an eye to the goodwill as to quality that defendants' predecessor had established.

There is no whittling away of the identity of plaintiff's trademarks. Plaintiff is not the first user thereof in the Philippines. The trademarks do not necessarily link plaintiff with the public. Plaintiff must show injury; it has not. On the contrary, representations as to the place of manufacture of plaintiff's medicines were untrue, misleading. Plaintiff could still be tagged with the same deception "which (it) complains of in the defendant(s)."³⁷ Appropriate it is to recall here our observation in the Ang Tibay opinion, viz: "On our part may we add, without meaning to be harsh, that a self-respecting person does not remain in the shelter of another but builds one of his own."³⁸

Plaintiff, the owner in this country of the trademarks BAYER for medicines, has thus forfeited its right to protection from the use of the same trademarks by defendants for products different therefrom — insecticides and other chemicals.

5. But defendants ask us to delist plaintiff's BAYER trademarks for medicines from the Principal Register, claiming right thereto for said use. Said trademarks had been registered since 1939 by plaintiff's predecessor. The Bayer Co., Inc.

Defendants' claim is stale; it suffers from the defect of non-use.³⁹ While it is conceded that FBA's predecessors first introduced medical products with the BAYER trademarks in the Philippine market, it is equally true that, after World War I, no definite evidence there is that

defendants or their professors traded in the Philippines in medicines with the BAYER trademarks thereafter. FBA did not seasonably voice its objection. Lack of protest thereto connoted acquiescence. And this; notwithstanding the fact that the 1923 and 1926 agreements were set aside in the anti-trust suits. Defendants did use the marks; but it was much later, i.e., in 1958 — and on chemicals and insecticides — not on medicines. FBA only bestirred itself and challenged plaintiff's right to the trademarks on medicines when this suit was filed. *Vigilantibus non dormientibus equitas subvenit.*⁴⁰

The net result is that, as the trial court aptly observed, plaintiff may hold on to its BAYER trademarks for medicines. And defendants may continue using the same trademarks for insecticides and other chemicals, not medicines.

6. Defendants balk at the ruling below which directs them "to add a distinctive word or words in their mark to indicate that their products come from Germany."⁴¹

We are left under no doubt as to the reasonableness of the formula thus fashioned. It avoids the mischief of confusion of origin — defendant FBA's product would not be mistaken for those of plaintiff. It reduces friction. We perceive of no prejudice to defendants. The order does not visit defendant FBA with reprobation or condemnation. Rather, said defendant would be enhancing the value of and would be sponsoring its own products. Anyway, a statement that its products come from Germany is but a statement of fact.

FOR THE REASONS GIVEN, the judgment under review is hereby affirmed. No costs. So ordered.

Concepcion, C.J., Reyes, J.B.L., Dizon, Makalintal, Zaldivar, Fernando, Capistrano, Teehankee and Barredo, JJ., concur.
Castro, J., is on leave.

Footnotes:

¹Hereinafter referred to as SPI.

²Hereinafter referred to as FBA.

³Hereinafter referred to as AMATCO.

⁴Record on Appeal, p. 93.

⁵Record on Appeal p. 94.

⁶Record on Appeal, pp. 95-96.

⁷The former places of Elberfeld and Barmen and other places together now form the town of Wuppertal.

⁸No longer valid in the Federal Republic of Germany as its protection expired on January 5, 1933.

⁹Exhs. 26 and 26-A.

¹⁰Encyclopedia of American History, ed. by Richard B. Morris (1953), p. 309.

¹¹Exhibit 63-A, p. 99.

¹²See: Exhibits DDDD to YYYYYY-3.

¹³Emphasis supplied.

¹⁴Exhibit 69.

¹⁵Exhibit A-2.

¹⁶FBA's predecessors have been using elsewhere this mark for chemicals since 1910 (Exhibits 99 to 99-C) and plant destroying agents since 1924 (Exhibits 100 and 100-A).

¹⁷Exhibit II-1.

¹⁸Exhibit JJ-1.

¹⁹*Esso, Inc. vs. Standard Oil Co.*, 98 P. 2d 1, 6, citing, *Han over Star Milling Co. vs. Metcalf*, 240 U.S. 403, 36 S Ct. 367, 60 L. ed. 713; *United Drug Co. vs. Theodore Rectanus Co.*, 248 U.S. 90, 39 S. Ct. 48, 63 L. ed. 141. See also: *Oakford Company vs. Kroger Company*, 157 P. Supp. 453, 458-460; *Mason Au 8 Magenheimer Confectionery Co. vs. Loose-Wiles Biscuit Co.*, 1 F. Supp. 755, 756; *Try vs. Leyne-Western Company*, 282 F. 2d 97, 104; *J. A. Dougherty's Sons, Inc., vs. Kasko Distillers Products Co.*, 35 P. Supp. 561, 564; *Compania Gral, de Tabacos vs. Alhambra Cigar & Cigarette Mfg. Co.*, 33 Phil. 485, where we held that in order that a name may be considered a tradename with exclusive rights which attach to the use thereof, it is necessary that it be used with the intent of appropriating it as a trade name.

²⁰*Tolentino, Commentaries and Jurisprudence on the Commercial Law of the Philippines*, 8th ed., p. 531, citing *United Drug Co. vs. Theodore Rectanus Co.*, 248 U.S. 90, 63 L. ed. 141.

²¹Medicines (class d) in the 1939 registrations; medicines (class 6) in the 1949 registrations.

²²Brief for Plaintiff-Appellant, p. 88.

²³*Callmann, Unfair Competition and Trademarks*, 1946 ed., p. 1006.

²⁴*Callmann, op. cit.*, pp. 1323-1324.

²⁵*Ang vs. Teodoro*, supra, at pp. 54-55; emphasis supplied. See also: *Sta. Ana vs. Maliwat* (August 31, 1968), 24 SCRA 1018, 1025-1026. Cf.: *The George W. Luft Co., Inc. vs. Ngo Guan* (December 17, 1966), 18 SCRA 944, 946.

²⁶52 Am. Jur., P. 581.

²⁷*Id.*, p. 577; emphasis supplied.

²⁸The lower court, in its decision (Rec. on Appeal, p. 65), said that there are indications that Bayer Germany's manufactures came to be known outside Germany even before the turn of the century, viz, according to Exh. 12, Catalogue of Exhibits at the Glasgow Exhibition, 1888; according to Exh. 47, thru drug literature in the Philippines in 1893. Dr. Agerico Sison, plaintiff's witness, testified: .

"Q. When you were still in college, still a student, you studied inventions -famous medicines such as acetyl salicylic acid, is that right?

x x x x x x x x x

A. Yes, sir.

Q. And you remember that acetyl salicylic acid was invented by chemist in the employ of the Bayer Company of Germany?

A. Yes, sir.

Q. And that this discovery was made about the end of the nineteenth century?

A. Yes, sir.

Q. And that you came to know afterwards when you are already practicing medicine that one of the renowned manufacturers of pharmaceutical products is that Bayer Company of Germany?

x x x x x x x x x

A. Yes, sir.

Q. And before World War II, in your practice of medicine had come across pharmaceutical products manufactured by that Bayer Company of Germany being used here in the Philippines?

x x x x x x x x x

A. Yes, sir. (t.s.n., pp. 15-18, March 3, 1961)." (See: Brief of Defendants-Appellants', pp. 32-34)

²⁹"Defendant" should read defendant's predecessor.

³⁰On pages 2 and 3 of price list of Botica de Sta. Cruz del Dr. Carlos Jaehrling (Exh. 70) printed by Binipayo Press & Photo Engraving, Manila, there are some photographs with the heading "Works of I.G. Farbenindustrie A.G., Germany, Pharmaceutical Department, 'Bayer-Meister Lucius', Leverkusen and Hoechst A.M." At bottom of page 3, particularly, are the words:

"The I.G. Farbenindustrie A.G., Germany, is the largest chemical manufacturing concern in the world combining the most reputable German manufacturing of chemicals, dyes and pharmaceutical products. The principal works in different parts of Germany are shown here."

Page 5 thereof bears the heading "The BAYER COMPANY, INC. New York" followed by a specification of its "Aspirin Preparations," namely: ASPIRIN, BAYASPIRIN, CAFIASPIRIN and FENASPIRIN and the corresponding prices thereof.

On page 6 is the heading "Winthrop Chemical Co., Inc., New York, H.A. Metz Laboratories, Inc., New York, Distributors of the I.G. Farbenindustrie A.G., Leverkusen Germany, in the Philippine Islands.

³¹On pages 7 and 8 of this diary, reference is made to the late Dr. Eliodoro Mercado, formerly of the San Lazaro Hospital. Particularly on page 8 thereof, we find the following statement: "In collaboration with the Bayer Company of Leverkusen, Germany — now part of the I.G. Farbenindustrie A.G. — he improved his original formula and experiments ... in the successful treatment of a number of lepers...." On the opposite side a photographic picture of "The Works at Leverkusen is shown (Exhs. 80-a, 80-b, and 80-c).

³²Exh. 79-a, a MITIGAL prospectus showing the photograph of a bottle and a package with the Bayer Cross. The words "Fabricado por: I.G. Farbenindustrie Aktiengesellschaft Leverkusen b. Koln para: Winthrop Chemical Company Inc., New York, N.Y.," appear on the lower left part of the prospectus.

Exh. 79-b, an AFRIDOL prospectus showing the photograph of a package with the Bayer Cross and the same words "Fabricado por I.G. Farbenindustrie Aktiengesellschaft Leverkusen b. Koln para: Winthrop Chemical Company, Inc., New York, N.Y." appearing also on the lower left part of the prospectus.

Exh. 79-c, an ASPIRINA prospectus in which reference is made to the discovery of aspirin in 1899 by "la gigantesca fabrica de Elberfeld de la razon social Farbenfabriken vorm. Friedrich Bayer & Co."

Exh. 79-d, a prospectus on NOVALGINA, which displays clearly the Bayer Cross beneath the word NOVALGINA; a manufacturer is indicated "I.G. FARBENINDUSTRIE AKTIENGESELLSCHAFT, Seccion Farmaceutica, Bayer-Meister Lucius". On top of this particular prosectus is a rubber stamp, "Dr. G. SCHWAB P.O.B. 1162, MANILA."

Exh. 79-e, a prospectus on MYO-SALVARSAN, which mentions as manufacture manufacturer of this product "I.G. FARBENINDUSTRIE ARTIENGESELLSCHAFT, Pharmaceutical Dept. Bayer-Meister Lucius."

³³At the foot of page 38 of the Revista Boie, May 1928, Exh. 81-c, the following appears: "Winthrop Chemical Co., Inc., New York, Distributor of the 'BAYER' products in the Philippines. Manila Office: Dr. G, Schwab, P.O. Box 1162, Escolta 619."

³⁴Record on Appeal, pp. 87-91; emphasis supplied.

³⁵Tr., February 28, 1961, pp. 61-62; emphasis ours.

³⁶87 C.J.S., p. 310, citing cases at footnote 53; 52 Am. Jur., p. 626, citing cases at footnote 18.

³⁷52 Am. Jur., p. 631, citing cases at footnote 20.

³⁸At p. 56.

³⁹See: Section 9-A, Trademark Law (R.A. 166, as amended by R.A. 638).

⁴⁰Buenaventura vs. David, 37 Phil. 435, 441.

⁴¹Record on Appeal, p. 93.