



INTELLECTUAL PROPERTY

**AMALGAMATED SPECIALTIES
CORPORATION (AMSPEC),**

Complainant,

-versus-

**A1 GENERAL MERCHANDISE and
HAYDEE A. OSETE and ASSAH Y
ANG WU,**

Respondents.

X-----X

PHILIPPINES **IPV NO. 10-2007-00008**

Filed: 18 July 2007

For: Violation of Secs. 155, 168 in relation
to Sec. 175 of the Republic Act No. 8293
(IP Code)

DECISION NO. 2009- 02

DECISION

This is an action for trademark infringement and unfair competition, or for the violation of Sections 155 and 168 of Republic Act No. 8293 otherwise known as the "Intellectual Property Code of the Philippines ((IP Code) filed by complainant Amalgamated Specialties Corporation ("AMSPEC") as represented by Atty. Cesar Lopez against respondents A1 General Merchandise and Haydee A. Osete and Assah Y Ang Wu.

Complainant, Amalgamated Specialties Corporation ("AMSPEC"), is a business entity duly organized and existing under the laws of the Philippines with principal business address at Kilometer 21, South Super Highway, Muntinlupa City. Respondent, A1 General Merchandise is a business entity with address at Gen. Aguinaldo Street, Iligan City, Lanao del Norte and private respondents Haydee Osete and Assah Wu

In its **COMPLAINT**, complainant alleges, among others, the following:

1. Complainant is a firm engaged in the business of manufacturing, distributing, and selling of school and office supplies and other stationery products under the brand names Mongol, Crayola, Magic Touch, and others;

2. Complainant AMSPEC entered into a Technical Licensing Agreement with Eberhard Faber Inc. ("EBERHARD") which is a corporation duly organized and existing under the laws of New Jersey, U.S.A. with principal office address at No. 4 Parsippany, New Jersey, U.S.A. EBERHARD, now owned by BEROL CORPORATION, is a corporation engaged, among others, in the manufacture and distribution of lead pencils under the world-renowned brand name "MONGOL";

3. Complainant AMSPEC has been a licensee of EBERHARD since 1963, and has been using the same packaging design and materials and selling lead pencils under the brand name "MONGOL" since the aforesaid period. In the Philippines, Complainant is the sole manufacturer of lead pencils duly authorized by EBERHARD.

4. EBERHARD is the owner of the famous trademark "MONGOL". The latter's ownership is evidenced by Certificate of Registration No. 26312 issued by the then Bureau of Patents, Trademarks and Technology Transfer (BPTTT) on December 29, 1978. Before the lapse of twenty-year period of validity of trademark registration, said certificate of registration was renewed as evidenced by a Certificate of Renewal of Registration. On the basis of such renewal, the trademark registration of the mark MONGOL is valid until December 29, 2008.

5. Anent the ferrule, the metal with black and gold stripes holding the eraser of the pencil, the same is covered by a separate registration and is likewise owned by Berol Corporation. The ownership of Berol Corporation is evidenced by Certificate of Registration No. 1033. Said certificate of registration was subsequently renewed on September 5, 1990 and a Renewal Certificate of Registration was subsequently issued. Hence, the trademark registration for the ferrule is valid until September 4, 2010;

6. Lead pencils under the brand name MONGOL have been sold in the Philippines since 1925, and have gained tremendous goodwill on account of the products superior quality coupled by advertising and promotion schemes employed by Complainant and its predecessors.

7. Sometime during the month of November 2006, one of complainant's salesmen detailed in Iligan City reported that he encountered pencils with the brand name MONGOL that are of inferior quality. Complainant then ordered the aforesaid salesman to conduct an inquiry as to the source of the substandard pencils and found out that respondent A1 Merchandise located at Ge. Aguinaldo Street, ILigan City, Lanao del Norte, a sole proprietorship owned, operated, managed, and registered under the name of Respondent Haydee Osete and Assah Y Ang Wu, was the one selling, offering for sale, and distributing in retail and wholesale, the said pencils. Further, the salesman also discovered that the substandard pencils are being sold at prices much lower than its regular retail and wholesale rates offered by the company.

8. Subsequently, the salesman was ordered to purchase some sample pencils from A1 General Merchandise. After buying the samples of the substandard pencil, the samples were forwarded to complainant's Quality Control Department to verify whether or not such pencils were manufactured

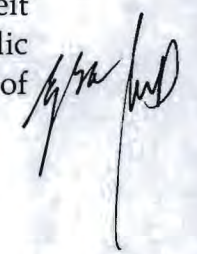
by Complainant.

9. The sample pencils were turned over to Ms. Catherine Caliguia of the Quality Control Division-AMSPEC and subjected the same to thorough inspection and series of quality control tests. As a result it was confirmed that the company did not manufacture and produce the substandard pencils. Likewise, the tests revealed that said pencils were poorly manufactured and the materials used were of inferior quality.

10. On account of said findings, complainant AMSPEC, through its duly authorized representative, reported the illegal activities of A1 General Merchandise to the Criminal Intelligence and Investigation Division (CIID), Philippine National Police (PNP) -Iligan City Police, Iligan City. Thereafter, a buy bust operation and/or entrapment proceedings, together with SPO1 Rodolfo Lonoy, Jr., SPO1 Mussoluni Fernan and SPO2 Jerry O. Bernales, PNP -Iligan City Police-CIID, Iligan City and Ms. Eva Espira and Ms. Elvira Republado of the Department of Trade and Industry-Iligan, was conducted on 29 November 2006 and the team was able to seize half (½) gross containing three (3) boxes of fake Mongol No. 1 lead pencils and forty five (45) and a half (45 and ½) gross containing ninety one (91) boxes of fake Mongol No. 2 lead pencils, using a buy-bust money worth One Thousand Five Hundred Pesos (P1,500.00) Philippine Currency, in three (3) Five Hundred Peso bills denominations bearing Seral Nos. FH979874, UH500785 and BW644737. The said buy-bust was fully evidenced by the documents duly executed by the PNP-Iligan City Police Office including Arrest Information Sheet of Ms. Assah Y Ang Wu, the Receipt of Property Seized and Police Report.

11. Acting on the report lodged by AMSPEC, and with the assistance in the buy-bust operation of Police Operatives of CIID-Iligan City, A1 General Merchandise, Ms. Haydee Osete and Assah Yang Wu have been proven to be engaged in selling, offering for sale and/or distributing counterfeit MONGOL pencils, with intent to deceive the public and besmirch the long established goodwill, reputation, and good quality of products of AMSPEC. In addition thereto, such unlawful acts of A1 General Merchandise, Ms. Haydee Osete and Assah Yang Wu resulted to the prejudice and loss of herein AMSPEC in the sum of Five Hundred Thousand Pesos (P500,000.00), Philippine Currency.

12. Hence, on account of such fraudulent and illegal act of respondent/s in importing, promoting, selling and/or offering for sale fake/counterfeit MONGOL pencils, AMSPEC, its licensor, EBERHARD FABER, and the public consumer are suffering and continue to suffer injury and other forms of damages.



13. Thus, in order not to unduly prejudice the consuming public and ruin AMSPECs long established reputation, goodwill, and the good quality of its products, the distribution and/or sale of fake/counterfeit MONGOL pencils by respondents A1 General Merchandise, Ms. Haydee Osete and Assah Yang Wu should be discontinued and/or stopped.

14. In order to deter the commission of similar acts and to serve as example for public good, herein respondents A1 General Merchandise, Ms. Haydee Osete and Assah Yang Wu, should be assessed exemplary damages the amount of which, though incapable of pecuniary estimation, should not be less than Five Hundred Thousand Pesos (P 500,000.00), Philippine Currency.

15. For the protection of AMSPEC's interest, complainant was constrained to engage the services of a legal counsel for a fee of twenty-five percent (25%) of the amount recoverable.

On 20 July 2007, this Bureau issued a Notice to Answer. Said notice was received on July 23, 2007. However, despite the receipt of the notice, Respondents failed to file their answer within the reglementary period. Consequently, Order No. 2007-139 was issued declaring them in default for failure to file their answer and thus, Complainant was directed to present its evidence *ex parte*.

In the *ex-parte* presentation of Complainant's evidence, five witnesses were presented namely: Ms. Precy Tangilas, PO3 Malvin M. Puno, Mr. Dennis Larena, Ms. Catherine Caliguia and Mr. Alfonso Morales III. In the course of their testimonies pieces of documentary and object evidence were identified and marked. After the complainant rested its case, it was directed to file its formal offer of evidence. On 20 June 2008, Complainant filed its Formal Offer of Documentary Evidence consisting of the following:

Exhibits	Description
"A"	Judicial Affidavit of Precy Tangilas
"B" and submarkings	Certification issued by the Quality Control Division of Complainant corporation
"C" and submarkings	Marked money used in the buy-bust operation conducted at Respondent's establishment
"D"	Receipt issued by the Respondent
"E", "F" and "G"	Original Mongol Pencils
"H", "I" and "J"	Counterfeit Mongol Pencils
"K"	Secretary's Certificate
"L"	Copy of Technical Licensing Agreement between Complainant and Eberhard Faber, Incorporated

"M"	Copy of Trademark Certificate of Registration No. R-25312 for the trademark MONGOL
"N"	Copy of Trademark Certificate of Registration No. R-1033 for "MONGOL TIP"
"O"	Special Power of Attorney issued by Berol Corporation
"P"	Records of event – Iligan City Police
"Q" and "Q-1"	Cash Sales Invoice dated November 29, 2006
"R"	Receipt of Property Seized
"S"	Arrest Information Sheet
"T"	Fingerprint Sheet
"U"	Subscribed copy of the Marked Money

On 25 June 2008, Order No. 2008- 45 was issued admitting documentary exhibits and directing the Complainant to submit a Memorandum. To date, Complainant still failed to file its Memorandum despite the considerable time given to it. Hence, this case is now submitted for decision.

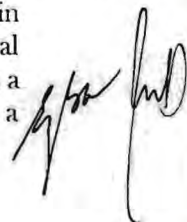
The issues to be resolved in this case are:

1. Whether respondent/s A1 Merchandise, Haydee A. Osete and Assah Y Ang Wu is liable for trademark infringement and unfair competition under Sections 155 and 168 of the IP Code.

2. Whether Complainant is entitled to the damages and attorney's fees prayed for.

As borne out by the records and evidence in this case, Berol Corporation as represented herein by Complainant AMSPEC obtained registration of its MONGOL and MONGOL TIP marks with the Intellectual Property Office under Registration Nos. 26312 issued on December 29, 1978 and R-1033 renewed on September 5, 1990 respectively (Exhibits "M" & "N"). As such, it is conferred certain rights under **Section 147.1 of the Republic Act No. 8293**, which provides:

"SECTION 147. Rights Conferred. – 147.1. The owner of a registered mark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a



likelihood of confusion shall be presumed.”

Pursuant to said rights granted under the above-mentioned provision, complainant under the authority of the registered owner of the mark, has the authority to prevent any unauthorized use of the MONGOL marks, and is entitled to the remedies granted under **Section 155 of the IP Code**, to wit:

“SECTION 155. Remedies; Infringement. — Any person who shall, without the consent of the owner of the registered mark:

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

155.2. Reproduce, counterfeit, copy or colorably imitate a registered mark or a dominant feature thereof and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action for infringement by the registrant for the remedies hereinafter set forth: Provided, That the infringement takes place at the moment any of the acts stated in Subsection 155.1 or this subsection are committed regardless of whether there is actual sale of goods or services using the infringing material. (Sec. 22, R.A. No 166a)

Registration, thus, is a condition precedent in the maintenance of an action for infringement (**General Garments Corporation v. The Director of Patents, et al., G. R. No. L-24295, September 30, 1971**). Registration bestows on the registrant the presumption of validity of such registration, of ownership of said trademark, and of the exclusive right to use said trademark on the goods specified in the certificate of registration.

To establish trademark infringement, the following elements must be shown: (1) the validity of plaintiff's mark; (2) the plaintiff's ownership of the mark; and (3) the use of the mark or its colorable imitation by the alleged infringer results in “likelihood of confusion. Of these, it is the element of likelihood of confusion that is the gravamen of trademark infringement.”¹

As already pointed out, once registered, not only the mark's validity but also the registrant's ownership of the mark is *prima facie* presumed. Considering that the validity and ownership of complainant's marks have not been questioned in this case, the presumption that the same is valid and that the registrant is the owner of the mark stands. As such there is no need to delve further on the first and second element of infringement.

As regards the third element of infringement, it has been said that the central inquiry in an infringement action is whether there is a likelihood that an appreciable number of ordinarily

¹ McDonald's Corporation, et.al. vs. L.C. Big Mak Burger, G.R. No. 143993. August 18, 2004.

prudent purchasers are likely to be misled or confused about the source or affiliation or sponsorship of the goods or services. If consumers, upon encountering the defendant's goods or services would believe that they are produced by or somehow affiliated with a plaintiff's goods or services, the defendant's mark infringes the plaintiff's.²

Complainant's first witness Precy Tangilas testified on how the anti-counterfeit activity were conducted against the A1 General Merchandise on November 29, 2006. Ms. Tangilas testified that on said date, the Iligan City Police in coordination with the representatives of Complainant conducted buy-bust proceedings against respondent establishment. She testified that from the buy-bust operation, they were able to buy Mongol pencils sold by the Respondent establishment and that upon examination of the same they found out that the same were counterfeit. She identified from the a genuine and counterfeit Mongol pencils from the samples shown to her and testified on the differences between a genuine one from a counterfeit. In addition, Ms. Tangilas identified various documents such as the receipt issued by A1 General Merchandise when they bought the pencils, the marked money, and a Certification that the Mongol pencils bought from Respondent establishment were counterfeit.

Its second witness, PO3 Malvin M. Puno, assigned to the Intelligence Section of the Iligan City Police, corroborated Precy Tangilas' testimony that a buy-bust operation was conducted by the Entrapment Team on November 29, 2006 against respondent A1 General Merchandise which was found to be selling counterfeit "Mongol" pencils. PO3 Puno also identified the marked money used in the buy-bust operation, the Receipt of Property Seized, Arrest Information Sheet and the Operation Report.

Complainant's third witness, Ms. Catherine Caliguia, Quality Control Officer/Chemist, testified that she went to Iligan City to assist in the anti-counterfeit activity on November 29, 2006. She testified that she was the one who confirmed and determined that the quality of the Mongol pencils bought at A1 General Merchandise did not meet the standard quality of Mongol pencils being manufactured by Complainant. During her testimony, she identified the genuine from a counterfeit Mongol pencil presented to her. She explained the standards for the AMSPEC Mongol pencil: for the wood, it uses California cedar wood which has red color, with a tea-like odor, the rubber eraser meets the standard color and flexibility, the ferrule, which is the black-gold-black band, and the texture of the pencil also meet the standard.

The fourth witness, Alfonso A. Morales III testified that he, as Assistant Vice-President, is in charge of the entire quality operations of complainant to ensure that complainant's products adhere to quality standards; that on anti-counterfeit activities of the company, they validate whether a certain pencil being sold by an establishment is genuine or counterfeit. Mr. Morales III made a comparison of the genuine from the counterfeit "Mongol" pencils bought from respondent A1 General Merchandise and testified to the following:

1. The genuine pencils are made from original cedar wood and has a tea-like smell while the counterfeit pencils are made from ordinary wood and no cedar wood

² Deborah Bouchoux, Intellectual Property: The Law of Trademarks, Copyrights, Patents and Trade Secrets, 2000 ed., p. 96)

smell;

2. The cedar wood of the genuine pencils is red-dyed while that of the counterfeit ones is white;

3. The eraser is pinkish in color or bright or dark pink for the genuine while in counterfeit its color is pale;

4. The ferrule or the metal band of the genuine Mongol is black gold black band is shiny while in counterfeit it is dull;

5. The color of the lacquer of the pencil is Mongol yellow or canary yellow type in genuine while it is pale yellow in counterfeit ones;

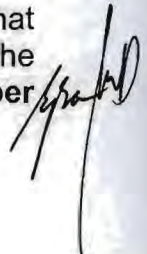
6. The stamp leaf MONGOL, is full black for genuine while it has some kind of a green shade in counterfeit;

7. The undercoat of the genuine pencils is beige or reddish while that of the counterfeit ones is white;

8. As to the color of the box, it is reddish yellow undertone while the counterfeit has a greenish undertone;

Their last witness, Dennis R. Llanera, the Vice-President and Treasurer, testified that he is primarily responsible for complainant's whole financial management. Said witness testified that they incurred P100,000.00 for the anti-counterfeit activity against A1 General Merchandise, another P100,000.00 for the airfare, P16, 665.00 as filing fee for the instant case. He also testified that they had estimated around 20 to 40 Million annual losses due to the proliferation of fake Mongol products and with respect to Iligan City they have estimated around 1 Million losses.

From the above testimonies of the witnesses, they have substantially proven that Respondent/s sold in commerce counterfeit pencils having complainant's mark "MONGOL". The marks and the goods to which they are respectively attached are identical in the case at bench. In such case, thus, respondent's sale of counterfeit pencils with the mark "Mongol" is likely to cause confusion of goods in which case the ordinarily prudent purchaser may be induced to purchase respondent's "Mongol" pencils in the belief that he is purchasing complainant's "Mongol" pencils. The simulation of the mark must be such as would likely appear to mislead the ordinarily intelligent buyer into accepting the article with the simulated mark or wrapper as for the genuine one (**Fruit of the Loom v. Court of Appeals, et al., G.R. L-32747, November 29, 1984**). In the case at bench, an ordinarily prudent buyer would mistake the "Mongol" pencils sold by respondent as the "Mongol" pencils manufactured and sold by complainant: The craftsmanship of the former to the naked eye is almost identical with that of the latter, and such purchaser would not subject such pencils to thorough examination with the purpose in mind of using these as writing materials before buying them, but would naturally rely on the external properties of such counterfeit pencils to believe that these pencils are genuine. Moreover, pencils are common goods for which reason the danger of confusion is greater (**Lim Hoa v. Director of Patents, G.R. No. L-8072, October**



31, 1956).

Respondent/s committed, thus, trademark infringement as a result of its/her fraudulent use of complainant's mark. A person who, in the sale of his product to the public, uses the mark affixed on a similar product which is already owned by another is guilty of fraudulent use of a mark and, thus, of trademark infringement (**U.S. v. J. Kyburz, G.R. No. 9458, November 24, 1914**). The use of someone else's registered mark is unauthorized, hence, actionable, if it is done "without the consent of the registrant" as in the case at bench (**Asia Brewery, Inc. v. The Honorable Court of Appeals, et al., G.R. No. 103543, July 5, 1993**).

Another violation which respondent may be liable under the Intellectual Property Code is unfair competition. **Section 168 of Republic Act No. 8293** provides:

"SECTION 168. Unfair Competition, Rights, Regulation 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 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.

Unfair competition is the employment of deception or any other means contrary to good faith by which a person shall pass off the goods manufactured by him or in which he

deals, or his business, or services, for those of another who has already established goodwill for his similar goods, business or services, or any acts calculated to produce the same result. The universal test question is whether the public is likely to be deceived. Nothing less than conduct tending to pass off one man's goods or business as that of another will constitute unfair competition. Actual or probable deception and confusion on the part of the customers by reason of defendant's practices must always appear."³

Unfair competition has two elements namely: (1) goodwill and (2) intent to defraud or deceive on the part of the respondent. Goodwill has been defined as "the advantage or benefit which is acquired by an establishment beyond the mere value of the capital stock, funds or property employed therein, in consequence of the general public patronage and encouragement which it receives from constant or habitual customers on account of its local position, or common celebrity, or reputation for skill, or necessities, or punctuality, or from other accidental circumstances or necessities, or even from ancient partialities or prejudices."⁴ On the other hand, intent to deceive or to defraud is a state of mind and may only be shown through overt acts or conduct of the respondent. Such intent may be inferred from the similarity in the appearance of goods manufactured or sold by the person sought to be held liable for unfair competition.⁵ Also, all the surrounding circumstances must be taken into account, especially the identity or similarity of names, the identity or similarity of their business, how far the names are a true description of the kind and quality of the articles manufactured or the business carried on, the extent of the confusion which may be created or produced, the distance between the place of business of one and the other party, etc.⁶

No one shall, by imitation and unfair device, induce the public to believe that the goods he offers for sale are goods of another, and appropriate to himself the value of the reputation which the other has acquired for his products (**U.S. v. J. Kyburz, supra.**). No one is justified in damaging or jeopardizing another's business by fraud, deceit, trickery, or unfair methods of any sort (**Ang Si Heng et al. v. Wellington Department Store et al., G.R. No. L-4531, January 10, 1953**). Goodwill, then, is what the law protects against unfair competition.

In the case at bar, Complainant proved that it has established goodwill over the mark "Mongol" by showing, through Certificates of Renewal of Registration Nos. 26312 and R-1033, that it is the owner of the marks "Mongol" as early as 1978 and "Mongol tip" as early as 1990 and as owner, has been manufacturing and/or selling "Mongol" pencils for a number of years. On the other hand, Respondent/s committed unfair competition by passing off the "Mongol" pencils sold by it/her as complainant's "Mongol" pencils through the deceptive make of the counterfeit "Mongol" pencils which at least externally is identical to complainant's "Mongol" pencils. The fraudulent intent of Respondent to pass off its goods as that of complainant was manifested by the use of trademark MONGOL in the pencils itself which made it appear to an ordinary purchaser that it was an ORIGINAL Mongol pencil when in fact

³ Asia Brewery Inc., vs. Court of Appeals, G.R. No. 103543. July 5, 1993, citing (Shell Co. of the Philippines, Ltd. vs. Insular Petroleum Refining Co. Ltd. et al., 120 Phil. 434, 439.)

⁴ Bachrach Motor Co. vs. Jose Esteve, et.al., G.R. No. 44510. December 24, 1938, [67 Phil 16].

⁵ La Yebana vs. Chua Seco

⁶ Ang Si Heng vs. Wellington Department Store, Inc., G.R. No. L-4531. January 10, 1953, [92 Phil 448]

it was merely a counterfeit or an imitation of the original. This proves that respondent is guilty of unfair competition.

Lastly, as to the prayer for damages, the Supreme Court said in the case of **Development Bank of the Philippines vs. Court of Appeals**,⁷ that:

"In order that damages may be recovered, the best evidence obtainable by the injured party must be presented. Actual or compensatory damages cannot be presumed, but must be duly proved, and so proved with a reasonable degree of certainty. A court cannot rely on speculation, conjecture or guesswork as to the fact and amount of damages, but must depend upon competent proof that they have been suffered and on evidence of the actual amount thereof. If the proof is flimsy and unsubstantial, no damages will be awarded."

In this case, except for the self-serving statement of Mr. LLarena, no evidence was presented to prove the actual damages incurred by complainant. While there was a statement that the losses due to proliferation of counterfeit products is estimated at 1 Million for the Iligan area, no document was presented to substantiate the same.

Nevertheless, complainant is still entitled to temperate damages as provided under **Article 2224 of the Civil Code**.⁸ In one case the Supreme Court enunciated:

"Temperate damages are included within the context of compensatory damages. In arriving at a reasonable level of temperate damages to be awarded, trial courts are guided by our ruling that:

". . . There are cases where from the nature of the case, definite proof of pecuniary loss cannot be offered, although the court is convinced that there has been such loss. For instance, injury to one's commercial credit or to the goodwill of a business firm is often hard to show certainty in terms of money. Should damages be denied for that reason? The judge should be empowered to calculate moderate damages in such cases, rather than that the plaintiff should suffer, without redress from the defendant's wrongful act." (Araneta v. Bank of America, 40 SCRA 144, 145)"⁹

However, although the assessment of damages is left to the sound discretion of the court, nevertheless, the same may only be recovered when the court finds that some pecuniary loss has been suffered but its amount cannot be determined with reasonable certainty in terms of money.¹⁰

In the case at bar, Complainant has obtained reputation and goodwill in its business through the continuous use of its MONGOL marks in commerce in the Philippines. Due to the acts of infringement and unfair competition, this Bureau recognizes that such acts brought

⁷ G.R. No. 110053. October 16, 1995

⁸ Article 2224. Temperate or Moderate Damages, which are more than nominal but less than compensatory damages, may be recovered when the court finds that some pecuniary loss has been suffered but its amount cannot, from the nature of the case, be proved with certainty.

⁹ Pleno vs. Court of Appeals

¹⁰ Tolentino, Arturo, Commentaries and Jurisprudence on the Civil Code of the Philippines, Vol. V, 1995 Ed., page 661-662 citing Victorino, et. al vs. Nora, (C.A. 52 OG 911.

about considerable losses to complainant although the amount of injury to its reputation or goodwill cannot be determined with certainty. As such, this Bureau finds that the amount of Two Hundred Thousand Pesos (P 200,000.00) Pesos as temperate damages is appropriate.

As to the prayer for exemplary damages, the Supreme Court held that: "exemplary damages are required by public policy to suppress the wanton acts of the offender. They are an antidote so that the poison of wickedness may not run through the body politic. **The amount of exemplary damages need not be proved where it is shown that plaintiff is entitled to either moral, temperate or compensatory damages, as the case may be** (Art. 2234, Civil Code), although such award cannot be recovered as a matter of right. (Art. 2233, Civil Code). In cases where exemplary damages are awarded to the injured party, attorney's fees are also recoverable.¹¹ Thus, by way of example or correction for the public good, exemplary damages or corrective damages shall be imposed on Respondents in the amount of One Hundred Thousand (P100,000.00) Pesos.

With respect to attorney's fees, it is well settled doctrine that no premium should be placed on the right to litigate and not every winning party is entitled to an automatic grant of attorney's fees. The party must show that he falls under one of the instances enumerated in Article 2208 of the Civil Code. In this case, since Complainant was compelled to engage the services of a lawyer and incurred expenses to protect its interest and right over the subject trademark, the award of attorney's fees is proper. However there are certain standards in fixing attorney's fees, to wit: (1) the amount and the character of the services rendered; (2) labor, time and trouble involved; (3) the nature and importance of the litigation and business in which the services were rendered; (4) the responsibility imposed; (5) the amount of money and the value of the property affected by the controversy or involved in the employment; (6) the skill and the experience called for in the performance of the services; (7) the professional character and the social standing of the attorney; and (8) the results secured, it being a recognized rule that an attorney may properly charge a much larger fee when it is contingent than when it is not."¹²

In this case, it is only proper to sustain the award of attorney's fees since respondent has constrained complainant to incur expenses to protect its interest against the acts of infringement and unfair competition. In awarding the attorney's fees in this case, it was taken into account that Complainant incurred expenses in securing the services of the lawyer, the payment of filing fees and other expenses incident to the prosecution of this case and as such Bureau awards the amount of Seventy Five Thousand (P75, 000.00) Pesos as attorney's fees including the cost of litigation.

WHEREFORE, in view of the foregoing, this Bureau finds that respondent/s A1 General Merchandise and/or Haydee Osete and Assah Y Ang committed: 1) trademark infringement by using in commerce without complainant's consent a counterfeit copy of

¹¹ Patricio vs. Oscar Leviste, G.R. No. 51832. April 26, 1989

¹² G.R. No. 140182. April 12, 2005, Tanay Recreation Center And Development Corp., Vs. Catalina Matienzo Fausto + And Anunciacion Fausto Pacunayen, Respondents.

complainant's registered mark "MONGOL" In connection with the sale, offering for sale, or distribution of counterfeit "MONGOL" pencils on, or with, which such use is likely to cause confusion or mistake, or to deceive the buying public; and 2) unfair competition by employing deception or any other means contrary to good faith by which said respondent/s passed off the "MONGOL" pencils in which it/she deals for those of complainant's "MONGOL" pencils with complainant having established goodwill over said mark used on pencils. Consequently, respondents A1 General Merchandise and/or Haydee Osete and Assah Y Ang are hereby:

1. **PERMANENTLY ENJOINED** to cease and desist from selling, offering for sale, and/or distributing counterfeit "MONGOL" pencils;

2. Respondent is **DIRECTED TO PAY** Complainant:

a. The amount of Two Hundred Thousand (P 200,000.00) Pesos as and by way of temperate damages;

b. The amount of One Hundred Thousand (P 100,000.00) Pesos as and by way of exemplary damages; and

c. The amount of Seventy Five Thousand (P75,000.00) Pesos as and by way of attorney's fees.

SO ORDERED.

Makati City, 17 March 2009.



ESTRELLITA-BELTRAN ABELARDO

Director, Bureau of Legal Affairs

