



L'OREAL,

Complainant,

-versus-

EVER BILENA COSMETICS, INC.
and D.S.S. TRADING,

Respondent.

X -----X

IPV Case No. 10-2006-0016

For : Unfair Competition
(under R.A. No. 8293)

Decision No. 09-01

DECISION

For decision is an administrative complaint for Unfair Competition filed by L'oreal, a Societe Anonyme duly organized and existing under the laws of the Republic of France with address at 14 Rue Royale 75008 Paris, France against Ever Bilena Cosmetics, Inc., a domestic corporation duly organized and existing under the laws of the Republic of the Philippines with address at 289 Reparo St., Sta. Quiteria, Caloocan City. And respondent DSS Trading, a single proprietorship registered in the name of Dioceldo S.Sy, with address at 289 Reparo St., Sta, Quiteria, Caloocan City.

Complainant, L'Oreal, through counsel, to this Honorable Office, respectfully alleges:

1. Complainant is a Societe Anonyme duly organized and existing under the laws of the Republic of France with address at 14 Rue Royale 75008 Paris, France.
 - 1.1 Complaint is not doing address in the Philippines and is suing to protect its intellectual property rights. Consequently, it has the legal capacity to file this complaint. Moreover, Section 160 of Republic Act No. 8293, otherwise known as the Intellectual Property Code ("IP Code"), and jurisprudence vest upon the Complainant the capacity to sue in the instant case.
 - 1.2 In this, connection Complainant is domiciled in Paris, France, which is a member of the Convention of Paris for the Protection of Industrial Property ("Paris Convention"). Both the Philippines and France are members of the Paris,

Goods	:	Perfume; toilet water; gels, salts for the bath and the shower not for medical purposes; toilet soaps, body deodorants; cosmetics namely creams, milks, lotion, gels and powders for the face, the body and the hands; sun care preparations (cosmetic products); make-up preparations; shampoo; gels, sprays, mousses, hair lacquers; hair colouring and hair decolorant preparations; permanent waving and curling preparations; essential oils for personal use; dentrifices.
Class	:	3
Trademark:	:	GLAM
Application	:	42004011284
Filing Date	:	12 January 2004
Goods	:	Make-up products, more particularly lip products (none for medical use), balms for lips (none for medical use), lipsticks, lip gloss, lip pencils.
Class	:	3

Copies of the registration certificates of the above-listed marks are attached as Annexes "B" to "B-2." A copy of the IPO Status Report for GLAM is attached hereto as Annex "C."

- 1.7 The marks MAYBELLINE, L'OREAL, GLAM SHINE, and GLAM are also registered and have been applied for registration in various other industrial property offices worldwide. Accordingly, the marks and their designs are entitled broad protection as world-famous marks under the provisions of R.A. 8293, the Convention for the Protection of Industrial Property and the Agreement on Trade-Related Aspects of Intellectual Property Rights.
- 1.8 Complainant has used its world-famous marks and designs on variety of cosmetic products are exclusively distributed in the Philippines by the Complainant's wholly-owned subsidiary, L'Oreal Philippines, Inc. with business address at 23rd Floor, Robinsons Equitable Tower, No. 4 ADB Avenue corner Poveda St., Ortigas Center, Pasig City.
- 1.9 In particular, in the Philippines, L'Oreal Glam Shine, Maybelline Forever Metallics, and Maybelline Forever

other processes. D.S.S. Trading is engaged in the retailing of cosmetic and toilet articles.

A copy of the Certification of the Department of Trade and Industry ("DTI") for D.S.S. Trading is attached as Annex H.

D.S.S. Trading may also be served with summons and other processes at the following business address: 611 Sta. Quiteria Road, Caloocan City, Metro Manila. D.S.S. Trading uses this address in the applications and registrations of its trademarks with the IPO. A print-out of the IPO Status Report of one of the pending marks of D.S.S. Trading reflecting this address is attached as Annex "I."

3. Despite having knowledge of the Complainant's ownership of these world-famous marks and designs, Respondents have used and continue to use without Complainant's consent, the Complainant's trade dress in connection with cosmetics products, particularly lipsticks. These infringing lipsticks, i.e., Advance Dazzling Shine Ever Bilena and Advance Glamour Shine, bear unauthorized reproductions of the overall designs, color schemes, shapes, materials, and containers of lipsticks manufactured by or under authority of the Complainant, and distributed and sold by L'Oreal Philippines, to the Complainant's prejudice who has the sole right to use and/or authorize the use of these designs. Attached as Annexes "J" to "J-1" are photographs of Advance Dazzling Shine Ever Bilena and Advance Glamour Shine.

The use by the Respondent's of the trade dress of the Complainant, i.e., the overall designs, color schemes, shapes and materials of the products, has caused, and is likely to continue to cause a confusion by suggesting a connection, association or affiliation with the Complainant's products that does not exist.

4. A comparison of the Complainant's Maybelline Forever Metallics Lipstick and Maybelline Forever Starlite Lipsticks (Annexes D-1 and D-2), on the one hand, and the Respondents' Advance Dazzling Shine Ever Bilena (Annex G), on the other hand, will show that the Respondents are selling products that copied the color scheme and overall design of the Complainant's product.

Similarly, a comparison of the Complainant's L'Oreal Glam Shine (Annex D) with Respondent's Advance Glamour Shine (Annex G-1) will clearly show that the later copies the shape of the Complainant's lipstick product and its overall design.

- 4.1 The very distinct similarity in the shape, size, color, materials and overall design of the Respondent's products to those of



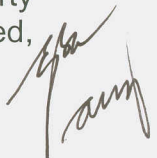
the Complainant constitutes an act of bad faith on the part of the Respondents. This act constitutes unfair competition, intended solely for the purpose of riding on the goodwill that the Complainant has already acquired over its cosmetic products' trade dress.

5. On 1 February 2006, the Complainant, through the undersigned Quisimbing Torres ("QT"), the duly appointed legal counsel and attorney-in-fact of the Complainant, sent a formal demand letter for the Respondents to cease and desists from the importation, sale and distribution of the infringing lipsticks. A copy of the cease and desist letter is attached hereto as Annex "K."

5.1 The cease and desist letter was received by the Respondents on 7 February 2006 as indicated by the courier's certification of delivery. A copy of the courier's letter confirming receipt of the letter by the Respondents is attached hereto as Annexes "L" and "L-1"

6. In the cease and desist letter, the Respondents were given two days from receipt of the letter to submit an undertaking that they will cease and desist the importation, sale and distribution of the infringing lipsticks. The Respondents did not contact QT nor send their undertaking within the period of time within which they should have responded, i.e., 17 February 2006. Further, despite receipt of the demand letter, Respondents continued and continues to engage in the distribution and sale of the infringing products.
7. The Respondents infringed and continues to infringe upon the property rights of the Complainant and in the goodwill of its trademarks and design, through their importation, sale, and distribution of lipsticks that have general appearance in design, color scheme, materials and/or size thereon as those of Complainant's. Respondents are clearly passing off their products as those of the Complainant's.
8. The acts of the Respondent are punishable under the IP Code, particularly Section 168(Unfair Competition) in relation to Section 10.2(b), which provides as follows:

"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 registered mark is employed, has a property right in the goodwill of 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 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 therefore.

168.3. in particular, and without in any way limiting the scope of the 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 packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance, which would 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 with a like purpose; [emphasis supplied]

168.4 the remedies provided by sections 156, 157 and 167 shall apply *mutatis mutandis*"

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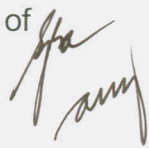
"10.2(b)The Bureau of Legal Affairs shall have the following functions:...

After formal investigation, the Director for Legal Affairs may impose (1) or more of the following administrative penalties:

(i) The issuance of a cease and desist order which shall specify the acts that the respondent shall cease and desist from and shall require him to submit a compliance report within a reasonable time which shall fixed in the order;

(ii) The acceptance of a voluntary assurance of compliance or discontinuance as may be imposed. Such voluntary assurance may include one or more of the following:

- (1) An assurance to comply with the provisions of the intellectual property law violated;
- (2) An assurance to refrain from engaging in unlawful and unfair acts and practices subject of the formal investigation;
- (3) An assurance to recall, replace, repair, or refund the money value of defective goods distributed in commerce; and



- (4) An assurance to reimburse the complainant the expenses and costs incurred in prosecuting the case in the Bureau of Legal Affairs.

The Director of Legal Affairs may also require the respondent to submit periodic compliance reports and file a bond to guarantee compliance of his undertaking;

(iii) The condemnation or seizure of products which are subject of the offense. The goods seized hereunder shall be disposed of in such manner as may be deemed appropriate by the Director of Legal Affairs, such as by sale, donation to distressed local governments or to charitable or relief institutions, exportation, recycling into other goods, or any combination thereof, under such guidelines as he may provide;

(iv) The forfeiture of paraphernalia and all real and personal properties which have been used in the commission of the offense;

(v) The imposition of administrative fines in such amount as deemed reasonable by the Director of Legal Affairs, which shall in no case be less than Five thousand pesos (P5,000) nor more than One hundred fifty pesos (P150,000). In addition, an additional fine of not more than One thousand pesos (P1,000) shall be imposed for each day of continuing violation;

(vi) The cancellation of any permit, license, authority, or registration which may have been granted by the Office, or the suspension of the validity thereof such period of time as the Director of Legal Affairs may deem reasonable which shall not exceed one (1) year;

(vii) The withholding of any permit, license, authority, or registration which is being secured by the respondent from the Office;

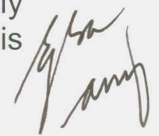
(viii) The assessment of damages;

(ix) Censure; and

(x) Other analogous penalties or sanctions"

9. The Respondents acted in bad faith by dealing in products that copy the trade dress of the Complainant. The Supreme Court has held that the intent to defraud, as an element of Unfair Competition, may be inferred from the similarity in the appearance of the goods sold by the person sought to be held liable and those of the party claiming to have been damaged by such competition. (*Baxter v. Zuazua*, 5 Phil. 160; *Compania General de Tabacos v. Alhambra Cigar*, 33 Phil. 485).

The Supreme Court has further held that "the similarity in the appearance of the goods as packed and offered for sale is so striking that we are unable to attribute this fact to anything other than an intent on the part of defendants to deceive the public and defraud plaintiffs out of their legitimate trade and in this case we infer such intent from the likeness of the goods so packed and offered for sale. (*Inchausti & Co. v. Song Fo & Co.*, 21 Phil., 278). Hence, "if the exterior size, shape, color, and description, in other words, those things which go 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." (*Rueda Hermanos v. Paglinawan*, 33 Phil. 196; see also *Brooks Bros. v. Froelich & Kuttner*, 8 Phil. 580)

The actuations of the Respondents in their offer to sell the infringing products also betrays their bad faith and fraudulent intent to pass off their products as those of Complainant's.

10. As a result of the Respondent's passing off of its products as that of the Complainant's, the Complainant suffered and continues to suffer damages by way of lost business opportunities and goodwill in the amount of at least ONE MILLION PESOS (P1,000,000.00).
11. For having acted in wanton, fraudulent, reckless, oppressive or malevolent manner in persistently and continuously refusing to honor Complainant's demand letter, and to serve as an example and correction for the public good, Respondents should order to pay Complainant the sum of FIVE HUNDRED THOUSAND Pesos (P500,000.00) by way of and as exemplary damages.
12. For compelling Complainant to seek redress from this Honorable Office thereby requiring it to engage the services of counsel, and for acting in gross and evident bad faith in refusing to satisfy Complainant's just and valid demands, Respondents should be ordered to pay the Complainant the sum of ONE MILLION PESOS (P1,000,000.00)
13. Pursuant to Rule 5, Sections 1 and 2 of the Rules and Regulations Governing Administrative Complainants For Violation of Laws Involving Intellectual Property Rights, Complainant, hereby applies for the issuance of a preliminary injunction requiring Respondents to cease and desist from passing off its products as that of the Complainant's.

A preliminary injunction is clearly warranted in this case as the Complainant is (1) entitled to the relief demanded, that is, to prevent the Respondents from passing off their products as that of the Complainant's; and (2) the continued importation, sale and distribution by the Respondents of Advance Dazzling Shine Ever Bilena and Advance Glamour Shine that have the general appearance in design, color scheme, materials and size thereon as those of the Complainant's products will work an injustice to the Complainant."

In its Answer filed on 16 August 2006, respondent raised the following special and affirmative defenses:

"13. Complainant has no legal capacity to maintain an action for unfair competition in the Philippines for it is a foreign corporation doing business in the Philippines without a license;



13.1 While complainant claims to have been organized and existing under the laws of the Republic of France, it registered and applied for the registration of Maybelline, L'Oreal, Glam Shine, and Glam trademarks with the Intellectual Property Office of the Philippines

13.2 Complainant has launched L'Oreal, Glam Shine, Maybelline Forever Metallics, and Maybelline Forever Starlite Lipstick in the Philippines on 30 April 2003, March 2004, August 2005, respectively. At this point, it needs emphasis that as claimed by complainants, their registered trademarks are only Maybelline, L'Oreal, Glam Shine and Glam, AND NOT L'Oreal Glam Shine, Maybelline Forever, and Maybelline Forever Starlite Lipstick;

13.3 Complainant is distributing and selling in the Philippines the subject cosmetic products through its wholly-owned subsidiary Lo'real Philippines, Inc.

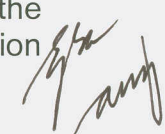
13.4 The subject cosmetics products of complainants are being sold in the Philippine market under the foreign cosmetics brands section of SM Malls. Robinson's Malls, Landmark and Rustan's Malls, among others;

13.5 Clearly, complainant is unquestionably doing business in the Philippines by distributing and selling L'Oreal Glam Shine, Maybelline Forever Metallics, and Maybelline Forever Satellite Lipstick in the Philippine market since 2003 up to the present;

14. Accordingly, complainants must have a license to do business in order for it to maintain a suit for unfair competition in our jurisdiction pursuant to Section 133 of The Corporation Code, which reads:

"Sec. 133 Doing business without a license. – No foreign corporation transacting business in the Philippines without a license, or its successors or assigns, shall be permitted to maintain or intervene in any action, suit or proceedings in any court or administrative agency of the Philippines; but such corporation may be sued or proceeded against before Philippine courts or administrative tribunals on any valid cause of action recognized under Philippine laws."

15. The reason for the rule should not be disregarded. "The purpose of the rule requiring foreign corporations to secure a license to do business in the Philippines is to enable us to exercise jurisdiction over them for the regulation



of their activities in this country. If a foreign corporation operates in the Philippines without submitting to our laws, it is only just that it not be allowed to invoke them in our courts when it should need them later for its own protection. While foreign investors are always welcome in this land to collaborate with us for our mutual benefit, they must be prepared as an indispensable condition to respect and be bound by Philippine law in proper cases, as in one at bar." (*Granger Associates v. Microwave Systems, Inc.* 189 SCRA 63, 1990).

1. Section 160 of R.A. No 8293 which states that:

"Sec. 160. Right of Foreign Corporation to Sue in Trademark or Service Mark Enforcement Action. – Any foreign national or juridical person who meets the requirements of Section 3 of this Act and does not engage in business in the Philippines may bring a civil or administrative action hereunder for opposition, cancellation, infringement, unfair competition, or false designation or origin and false description, whether or not it is licensed to do business in the Philippines under existing laws."

is not the applicable law in the instant case as it contemplates a situation where the suing party does not engage in business in the Philippines, it must have a license for it to maintain an action for unfair competition;

17. Whether a foreign corporation is doing business or not is dependent upon the circumstances of the case. As held in the case of *The Mentholatum Co., Inc. et al v. Anacleto Mangaliman*, G.R. No. 47701, June 27, 1941:

"No general rule or governing principles can be laid down as to what constitutes "doing" or "engaging in" or "transacting" business. Indeed, each case must be judged in the light of its peculiar environmental circumstances. The rule test, however, seems to be whether the foreign corporation is continuing the body or substance of the business or enterprise for which it was organized or whether it has substantially retired from it and turned it over to another. (*Traction Cos. v. Collectors of Int. Revenue* [C. C. S. Ohio], 223 F. 984, 987.) The term implies a continuity of commercial dealings and arrangements, and contemplates to that extent the performance of acts or works or the exercise of some of the functions normally incident to,



and in progressive prosecution of, the purpose and object of its organization.”

18. Thus, complainant’s act of distributing L’Oreal Glam Shine, Maybelline Forever Metallics, and Maybelline Forever Starlite Lipstick continually from 2003 up to the present through its wholly-owned subsidiary L’Oreal Philippines, congruent to the objective and purpose for which it was created which is for the distribution and sale of certain cosmetic products, is indicative of the fact that it is doing business in the Philippines. Moreover, it is quite absurd for the complainant to sue respondents for unfair competition on the ground that respondents are selling Advance Glamour Shine with the same packaging and appearance as that of complainant’s in L’Oreal Glam Shine being sold in the Philippine market; and, Advance Dazzling Shine, with the same packaging and general appearance as that of complainant’s Maybelline Forever Metallics and Maybelline Forever Starlite Lipstick being sold in the Philippine market, and yet claim that it is not doing business in the Philippines;

19. The complaint is signed and verified only by Atty. Regina Emily Venzon of Quisimbing and Torres who has no such specific authority from Board of Directors of Complaint;

20. The Special Power of Attorney attached as Annex “A” in the Complaint is defective as it was not executed and signed by the duly authorized representative of the complainant corporation; nor, did it authorize Quisimbing and Torres to file an action for unfair competition specifically against respondents Ever Bilena Cosmetics, Inc. and D.S.S. Trading;

21. It bears stressing that as provided in part by Section 1, Rule of the Rules and Regulations on Administrative Complaints for Violation of Law involving Intellectual Property Rights:

“Section 1. Complaint When and to Whom Filed. –

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The complaint shall include a certification that the party commencing the action has not filed any other action or proceeding involving the same issue or issues before any tribunal or agency nor such action or proceeding is pending in other quasi-judicial bodies; Provided, however, that if any such action is pending, the status of the same must be stated, and should knowledge thereof be acquired after the filing of the complaint, the party concerned undertakes to notify the Bureau within five (5) days from such knowledge. Failure to comply with the foregoing requirements shall not



be curable by mere amendment of the complaint or other initiatory pleading but shall be cause for dismissal of the case without prejudice. The submission of a false certification or non-compliance with any of the undertakings therein shall constitute indirect contempt, without prejudice to the corresponding administrative and criminal actions. If the acts of the party or his counsel clearly constitute willful and deliberate forum shopping, the same shall be ground for summary dismissal with prejudice and shall constitute direct contempt.

2. For lack of authority of Quisimbing and Torres to execute and sign the verification and certification, in effect the complaint is defective as it lacks the certification and verification of the complaint and the instant complaint must be outrightly dismissed.
23. Complaint has no cause of action against respondents for the general appearance of respondents' Advance Glamour Shine and Advance Dazzling Shine Ever Bilena does not in any way influence purchasers to believe that the goods offered are complainant's L'Oreal Glam Shine, Maybelline Forever Metallics, and Maybelline Forever Starlite Lipstick;

23.1 Respondents' product do not carry complainant's trademark, namely, L'Oreal or Maybelline; Secondly, respondents' Ever Bilena products have captured a sizable share of the cosmetics market, for which it will not trade-off with any product, much the less, that of complainant. Respondents, therefore, will gain more by making its products conspicuously Ever Bilena;

23.2 Complainant's and respondents' display counters in SM Malls, Robinson's, and Landmark are distantly located from each other such that purchasers can readily identify what is L'Oreal product and what is not; or what is an Ever Bilena product and what is not, not to mention that the display counters are with lighted Sign Boards and classified as foreign or local brand. Cosmetic products are items normally bought only after deliberate, comparative, and analytical investigation. Cosmetics do not belong to such category of articles in wide-use requiring frequent placements bought by consumers without great care. In fact, cosmetic products are displayed and sold in the market with testers to give customers a sampler of the quality and effect of the product on the prospective consumer. Thus, there is no likelihood of deception, such that when a purchaser goes to L'Oreal display counter, she will not find an Ever Bilena Product, and viceversa;

23.3 The respective products of the parties are distinctly identifiable from the other in the following respect;



	L'OREAL	EVER BILENA
Product Name	L'Oreal Glam Shine	Advance Glamour Shine
Retail Price	P595	P90
Packaging	Plastic colorless tube with silver cap around 3-inch high with the following label in front: L'Oreal Oaris Glam Shine, 16, place, Vendome, 75001 PARIS; label at the back; Pure Wet Shine, Transparent Colour. E6ml, Made in China, L'Oreal PARIS. The tube is vacuum packed with the plastic seal of L'Oreal Phils., Inc. With a stick-on label on top of the silver cap.	Plastic colorless tube with gray cap around 3-inch high with the following label in front: ADVANCE GLOMOUR SHINE, Net 5ml. The stick-on label is at the bottom of the plastic tube.
Display location	Foreign Brands Section	Local Brands Section

	L'OREAL	EVER BILENA
Product Name	Maybelline Forever Mettalics Maybelline Forever Starlite Lipstick	Advance Dazzling Shine Ever Bilena
Retail Price	P399	P120
Packaging	Metallic Lilac container with a vacuum packed plastic seal.	Silver metallic container packed in box-like container
Display Location	Foreign Brands Section	Local Brands Section

Attached herewith as Annex"1" is the location display map of SM North Edsa showing the relative locations of complainant and respondents' display counters.

24. Neither did respondents infringe the trademark of complainant as the container and design of complainant's cosmetic products are not registered and entitled to protection of the law; notwithstanding, complainant's trademark Maybelline L'Oreal, Glam Shine, and Glam ARE NOT confusingly similar with the marks of respondents, to wit: Advance Glamour Shine and Advance Dazzling Shine Ever Bilena;

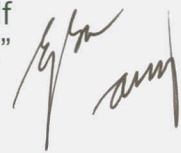
24.1 Complainant's alleged registered trademarks are Maybelline, L'Oreal, Glam Shine, and Glam only. Further, the use of the said trademarks are not only limited to lipstick and lip gloss, but also designed for pressed powder, crème blusher and facial make-up (for Maybelline); Perfume, toilet water, gels, milks, lotions, face powder, shampoo, hair essentials (for O'real). Trademark, defined in Arce Sons and Company v. Selecta Biscuit Company, Inc. et al. Gr.No. L- 14761, January 28, 1961, as "a distinct mark of authenticity through which the merchandise of a particular producer or manufacturer may be distinguished from that of the others, and its sole function is designate distinctively the origin of the products to which it is attached," is entitled to the protection of the law if the same is registered; absent such registration there is no infringement of trademark to speak of;

24.2 The design, shape, material, and containers of complainant's cosmetic products are not included in the registered trademark claimed by complainant such that the protection available to complainant, if any, is only to the unauthorized reproduction or use of Maybelline, L'Oreal, Glam, and Glam Shine trademarks. On the other hand, respondents have a pending application for registration of design of the cosmetic containers of Advance Glamour Shine and Advance Dazzling Shine with this Honorable Office; as well as application for registration for copyright of the same cosmetic containers with the National Library both filed on 23 February 2006;

24.3 Respondents' Advance Glamour Shine is not the same as complainant's registered trademarks Glam Shine and Glam; and, respondents' Advance Dazzling Shine Ever Bilena is far different from complainant's registered trademark Maybelline. Clearly, there is no infringement of trademark as the marks spell and sound very differently and therefore confusion by the ordinary purchaser is remote possibility;

24.4 In the most recent case of Philip Morris, Inc., et al. v Fortune Tobacco Corporation, G.R. No. 158589, 27 June 2006, the Supreme Court was confronted with the issue of whether or not Fortune Tobacco's mark "MARK" for cigarettes is confusingly and deceptively similar with the duly registered "MARK VII", MARK TEN", and "LARK" marks likewise of cigarettes, of Philip Morris, Inc. in ruling that there is absence of likelihood of confusion, the court reasoned that:

"xxx the striking dissimilarities are significant enough to warn any purchaser that one is different from the other. Indeed, although the perceived offending word "MARK" is itself prominent in petitioners' trademarks "MARKVII"



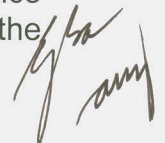
and "MARK TEN," the entire marking system should be considered as a whole and not dissected, because discerning eye would focus not only on the predominant word but also on the features appearing in the labels. Only then would such discerning observer draw his conclusion whether one mark would be confusingly similar to the other and whether or not sufficient differences existed between the mark."

24.5 In the same light, as illustrated in paragraph 12.3 hereof, there are striking dissimilarities between complainant's Glam Shine and respondents' Advance Glamour Shine; and, complainant's Maybelline Forever Metallics/Maybelline Forever Starlite Lipstick and respondents' Advance Dazzling Shine Ever Bilena, enough to warn any purchaser that one is different from the other. In fact, nowhere in respondents' cosmetic product can be found the marks L'Oreal and Maybelline;

25. It must be emphasized that the essence of unfair competition is fraud, which fraud is committed on the public rather than on a complainant being an incident of the means by which fraud is perpetrated on the public (Trademarks Under the Intellectual Property Code, Vicente B. Amador, 1999 edition, p.318). Accordingly, there exists unfair competition when a purchaser buys respondents' Advance Glamour Shine believing that it is complainant's L'Oreal Glam Shine by reason of the general appearance of Advance Glamour Shine; or that, a purchaser buys respondents' Advance Dazzling Shine believing that it is complainant's Maybelline Forever Metallics or Maybelline Starlite Lipstick because of its general appearance; and that as a consequence of which, the purchaser was defrauded and deceived. However, under the given circumstances, it is a remote possibility that a purchaser will already suspect that what she could be purchasing is L'Oreal product and not Ever Bilena product;

26. Thus, absent fraud and deception, actual or impending, there is no unfair competition on top of the fact that the packaging of the cosmetic products of the respondents, never makes the buying public believe that their products are that of L'Oreal."

On 26 July 2006, a Notice of hearing for the application on for a temporary restraining order and/or preliminary injunction was issued. After both parties offered their respective evidence, the Bureau after consideration of the evidence issued an Order dated 30 March 2007, denying complainant's prayer for the issuance of an injunction.

A handwritten signature in black ink, appearing to be "Gla" followed by a flourish.

On 30 May 2007, this Bureau denied Complainant's prayer for the issuance of a writ of preliminary injunction. Also, a pre-trial conference was set on 14 June 2007. At the pre-trial conference, the parties adopted the evidence presented during the hearings on the application for a TRO/preliminary injunction.

The issues raised are whether the complainant has the capacity to sue in the Philippines and whether the respondents committed unfair competition.

On the issue of complainant's legal capacity to sue, it has long been settled that a foreign corporation not doing business in the Philippines can sue on the basis of the Section 160 of the Intellectual Property Code. It provides:

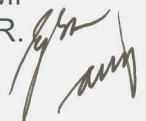
3. Section 160 of R.A. No 8293 which states that:

"Sec. 160. Right of Foreign Corporation to Sue in Trademark or Service Mark Enforcement Action. – Any Foreign national or juridical person who meets the requirements of Section 3 of this Act and does not engage in business in the Philippines may bring a civil or administrative action hereunder for opposition, cancellation, infringement, unfair competition, or false designation or origin and false description, whether or not it is licensed to do business in the Philippines under existing laws."

Referring further to Section 3, of the same law further state:

"Section 3. International Conventions and Reciprocity. Any person who is a national or who is domiciled or has a real or effective business establishment in a country which is a party to any convention, treaty or agreement relating to intellectual property rights or the repression of unfair competition, to which the Philippines is also a party, or extends reciprocal rights to nationals of the Philippines by law, shall be entitled to the benefits to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of an intellectual property right is otherwise entitled by this Act.

Moreover, it has been settled that a foreign corporation not doing business in the Philippines needs no license to sue before Philippine courts. In *Mr Holdings, Ltd., v. Sheriff Carlos P. Bajar and Marcopper Mining Corporation* [G.R. No. 138104. April 11, 2002.] held:



"A review of this ruling does not pose much complexity as the principles governing a foreign corporation's right to sue in local courts have long been settled by our Corporation Law. These principles may be condensed in three statements, to wit: a) if a foreign corporation does business in the Philippines without a license, it cannot sue before the Philippine courts; b) if a foreign corporation is not doing business in the Philippines, it needs no license to sue before Philippine courts on an isolated transaction or on a cause of action entirely independent of any business transaction; and c) if a foreign corporation does business in the Philippines with the required license, it can sue before Philippine courts on any transaction. Apparently, it is not the absence of the prescribed license but the "doing (of) business" in the Philippines without such license which debars the foreign corporation from access to our courts."

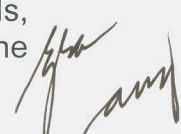
Under Section 3(d) of the Foreign Investments Act ("FIA"), doing business does not include distribution. The Act provides: "That the phrase doing business; shall not be deemed to include mere investment as a shareholder by a foreign entity in domestic corporations duly registered to do business, and or exercise of such rights as such investor; nor having a nominee, director or officer to represent its interests in such corporation; nor appointing a representative or distributor domiciled in the Philippines which transacts business in its own name and for its own account..."

Preceding from the foregoing provisions, it is plain that L'Oreal, complainant herein can institute this action for unfair competition because it is not considered doing business in the Philippines because it distributes its products through L'Oreal Philippines, Inc.

As regards the issue of whether the acts of respondent can be labeled unfair competition with in the purview of the law, Section 168 of the Intellectual Property Code states:

"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 registered mark is employed, has a property right in the goodwill of 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 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 therefore.

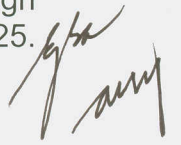
168.3. in particular, and without in any way limiting the scope of the protection against unfair competition, the following shall be deemed guilty of unfair competition.

(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 packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance, which would 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 with a like purpose;

168.4 the remedies provided by sections 156, 157 and 167 shall apply *mutatis mutandis*"

Evidence show that complainant has secured a Certificate of Trademark Registration No. 4-2002-009516 (Exhibit "D") for the mark "GLAM SHINE". A sample of the product with the identifying mark "GLAM SHINE" (Exhibit "N") and a photograph of the same (Exhibit "F") was submitted. In contrast, respondent's cosmetic product as shown in the photograph bears the mark ADVANCE GLAMOUR SHINE. (Exhibit "K"). The only evidence attesting to the goodwill obtained by complainant is the affidavit - testimony of complainant's witness, Maria Trecia Gono-Tantoco (Exhibit "L") who stated that the sales of L'Oreal GLAM SHINE and amount spent on advertising since its launch in 30 April 2003. This is insufficient to establish goodwill generated by opposer's mark.

Relief against unfair competition is afforded to one who has established goodwill for the product he manufactures or deals in. The passing off of one's goods as that of another who has already established goodwill constitute unfair competition. The elements of unfair competition were discussed by the High Court in the case of Del Monte Corporation v. Court of Appeals [G.R. No. 78325. January 25, 1990], thus:



"To arrive at a proper resolution of this case, it is important to bear in mind the following distinctions between infringement of trademark and unfair competition.

(1) Infringement of trademark is the unauthorized use of a trademark, whereas unfair competition is the passing off of one's goods as those of another.

(2) In infringement of trademark fraudulent intent is unnecessary, whereas in unfair competition fraudulent intent is essential.

(3) In infringement of trademark the prior registration of the trademark is a prerequisite to the action, whereas in unfair competition registration is not necessary."

In comparing the products of the competitors, it is seen that the actual product of respondent (Exhibit "O") shows the word ADVANCE in bolder block style letters and the words "GLAMOUR SHINE" directly underneath it. On the other hand, complainant's product display the word GLAM SHINE on a lip gloss container with a different shape than that of its competitor. The only similar word in both marks is the word SHINE. The words ADVANCE and GLAMOUR do not appear in complainant's mark. By adopting additional words ADVANCE coupled with GLAMOUR appended to the word SHINE, a different overall commercial appearance is portrayed by respondent, thereby no likelihood of confusion and deception could result from respondent's use of its mark.

Respondent argues that complainant was not able to prove that the public is defrauded when they buy respondent's cosmetic products as they believed that it were the complainant's cosmetic products. Respondent argues that the deception is remote because of factors such as the price and location of the L'Oreal product and Ever Bilena product. Respondent also points out that respondents registered the design of the cosmetic containers for Advance Glamour Shine and Advance Dazzling Shine.

We agree. In *Levi Strauss (Phils.), Inc. v. Tony Lim* (G.R. No. 162311), December 4, 2008, the Supreme Court held:

"For his part, Justice Cuevas failed to find the possibility of confusion and of intent to deceive the public, relying on *Emerald Garment Manufacturing Corporation v. Court of Appeals*. In *Emerald*, the Court explained that since *maong* pants or jeans are not inexpensive, the casual buyer is more cautious and discerning and would prefer to mull over his purchase, making confusion and deception less likely.

We cannot subscribe to petitioner's stance that *Emerald Garment* cannot apply because there was only one point of comparison, i.e., "LEE" as it appears in Emerald Garment's "STYLISTIC MR. LEE." *Emerald Garment* is instructive in explaining the attitude of the



buyer when it comes to products that are not inexpensive, such as jeans. In fact, the *Emerald Garment* rationale is supported by *Del Monte Corporation v. Court of Appeals*, where the Court explained that the attitude of the purchaser is determined by the cost of the goods. There is no reason not to apply the rationale in those cases here even if only by analogy.

The rule laid down in *Emerald Garment* and *Del Monte* is consistent with *Asia Brewery, Inc. v. Court of Appeals*, where the Court held that in resolving cases of infringement and unfair competition, the courts should take into consideration several factors which would affect its conclusion, to wit: the age, training and education of the usual purchaser, the nature and cost of the article, whether the article is bought for immediate consumption and also the conditions under which it is usually purchased."

Applying the principle laid down in the foregoing case, **the fact that the products of the competitors are not displayed on the exact same shelf because cosmetic products are arranged depending on the manufacturer or brand will prevent the probability of deception to one who purchases relying on the mark "GLAM SHINE" alone and oblivious of source, origin or price.**

Moreover, the disparity of prices or cost of goods of complainant as well as the respondent, as shown by the matrix provided by the respondent, complainant's products costs four times more than respondent's products, i.e. P595 for L'Oreal GLAM SHINE, P90 for respondent's ADVANCE GLAMOUR SHINE and L'Oreal's Maybelline Metallic Starlite Lipstick P399 as against P120 for Advance Dazzling Shine Ever Bilena will strengthen the fact that the possibility of confusion is quite remote.

The Supreme Court in *Emerald Garment Manufacturing Corporation v. Court of Appeals*, [G.R. No. 100098. December 29, 1995.] held:

"First, the products involved in the case at bar are, in the main, various kinds of jeans. These are not your ordinary household items like catsup, soy sauce or soap which are of minimal cost. Maong pants or jeans are not inexpensive. Accordingly, the casual buyer is predisposed to be more cautious and discriminating in and would prefer to mull over his purchase. Confusion and deception, then, is less likely. In *Del Monte Corporation v. Court of Appeals*, 34 we noted that:

. . . Among these, what essentially determines the attitudes of the purchaser, specifically his inclination to be cautious, is **the cost of the goods**. To be sure, a person who buys a box of candies will not



exercise as much care as one who buys an expensive watch. **As a general rule, an ordinary buyer does not exercise as much prudence in buying an article for which he pays a few centavos as he does in purchasing a more valuable thing. Expensive and valuable items are normally bought only after deliberate, comparative and analytical investigation.** But mass products, low priced articles in wide use, and matters of everyday purchase requiring frequent replacement are bought by the casual consumer without great care." (Underscoring provided)

With respect to the complainant's goods namely: Maybelline Forever Metallics Lipstick and Maybelline Forever Starlite Lipstick (Exhibit "G" and "H") which we have compared with the photographs of respondent's Advance Dazzling Shine Ever Bilena (Exhibit "J"), this Bureau is of the opinion that no unfair competition was committed by the respondents. Upon examination of the actual products themselves consisting of respondent's Advanced Dazzling Shine (Exhibit "1") and Maybelline Forever Starlites (Exhibit "2") and Maybelline Forever Metallics (Exhibit "N"), it is apparent that the lipsticks are in a similar shaped container and both are sport a metallic or frosted type color. Complainant's product is in a metallic or frosted blue and light lavender hue while respondent's product is colored metallic/frosted lavender. **While there is some resemblance between the two in shape, almost all lipstick products indeed come in a cylindrical type container and simply that the colors are of frosted or metallic in style will not lead to confusion given that the colors are not the same and the names are entirely different from one another. The words ADVANCE DAZZLING SHINE appear on the body of respondent's lipstick products while the name of the complainant, Maybelline Forever Starlites and Maybelline Forever Metallics are on the bottom portion of the lipstick container and in the plastic wrapper of the product** Also, respondent's product is also packaged in a box and the names of the lipstick are different. These factual findings negate unfair competition on the part of respondent-applicant.

WHEREFORE, in view of the foregoing, the complaint for Unfair Competition filed by L'oreal, a Societe Anonyme against Ever Bilena Cosmetics, Inc., and DSS Trading, is, as it is hereby, **DISMISSED**.

SO ORDERED.

Makati City. 9 March 2009.


ESTRELLITA BELTRAN-ABELARDO

Director, Bureau of Legal Affairs 