Supreme Court E-Library

SECOND DIVISION

[G.R. No. 158589. June 27, 2006]

PHILIP MORRIS, INC., BENSON & HEDGES (CANADA), INC., and FABRIQUES DE TABAC REUNIES, S.A., (now known as PHILIP MORRIS PRODUCTS S.A.), *petitioners, vs.* **FORTUNE TOBACCO CORPORATION,** *respondent.*

SYLLABUS

1. **REMEDIAL LAW; APPEALS; QUESTION OF LAW DISTINGUISHED FROM QUESTION OF FACT.** — A question of law exists when the doubt or difference arises as to what the law is on a certain state of facts; there is a question of fact when the doubt or differences arises as to the truth or falsity of alleged facts. Indeed, the Court is not the proper venue to consider factual issues as it is not a trier of facts. Unless the factual findings of the appellate court are mistaken, absurd, speculative, conflicting, tainted with grave abuse of discretion, or contrary to the findings culled by the court of origin, we will not disturb them.

2. **MERCANTILE LAW; TRADEMARK LAW (REPUBLIC ACT NO. 166); TRADEMARK INFRINGEMENT; TRADEMARK, DEFINED; REASON FOR PROTECTION THEREOF, EXPLAINED.** — A "Trademark" is any distinctive word, name, symbol, emblem, sign, or device, or any combination thereof adopted and used by a manufacturer or merchant on his goods to identify and distinguish them from those manufactured, sold, or dealt in by others. Inarguably, a trademark deserves protection. For, as Mr. Justice Frankfurter observed in *Mishawaka Mfg. Co. v. Kresge Co.*: The protection of trademarks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe what he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the

Supreme Court E-Library

market with the drawing power of a congenial symbol, whatever the means employed, the aim is the same – to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.

3. **ID.; ID.; TO AVAIL OF THE RIGHTS AND PRIVILEGES OF BEING A TRADEMARK REGISTRANT, FOREIGN CORPORATIONS MUST SHOW PROOF THAT ON TOP OF PHILIPPINE REGISTRATION, THEIR COUNTRY GRANTS SUBSTANTIALLY SIMILAR RIGHTS AND PRIVILEGES TO FILIPINO CITIZENS; CLARIFIED.** — The registration of a trademark gives the registrant, such as petitioners, advantages denied non-registrants or ordinary users, like respondent. But while petitioners enjoy the statutory presumptions arising from such registration, *i.e.,* as to the validity of the registration, ownership and the exclusive right to use the registered marks, they may not successfully sue on the basis alone of their respective certificates of registration of trademarks. For, petitioners are still foreign corporations. As such, they ought, as a condition to availment of the rights and privileges *vis-à-vis* their trademarks in this country, *to show proof that, on top of Philippine registration, their country grants substantially similar rights and privileges to Filipino citizens pursuant to Section 21-A of R.A. No. 166.* In *Leviton Industries v. Salvador,* the Court further held that the aforementioned reciprocity requirement is a condition *sine qua non* to filing a suit by a foreign corporation which, unless alleged in the complaint, would justify dismissal thereof, a mere allegation that the suit is being pursued under Section 21-A of R.A. No. 166 not being sufficient. In a subsequent case, however, the Court held that where the complainant is a national of a Paris Convention-adhering country, its allegation that it is suing under said Section 21-A would suffice, because the reciprocal agreement between the two countries is embodied and supplied by the Paris Convention which, being considered part of Philippine municipal laws, can be taken judicial notice of in infringement suits. As well, the fact that their respective home countries, namely, the United States, Switzerland and Canada, are, together with the Philippines, members of the Paris Union does not automatically

Supreme Court E-Library

entitle petitioners to the protection of their trademarks in this country *absent actual use of the marks in local commerce and trade.* True, the Philippines' adherence to the Paris Convention effectively obligates the country to honor and enforce its provisions as regards the protection of industrial property of foreign nationals in this country. However, any protection accorded has to be made subject to the limitations of Philippine laws. Hence, despite Article 2 of the Paris Convention which substantially provides that (1) nationals of member-countries shall have in this country rights specially provided by the Convention as are consistent with Philippine laws, and enjoy the privileges that Philippine laws now grant or may hereafter grant to its nationals, and (2) while no domicile requirement in the country where protection is claimed shall be required of persons entitled to the benefits of the Union for the enjoyment of any industrial property rights, foreign nationals must still observe and comply with the conditions imposed by Philippine law on its nationals.

4. ID.; ID.; ACTUAL USE OF TRADEMARK IS A PRE-REQUISITE TO ITS EXCLUSIVE OWNERSHIP; SUSTAINED. — Considering that R.A. No. 166, as amended, specifically Sections 2 and 2-A thereof, mandates *actual use* of the marks and/or emblems in local commerce and trade before they may be registered and ownership thereof acquired, the petitioners cannot, therefore, dispense with the element of actual use. Their being nationals of member-countries of the Paris Union does not alter the legal situation. x x x Contrary to what petitioners suggest, the registration of trademark cannot be deemed conclusive as to the actual use of such trademark in local commerce. As it were, registration does not confer upon the registrant an absolute right to the registered mark. The certificate of registration merely constitutes *prima facie* evidence that the registrant is the owner of the registered mark. Evidence of non-usage of the mark rebuts the presumption of trademark ownership, as what happened here when petitioners no less admitted not doing business in this country. Most importantly, we stress that registration in the Philippines of trademarks does not *ipso facto* convey an absolute right or exclusive ownership thereof. To borrow from *Shangri-La International Hotel Management, Ltd. v. Development Group of Companies, Inc.* trademark is a creation of use and, therefore, actual use is a

Supreme Court E-Library

pre-requisite to exclusive ownership; registration is only an administrative confirmation of the existence of the right of ownership of the mark, but does not perfect such right; actual use thereof is the perfecting ingredient.

5. **ID.; ID.; TRADEMARK INFRINGEMENT; DEFINED AND CONSTRUED.** — Section 22 of R.A. No. 166, as amended, defines what constitutes trademark infringement. The "likelihood of confusion" is the gravamen of trademark infringement. But likelihood of confusion is a relative concept, the particular, and sometimes peculiar, circumstances of each case being determinative of its existence. Thus, in trademark infringement cases, more than in other kinds of litigation, precedents must be evaluated in the light of each particular case.

6. **ID; ID.; ID.; DOMINANCY AND HOLISTIC TEST; DISTINGUISHED.** — In determining similarity and likelihood of confusion, jurisprudence had developed two tests: the *dominancy* test and the *holistic test.* The dominancy test sets sight on the similarity of the prevalent features of the competing trademarks that might cause confusion and deception, thus constitutes infringement. Under this norm, the question at issue turns on whether the use of the marks involved would be likely to cause confusion or mistake in the mind of the public or deceive purchasers. In contrast, the holistic test entails a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity.

7. **ID.; ID.; ID.; ELEMENTS.** — In *Mighty Corporation v. E. & J Gallo Winery,* the Court held that the following constitute the elements of trademark infringement in accordance not only with Section 22 of R.A. No. 166, as amended, but also Sections 2, 2-A, 9-A and 20 thereof: (a) a trademark actually used in commerce in the Philippines and registered in the principal register of the Philippine Patent Office, (b) is used by another person in connection with the sale, offering for sale, or advertising of any goods, business or services or in connection with which such use is *likely to cause confusion or mistake or to deceive purchasers* or others as to the *source or origin* of such goods or services, *or identity* of such business; or such trademark is reproduced, counterfeited, copied or colorably imitated by another person and such reproduction, counterfeit, copy or colorable imitation is applied to labels, signs, prints, packages, wrappers,

Supreme Court E-Library

receptacles or advertisements intended to be used upon or in connection with such goods, business or services as to likely cause confusion or mistake or to deceive purchasers, (c) the trademark is used for identical or similar goods, and (d) such act is done without the consent of the trademark registrant or assignee.

APPEARANCES OF COUNSEL

Quasha, Ancheta, Pena & Nolasco for petitioners.
Teresita Gandionco-Oledan for respondent.

D E C I S I O N

GARCIA, *J.*:

Via this petition for review under Rule 45 of the Rules of Court, herein petitioners Philip Morris, Inc., Benson & Hedges (Canada) Inc., and Fabriques de Tabac Reunies, S.A. (now Philip Morris Products S.A.) seek the reversal and setting aside of the following issuances of the Court of Appeals (CA) in *CA-G.R. CV No. 66619*, to wit:

1. *Decision dated January 21, 2003*[1] affirming an earlier decision of the Regional Trial Court of Pasig City, Branch 166, in its Civil Case No. 47374, which dismissed the complaint for trademark infringement and damages thereat commenced by the petitioners against respondent Fortune Tobacco Corporation; and

2. *Resolution dated May 30, 2003*[2] denying petitioners' motion for reconsideration.

Petitioner Philip Morris, Inc., a corporation organized under the laws of the State of Virginia, United States of America, is, per Certificate of Registration No. 18723 issued on April 26, 1973 by the Philippine Patents Office (PPO), the registered

[1] Penned by Associate Justice Mercedes Gozo-Dadole (ret.) and concurred in by Associate Justices Bennie Adefuin-Dela Cruz (ret.) and Mariano C. del Castillo; *Rollo*, pp. 9-34.

[2] *Id.* at 36.

Supreme Court E-Library

owner of the trademark "***MARK VII***" for cigarettes. Similarly, petitioner Benson & Hedges (Canada), Inc., a subsidiary of Philip Morris, Inc., is the registered owner of the trademark "***MARK TEN***" for cigarettes as evidenced by PPO Certificate of Registration No. 11147. And as can be seen in Trademark Certificate of Registration No. 19053, another subsidiary of Philip Morris, Inc., the Swiss company Fabriques de Tabac Reunies, S.A., is the assignee of the trademark "***LARK,***" which was originally registered in 1964 by Ligget and Myers Tobacco Company. On the other hand, respondent Fortune Tobacco Corporation, a company organized in the Philippines, manufactures and sells cigarettes using the trademark "***MARK.***"

The legal dispute between the parties started when the herein petitioners, on the claim that an infringement of their respective trademarks had been committed, filed, on August 18, 1982, a *Complaint for Infringement of Trademark and Damages* against respondent Fortune Tobacco Corporation, docketed as Civil Case No. 47374 of the Regional Trial Court of Pasig, Branch 166.

The decision under review summarized what happened next, as follows:

> In the *Complaint* xxx with prayer for the issuance of a preliminary injunction, [petitioners] alleged that they are foreign corporations not doing business in the Philippines and are suing on an isolated transaction. xxx they averred that the countries in which they are domiciled grant xxx to corporate or juristic persons of the Philippines the privilege to bring action for infringement, xxx without need of a license to do business in those countries. [Petitioners] likewise manifested [being registered owners of the trademark "MARK VII" and "MARK TEN" for cigarettes as evidenced by the corresponding certificates of registration and an applicant for the registration of the trademark "LARK MILDS"]. xxx. [Petitioners] claimed that they have registered the aforementioned trademarks in their respective countries of origin and that, by virtue of the long and extensive usage of the same, these trademarks have already gained international fame and acceptance. Imputing bad faith on the part of the [respondent], petitioners claimed that the [respondent], without any previous consent from any of the [petitioners], manufactured and sold cigarettes bearing

Supreme Court E-Library

the identical and/or confusingly similar trademark "MARK" xxx Accordingly, they argued that [respondent's] use of the trademark "MARK" in its cigarette products have caused and is likely to cause confusion or mistake, or would deceive purchasers and the public in general into buying these products under the impression and mistaken belief that they are buying [petitioners'] products.

Invoking the provisions of the *Paris Convention for the Protection of Industrial and Intellectual Property* (Paris Convention, for brevity), to which the Philippines is a signatory xxx, [petitioners] pointed out that upon the request of an interested party, a country of the Union may prohibit the use of a trademark which constitutes a reproduction, imitation, or translation of a mark already belonging to a person entitled to the benefits of the said Convention. They likewise argued that, in accordance with Section 21-A in relation to Section 23 of Republic Act 166, as amended, they are entitled to relief in the form of damages xxx [and] the issuance of a writ of preliminary injunction which should be made permanent to enjoin perpetually the [respondent] from violating [petitioners'] right to the exclusive use of their aforementioned trademarks.

[Respondent] filed its *Answer* xxx denying [petitioners'] material allegations and xxx averred [among other things] xxx that "MARK" is a common word, which cannot particularly identify a product to be the product of the [petitioners] xxx

xxx xxx xxx.

Meanwhile, after the [respondent] filed its *Opposition* (Records, Vo. I, p. 26), the matter of the [petitioners'] prayer for the issuance of a writ of preliminary injunction was negatively resolved by the court in an *Order* xxx dated March 28, 1973. [The incidental issue of the propriety of an injunction would eventually be elevated to the CA and would finally be resolved by the Supreme Court in its Decision dated July 16, 1993 in G.R. No. 91332]. xxx.

xxx xxx xxx

After the termination of the trial on the merits xxx trial court rendered its *Decision* xxx dated November 3, 1999 dismissing the complaint and counterclaim after making a finding that the [respondent] did not commit trademark infringement against the [petitioners]. Resolving first the issue of whether or not [petitioners] have capacity to institute the instant action, the trial court opined that [petitioners'] failure to present evidence to support their allegation that their respective countries

Supreme Court E-Library

indeed grant Philippine corporations reciprocal or similar privileges by law xxx justifies the dismissal of the complaint xxx. It added that the testimonies of [petitioners'] witnesses xxx essentially declared that [petitioners] are in fact doing business in the Philippines, but [petitioners] failed to establish that they are doing so in accordance with the legal requirement of first securing a license. Hence, the court declared that [petitioners] are barred from maintaining any action in Philippine courts pursuant to Section 133 of the Corporation Code.

The issue of whether or not there was infringement of the [petitioners'] trademarks by the [respondent] was likewise answered xxx in the negative. It expounded that "in order for a name, symbol or device to constitute a trademark, it must, either by itself or by association, point distinctly to the origin or ownership of the article to which it is applied and be of such nature as to permit an exclusive appropriation by one person." Applying such principle to the instant case, the trial court was of the opinion that the words "MARK," "TEN," "LARK" and the Roman Numerals "VII," either alone or in combination of each other do not by themselves or by association point distinctly to the origin or ownership of the cigarettes to which they refer, such that the buying public could not be deceived into believing that [respondent's] "MARK" cigarettes originated either from the USA, Canada, or Switzerland.

Emphasizing that the test in an infringement case is the likelihood of confusion or deception, the trial court stated that the general rule is that an infringement exists if the resemblance is so close that it deceives or is likely to deceive a customer exercising ordinary caution in his dealings and induces him to purchase the goods of one manufacturer in the belief that they are those of another. xxx. The trial court ruled that the [petitioners] failed to pass these tests as it neither presented witnesses or purchasers attesting that they have bought [respondent's] product believing that they bought [petitioners'] "MARK VII," "MARK TEN" or "LARK," and have also failed to introduce in evidence a specific magazine or periodical circulated locally, which promotes and popularizes their products in the Philippines. It, moreover, elucidated that the words consisting of the trademarks allegedly infringed by [respondent] failed to show that they have acquired a secondary meaning as to identify them as [petitioners'] products. Hence, the court ruled that the [petitioners] cannot avail themselves of the doctrine of secondary meaning.

As to the issue of damages, the trial court deemed it just not to award any to either party stating that, since the [petitioners] filed the

Supreme Court E-Library

action in the belief that they were aggrieved by what they perceived to be an infringement of their trademark, no wrongful act or omission can be attributed to them. xxx.[3] (Words in brackets supplied)

Maintaining to have the standing to sue in the local forum and that respondent has committed trademark infringement, petitioners went on appeal to the CA whereat their appellate recourse was docketed as *CA-G.R. CV No. 66619.*

Eventually, the CA, in its *Decision dated January 21, 2003,* while ruling for petitioners on the matter of their legal capacity to sue in this country for trademark infringement, nevertheless affirmed the trial court's decision on the underlying issue of respondent's liability for infringement as it found that:

> xxx the appellants' [petitioners'] trademarks, *i.e.,* "MARK VII," "MARK TEN" and "LARK," do not qualify as well-known marks entitled to protection even without the benefit of actual use in the local market and that the similarities in the trademarks in question are insufficient as to cause deception or confusion tantamount to infringement. Consequently, as regards the third issue, there is likewise no basis for the award of damages prayed for by the appellants herein.[4] (Word in bracket supplied)

With their motion for reconsideration having been denied by the CA in its equally challenged *Resolution of May 30, 2003,* petitioners are now with this Court *via* this petition for review essentially raising the following issues: (1) whether or not petitioners, as Philippine registrants of trademarks, are entitled to enforce trademark rights in this country; and (2) whether or not respondent has committed trademark infringement against petitioners by its use of the mark "MARK" for its cigarettes, hence liable for damages.

In its *Comment,*[5] respondent, aside from asserting the correctness of the CA's finding on its liability for trademark infringement and damages, also puts in issue the propriety of the petition as it allegedly raises questions of fact.

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[3] CA Decision; *Id.* at 10-19.

[4] CA Decision; *Id.* at 33.

[5] *Id.* at 228-296.

Supreme Court E-Library

The petition is bereft of merit.

Dealing first with the procedural matter interposed by respondent, we find that the petition raises both questions of fact and law contrary to the prescription against raising factual questions in a petition for review on *certiorari* filed before the Court. A question of law exists when the doubt or difference arises as to what the law is on a certain state of facts; there is a question of fact when the doubt or difference arises as to the truth or falsity of alleged facts.[6]

Indeed, the Court is not the proper venue to consider factual issues as it is not a trier of facts.[7] Unless the factual findings of the appellate court are mistaken, absurd, speculative, conflicting, tainted with grave abuse of discretion, or contrary to the findings culled by the court of origin,[8] we will not disturb them.

It is petitioners' posture, however, that their contentions should be treated as purely legal since they are assailing erroneous conclusions deduced from a set of undisputed facts.

Concededly, when the facts are undisputed, the question of whether or not the conclusion drawn therefrom by the CA is correct is one of law.[9] But, even if we consider and accept as pure questions of law the issues raised in this petition, still, the Court is not inclined to disturb the conclusions reached by the appellate court, the established rule being that all doubts shall be resolved in favor of the correctness of such conclusions.[10]

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[6] *Ramos v. Pepsi-Cola Bottling Co. of the Phils.*, L-22533, February 9, 1967, 19 SCRA 289, 292.

[7] *Moomba Mining Exploration Co. v. CA*, G.R. No. 108846, October 26, 1999, 317 SCRA 388, 397.

[8] *Smith Kline Beckman Corporation v. CA*, G.R. No. 126627, August 14, 2003, 409 SCRA 33, 39.

[9] F. D. Regalado, *REMEDIAL LAW COMPENDIUM,* Vol. 1, 1999 ed., p. 541.

[10] *Ibid.*, citing *Pilar Dev. Corp. v. IAC, et al.*, G.R. No. 72283, December 12, 1986, 146 SCRA 215.

Supreme Court E-Library

Be that as it may, we shall deal with the issues tendered and determine whether the CA ruled in accordance with law and established jurisprudence in arriving at its assailed decision.

A "trademark" is any distinctive word, name, symbol, emblem, sign, or device, or any combination thereof adopted and used by a manufacturer or merchant on his goods to identify and distinguish them from those manufactured, sold, or dealt in by others.[11] Inarguably, a trademark deserves protection. For, as Mr. Justice Frankfurter observed in *Mishawaka Mfg. Co. v. Kresge Co.*:[12]

> The protection of trademarks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe what he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same – to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.

It is thus understandable for petitioners to invoke in this recourse their entitlement to enforce trademark rights in this country, specifically, the right to sue for trademark infringement in Philippine courts and be accorded protection against unauthorized use of their Philippine-registered trademarks.

In support of their contention respecting their right of action, petitioners assert that, as corporate nationals of member-countries of the Paris Union, they can sue before Philippine courts for infringement of trademarks, or for unfair competition, *without need of obtaining registration or a license to do business*

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[11] Sec. 38 of R.A. No. 166.

[12] 316 U.S. 203, 53 USPQ 323 [1942] cited in *Societe Des Produits Nestle, S.A. v. Court of Appeals*, G.R. No. 112012, April 4, 2001, 356 SCRA 207, 215.

Supreme Court E-Library

in the Philippines, and without necessity of actually doing business in the Philippines. To petitioners, these grievance right and mechanism are accorded not only by Section 21-A of Republic Act (R.A.) No. 166, as amended, or the *Trademark Law,* but also by Article 2 of the *Paris Convention for the Protection of Industrial Property,* otherwise known as the *Paris Convention.*

In any event, petitioners point out that there is actual use of their trademarks in the Philippines as evidenced by the certificates of registration of their trademarks. The marks *"MARK TEN"* and *"LARK"* were registered on the basis of actual use in accordance with Sections 2-A[13] and 5(a)[14] of R.A. No. 166, as amended, providing for a 2-month pre-registration use in local commerce and trade while the registration of "MARK VII" was on the basis of registration in the foreign country of origin

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[13] Sec. 2-A. *Ownership of trademarks, trade names and servicemarks; how acquired.* – Anyone who lawfully produces or deals in merchandise of any kind or who engages in any lawful business, xxx, by actual use thereof in manufacture or trade, in business, xxx, may appropriate to his exclusive use a trademark, a trade name, or a servicemark not so appropriated by another, to distinguish his merchandise, [or] business xxx from the merchandise, business or service of others. The ownership or possession of a trademark, trade name, servicemark, 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.

[14] SEC. 5. *Requirements of the application.* – xxx

(a) Sworn statement of the applicant's domicile and citizenship, the date of the applicant's first use of the mark or trade-name, the date of the applicant's first use of the mark or trade-name in commerce or business, the goods, business or services in connection with which the mark or trade-name is used and the mode or manner in which the mark is used in connection with such goods, business or services, and that the person making the application believes himself, or the firm, corporation or association on whose behalf he makes the verification, to be the owner of the mark or trade-name sought to be registered, that the mark or trade-name is in use in commerce or business, and that to be best of his knowledge no person, firm, corporation or association has the right to use such mark or trade-name in commerce or business either in the identical form thereof or in such near resemblance thereto as might be calculated to deceive; xxx.

Supreme Court E-Library

pursuant to Section 37 of the same law wherein it is explicitly provided that prior use in commerce need not be alleged.[15]

Besides, petitioners argue that their not doing business in the Philippines, if that be the case, does not mean that cigarettes bearing their trademarks are not available and sold locally. Citing *Converse Rubber Corporation v. Universal Rubber Products, Inc.*,[16] petitioners state that such availability and sale may be effected through the acts of importers and distributors.

Finally, petitioners would press on their entitlement to protection even in the absence of actual use of trademarks in the country in view of the Philippines' adherence to the *Trade Related Aspects of Intellectual Property Rights* or the TRIPS Agreement and the enactment of R.A. No. 8293, or the Intellectual Property Code (hereinafter the "IP Code"), both of which provide that the fame of a trademark may be acquired through promotion or advertising with no explicit requirement of actual use in local trade or commerce.

Before discussing petitioners' claimed entitlement to enforce trademark rights in the Philippines, it must be emphasized that their standing to sue in Philippine courts had been recognized, and rightly so, by the CA. It ought to be pointed out, however, that the appellate court qualified its holding with a statement, following *G.R. No. 91332,* entitled *Philip Morris, Inc., et al. v. The Court of Appeals and Fortune Tobacco Corporation,*[17] that such right to sue does not necessarily mean protection of

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[15] Sec. 37. Rights of Foreign Registrants-Persons who are nationals of, domiciled in, or have a bona fide or effective business or commercial establishment in any foreign country, which is a party to an international convention or treaty relating to marks or tradenames on the repression of unfair competition to which the Philippines may be a party, shall be entitled to the benefits and subject to the provisions of this Act . . . x x x

"*Tradenames of persons described in the first paragraph of this section shall be protected without the obligation of filing or registration* (sic) *whether or not they form parts of marks.*"

[16] G.R. No. L-27906, January 8, 1987, 147 SCRA 154.

[17] *Philip Morris, Inc., et al. vs. CA, et al.*, July 16, 1993, 224 SCRA 576, 595.

Supreme Court E-Library

their registered marks in the absence of actual use in the Philippines.

Thus clarified, what petitioners now harp about is their entitlement to protection *on the strength of registration of their trademarks in the Philippines.*

As we ruled in *G.R. No. 91332,*[18] *supra,* so it must be here.

Admittedly, the registration of a trademark gives the registrant, such as petitioners, advantages denied non-registrants or ordinary users, like respondent. But while petitioners enjoy the statutory presumptions arising from such registration,[19] *i.e.,* as to the validity of the registration, ownership and the exclusive right to use the registered marks, they may not successfully sue on the basis alone of their respective certificates of registration of trademarks. For, petitioners are still foreign corporations. As such, they ought, as a condition to availment of the rights and privileges *vis-à-vis* their trademarks in this country, *to show proof that, on top of Philippine registration, their country grants substantially similar rights and privileges to Filipino citizens pursuant to Section 21-A*[20] *of R.A. No. 166.*

In *Leviton Industries v. Salvador,*[21] the Court further held that the aforementioned reciprocity requirement is a condition

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[18] Superseded by R.A. No. 8293 which took effect on January 1, 1998.

[19] SEC. 20. *Certificate of registration prima facie evidence of validity.* – A certificate of registration of a mark or trade name shall be *prima facie* evidence of the validity of the registration, the registrant's ownership of the mark xxx, and of the registrant's exclusive right to use the same xxx, subject to any conditions and limitations stated therein. (Superseded by Sec. 138 of R.A. No. 8293).

[20] SECTION 21-A. Any foreign corporation or juristic person to which a mark or trade-name has been registered or assigned under this Act may bring an action hereunder for infringement, xxx, whether or not it has been licensed to do business in the Philippines under Act [No. 1495] or the Corporation Law, at the time it brings complaint: Provided, That the country of which the said foreign corporation or juristic person is a citizen or in which it is domiciled, by treaty, convention or law, grants a similar privilege to corporate or juristic persons of the Philippines. (Superseded by Section 160 of R.A. No. 8293)

[21] G.R. No. L-40163, June 19, 1982, 114 SCRA 420.

Supreme Court E-Library

sine qua non to filing a suit by a foreign corporation which, unless alleged in the complaint, would justify dismissal thereof, a mere allegation that the suit is being pursued under Section 21-A of R.A. No. 166 not being sufficient. In a subsequent case,[22] however, the Court held that where the complainant is a national of a Paris Convention- adhering country, its allegation that it is suing under said Section 21-A would suffice, because the reciprocal agreement between the two countries is embodied and supplied by the Paris Convention which, being considered part of Philippine municipal laws, can be taken judicial notice of in infringement suits.[23]

As well, the fact that their respective home countries, namely, the United States, Switzerland and Canada, are, together with the Philippines, members of the Paris Union does not automatically entitle petitioners to the protection of their trademarks in this country *absent actual use of the marks in local commerce and trade.*

True, the Philippines' adherence to the Paris Convention[24] effectively obligates the country to honor and enforce its provisions[25] as regards the protection of industrial property of foreign nationals in this country. However, any protection accorded has to be made subject to the limitations of Philippine laws.[26] Hence, despite Article 2 of the Paris Convention which

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[22] *Puma Sportschufabriken Rudolf Dassler, K.G. v. IAC.*, G.R. No. 75067, February 26, 1988, 158 SCRA 233.

[23] Agpalo, *The Law on Trademark, Infringement and Unfair Competition,* 2000 ed., pp. 209-210.

[24] The Paris Convention is essentially a compact among the various member countries to accord in their own countries to citizens of the other contracting parties' trademarks and other rights comparable to those accorded their own citizens by their domestic laws. The underlying principle is that foreign nationals should be given the same treatment in each of the member countries as that country makes available to its own citizens. (*La Chemise Lacoste, S.A. v. Fernandez*, G.R. No. 63796-97, May 21, 1984, 129 SCRA 373.)

[25] See *La Chemise Lacoste S.A. v. Fernandez, supra* at pp. 386-387.

[26] Agpalo, *The Law on Trademark, Infringement and Unfair Competition, supra* at p. 199.

Supreme Court E-Library

substantially provides that (1) nationals of member-countries shall have in this country rights specially provided by the Convention as are consistent with Philippine laws, and enjoy the privileges that Philippine laws now grant or may hereafter grant to its nationals, and (2) while no domicile requirement in the country where protection is claimed shall be required of persons entitled to the benefits of the Union for the enjoyment of any industrial property rights,[27] foreign nationals must still observe and comply with the conditions imposed by Philippine law on its nationals.

Considering that R.A. No. 166, as amended, specifically Sections 2[28] and 2-A[29] thereof, mandates *actual use* of the

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[27] ART. 2. Nationals of each of the countries of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals, without prejudice to the rights specially provided by the present Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided they observe the conditions and formalities imposed upon nationals.

[28] Sec. 2. *What are registrable.* – Trademarks, tradenames and service marks owned by persons, corporations, partnerships or associations domiciled in the Philippines and by persons, corporations, partnerships or associations domiciled in any foreign country may be registered in accordance with the provisions of this Act; *Provided, That said trademarks, tradenames, or service marks are actually in use in commerce* and services not less than two months *in the Philippines* before the time the applications for registration are filed; And provided, further, That the country of which the applicant for registration is a citizen grants by law substantially similar privileges to citizens of the Philippines, and such fact is officially certified, ... (As amended by R.A. No. 865).

[29] Sec. 2-A. *Ownership of trademarks, trade names and servicemarks; 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 servicemark 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, servicemark, 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. (Now Sec. 122 of R.A. No. 8293.)

Supreme Court E-Library

marks and/or emblems in local commerce and trade before they may be registered and ownership thereof acquired, the petitioners cannot, therefore, dispense with the element of actual use. Their being nationals of member-countries of the Paris Union does not alter the legal situation.

In *Emerald Garment Mfg. Corporation v. Court of Appeals*,[30] the Court reiterated its rulings in *Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft*,[31] *Kabushi Kaisha Isetan v. Intermediate Appellate Court*,[32] and *Philip Morris v. Court of Appeals and Fortune Tobacco Corporation*[33] on the importance of *actual commercial use* of a trademark in the Philippines notwithstanding the Paris Convention:

> The provisions of the 1965 Paris Convention ... relied upon by private respondent and Sec. 21-A of the Trademark Law were sufficiently expounded upon and qualified in the recent case of *Philip Morris, Inc., et al. vs. Court of Appeals:*
>
> xxx xxx xxx
>
> Following universal acquiescence and comity, our municipal law on trademarks regarding the requirements of actual use in the Philippines must subordinate an international agreement inasmuch as the apparent clash is being decided by a municipal tribunal. xxx. Withal, the fact that international law has been made part of the law of the land does not by any means imply the primacy of international law over national law in the municipal sphere. Under the doctrine of incorporation as applied in most countries, rules of International Law are given a standing equal, not superior, to national legislative enactments.
>
> xxx xxx xxx
>
> In other words, (a foreign corporation) may have the capacity to sue for infringement ... but the question of whether they have an exclusive right over their symbol as to justify issuance of the controversial writ will depend on actual use of their trademarks in the Philippines in line with Sections 2 and 2-A of the same law. It is

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[30] G.R. No. 100098, December 29, 1995, 251 SCRA 600, 619-621.

[31] L-19906, April 30, 1969, 27 SCRA 1214.

[32] G.R. No. 75420, November 15, 1991, 203 SCRA 583.

[33] *Supra.*

Supreme Court E-Library

thus incongruous for petitioners to claim that when a foreign corporation not licensed to do business in the Philippines files a complaint for infringement, the entity need not be actually using its trademark in commerce in the Philippines. Such a foreign corporation may have the personality to file a suit for infringement but it may not necessarily be entitled to protection due to absence of actual use of the emblem in the local market.

Contrary to what petitioners suggest, the registration of trademark cannot be deemed conclusive as to the actual use of such trademark in local commerce. As it were, registration does not confer upon the registrant an absolute right to the registered mark. The certificate of registration merely constitutes *prima facie* evidence that the registrant is the owner of the registered mark. Evidence of non-usage of the mark rebuts the presumption of trademark ownership,[34] as what happened here when petitioners no less admitted not doing business in this country.[35]

Most importantly, we stress that registration in the Philippines of trademarks does not *ipso facto* convey an absolute right or exclusive ownership thereof. To borrow from *Shangri-La International Hotel Management, Ltd. v. Development Group of Companies, Inc.*[36] trademark is a creation of use and, therefore, actual use is a pre-requisite to exclusive ownership; registration is only an administrative confirmation of the existence of the right of ownership of the mark, but does not perfect such right; actual use thereof is the perfecting ingredient.[37]

Petitioners' reliance on *Converse Rubber Corporation*[38] is quite misplaced, that case being cast in a different factual milieu. There, we ruled that a foreign owner of a Philippine trademark, albeit not licensed to do, and not so engaged in, business in the Philippines, may actually earn reputation or goodwill for its goods in the country. But unlike in the instant case, evidence

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[34] *Emerald Garment Mfg. Corp. supra* at p. 623.

[35] Petitioners' Complaint in the RTC; *Rollo*, p. 207.

[36] G.R. No. 159938, March 31, 2006.

[37] *Supra* note 32.

[38] *Supra* note 16.

Supreme Court E-Library

of actual sales of Converse rubber shoes, such as sales invoices, receipts and the testimony of a legitimate trader, was presented in *Converse*.

This Court also finds the IP Code and the TRIPS Agreement to be inapplicable, the infringement complaint herein having been filed in August 1982 and tried under the aegis of R.A. No. 166, as amended. The IP Code, however, took effect only on January 1, 1998 without a provision as to its retroactivity.[39] In the same vein, the TRIPS Agreement was inexistent when the suit for infringement was filed, the Philippines having adhered thereto only on December 16, 1994.

With the foregoing perspective, it may be stated right off that the registration of a trademark unaccompanied by actual use thereof in the country accords the registrant only the standing to sue for infringement in Philippine courts. Entitlement to protection of such trademark in the country is entirely a different matter.

This brings us to the principal issue of infringement.

Section 22 of R.A. No. 166, as amended, defines what constitutes trademark infringement, as follows:

> Sec. 22. *Infringement, what constitutes.* – Any person who shall use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or tradename in connection with the sale, offering for sale, or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services, or identity of such business; or reproduce, counterfeit, copy of color ably imitate any such mark or tradename and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business, or services, shall be liable to a civil action by the registrant for any or all of the remedies herein provided.

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[39] Sec. 241 of IP Code.

Supreme Court E-Library

Petitioners would insist on their thesis of infringement since respondent's mark "MARK" for cigarettes is confusingly or deceptively similar with their duly registered "MARK VII," "MARK TEN" and "LARK" marks likewise for cigarettes. To them, the word "MARK" would likely cause confusion in the trade, or deceive purchasers, particularly as to the source or origin of respondent's cigarettes.

The "likelihood of confusion" is the gravamen of trademark infringement.[40] But likelihood of confusion is a relative concept, the particular, and sometimes peculiar, circumstances of each case being determinative of its existence. Thus, in trademark infringement cases, more than in other kinds of litigation, precedents must be evaluated in the light of each particular case.[41]

In determining similarity and likelihood of confusion, jurisprudence has developed two tests: the *dominancy* test and the *holistic* test.[42] The dominancy test[43] sets sight on the similarity of the prevalent features of the competing trademarks that might cause confusion and deception, thus constitutes infringement. Under this norm, the question at issue turns on whether the use of the marks involved would be likely to cause confusion or mistake in the mind of the public or deceive purchasers.[44]

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[40] *McDonald's Corp. v. L.C. Big Mak Burger, Inc.*, G.R. No. 143993, August 18, 2004, 437 SCRA 10.

[41] *Emerald Garment Mfg. Corporation v. CA, supra*, citing *Esso Standard Eastern Inc. v. CA*, L-29971, August 31, 1982, 116 SCRA 336; also in *Mighty Corporation v. E & J Gallo Winery*, G.R. No. 154342, July 14, 2004, 434 SCRA 473, 504.

[42] *Id.* at p. 506.

[43] *Applied in McDonald's Corp. v. L.C. Big Mak Burger, Inc., supra*; *Asia Brewery, Inc. v. CA*, G.R. No. 103543, July 5, 1993, 224 SCRA 437; *Converse Rubber Corp. v. Universal Rubber Products, Inc., supra*; *Phil. Nut Industry Inc. v. Standard Brands, Inc., et al.*, L-23035, July 31, 1975, 65 SCRA 575.

[44] *Emerald Garment Mfg. Corporation v. Court of Appeals, supra* at p. 615.

Supreme Court E-Library

In contrast, the holistic test[45] entails a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity.

Upon consideration of the foregoing in the light of the peculiarity of this case, we rule against the likelihood of confusion resulting in infringement arising from the respondent's use of the trademark "MARK" for its particular cigarette product.

For one, as rightly concluded by the CA after comparing the trademarks involved in their entirety as they appear on the products,[46] 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 "MARK VII" and "MARK TEN," the entire marking system should be considered as a whole and not dissected, because a discerning eye would focus not only on the predominant word but also on the other 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 marks.[47]

This said, the CA then, in finding that respondent's goods cannot be mistaken as any of the three cigarette brands of the petitioners, correctly relied on the holistic test.

But, even if the dominancy test were to be used, as urged by the petitioners, but bearing in mind that a trademark serves as a tool to point out distinctly the origin or ownership of the goods to which it is affixed,[48] the likelihood of confusion

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[45] Applied in *Emerald Garment Mfg. Corporation v. Court of Appeals, supra; Del Monte Corp. v. CA*, G.R. No. 78325, January 25, 1990, 181 SCRA 410; *Fruit of the Loom, Inc. v. CA, et al.*, L-32747, September 29, 1984, 133 SCRA 405; *Bristol Myers Co. v. Dir. of Patents, et al.*, L-21587, May 19, 1966, 17 SCRA 128.

[46] See CA Decision; *Rollo*, pp. 28-30.

[47] *Mead Johnson & Co. v. N.V.J. Van Dorp. Ltd., et al.*, L-17501, April 27, 1963, 7 SCRA 768, 771.

[48] *Gabriel v. Perez, et al.*, L-24075, January 31, 1974, 55 SCRA 406.

Supreme Court E-Library

tantamount to infringement appears to be farfetched. The reason for the origin and/or ownership angle is that unless the words or devices do so point out the origin or ownership, the person who first adopted them cannot be injured by any appropriation or imitation of them by others, nor can the public be deceived.[49]

Since the word "MARK," be it alone or in combination with the word "TEN" and the Roman numeral "VII," does not point to the origin or ownership of the cigarettes to which they apply, the local buying public could not possibly be confused or deceived that respondent's "MARK" is the product of petitioners and/or originated from the U.S.A., Canada or Switzerland. And lest it be overlooked, no actual commercial use of petitioners' marks in local commerce was proven. There can thus be no occasion for the public in this country, unfamiliar in the first place with petitioners' marks, to be confused.

For another, a comparison of the trademarks as they appear on the goods is just one of the appreciable circumstances in determining likelihood of confusion. *Del Monte Corp. v. CA*[50] dealt with another, where we instructed to give due regard to the "ordinary purchaser," thus:

> The question is not whether the two articles are distinguishable by their label when set side by side but whether the general confusion made by the article upon the eye of the casual purchaser who is unsuspicious and off his guard, is such as to likely result in his confounding it with the original. As observed in several cases, the general impression of the ordinary purchaser, buying under the normally prevalent conditions in trade and giving the attention such purchasers usually give in buying that class of goods is the touchstone.

When we spoke of an "ordinary purchaser," the reference was not to the "completely unwary customer" but to the "ordinarily intelligent buyer" considering the type of product involved.[51]

It cannot be over-emphasized that the products involved are addicting cigarettes purchased mainly by those who are already

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[49] 74 Am. Jur. 2d, *Trademarks and Tradenames*, Sec. 5.

[50] *Supra* at p. 417.

[51] *Emerald Garment Mfg. Corp. v. CA, supra* at p. 618.

Supreme Court E-Library

predisposed to a certain brand. Accordingly, the ordinary buyer thereof would be all too familiar with his brand and discriminating as well. We, thus, concur with the CA when it held, citing a definition found in *Dy Buncio v. Tan Tiao Bok,*[52] that the *"ordinary purchaser"* in this case means *"one accustomed to buy, and therefore to some extent familiar with, the goods in question."*

Pressing on with their contention respecting the commission of trademark infringement, petitioners finally point to Section 22 of R.A. No. 166, as amended. As argued, actual use of trademarks in local commerce is, under said section, not a requisite before an aggrieved trademark owner can restrain the use of his trademark upon goods manufactured or dealt in by another, it being sufficient that he had registered the trademark or trade-name with the IP Office. In fine, petitioners submit that respondent is liable for infringement, having manufactured and sold cigarettes with the trademark "MARK" which, as it were, are identical and/or confusingly similar with their duly registered trademarks "MARK VII," "MARK TEN" and "LARK."

This Court is not persuaded.

In *Mighty Corporation v. E & J Gallo Winery,*[53] the Court held that the following constitute the elements of trademark infringement in accordance not only with Section 22 of R.A. No. 166, as amended, but also Sections 2, 2-A, 9-A[54] and 20 thereof:

(a) a trademark actually used in commerce in the Philippines and registered in the principal register of the Philippine Patent Office,

(b) is used by another person in connection with the sale, offering for sale, or advertising of any goods, business or services or in connection with which such use is *likely to cause confusion or mistake*

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[52] 42 Phil. 190 (1921).

[53] G.R. No. 154342, July 14, 2004, 434 SCRA 473, 496-497.

[54] Sec. 9-A. *Equitable principles to govern proceedings.* – In opposition proceedings and in all other *inter partes* proceedings ... under this Act, equitable principles of laches, estoppel, and acquiescence where applicable, may be considered and applied. (As added by R.A. No. 638.)

Supreme Court E-Library

or to deceive purchasers or others as to the *source or origin* of such goods or services, *or identity* of such business; or such trademark is reproduced, counterfeited, copied or colorably imitated by another person and such reproduction, counterfeit, copy or colorable imitation is applied to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services as to likely cause confusion or mistake or to deceive purchasers,

(c) the trademark is used for identical or similar goods, and

(d) such act is done without the consent of the trademark registrant or assignee.

As already found herein, while petitioners have registered the trademarks "MARK VII," "MARK TEN" and "LARK" for cigarettes in the Philippines, prior actual commercial use thereof had not been proven. In fact, petitioners' judicial admission of not doing business in this country effectively belies any pretension to the contrary.

Likewise, we note that petitioners even failed to support their claim that their respective marks are well-known and/or have acquired goodwill in the Philippines so as to be entitled to protection even without actual use in this country in accordance with Article 6bis[55] of the Paris Convention. As correctly found by the CA, affirming that of the trial court:

xxx the records are bereft of evidence to establish that the appellants' [petitioners'] products are indeed well-known in the Philippines, either through actual sale of the product or through different forms of advertising. This finding is supported by the fact that appellants admit in their *Complaint* that they are not doing

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[55] Art. 6bis provides: x x x the countries of the Union undertakes, either administratively if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration and to prohibit the use of a trademark which constitutes a reproduction, imitation or translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of the present Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any of such well-known mark or an imitation liable to create confusion therewith.

Supreme Court E-Library

business in the Philippines, hence, admitting that their products are not being sold in the local market. We likewise see no cogent reason to disturb the trial court's finding that the appellants failed to establish that their products are widely known by local purchasers as "(n)o specific magazine or periodical published in the Philippines, or in other countries but circulated locally" have been presented by the appellants during trial. The appellants also were not able to show the length of time or the extent of the promotion or advertisement made to popularize their products in the Philippines.[56]

Last, but not least, we must reiterate that the issue of trademark infringement is factual, with both the trial and appellate courts having peremptorily found allegations of infringement on the part of respondent to be without basis. As we said time and time again, factual determinations of the trial court, concurred in by the CA, are final and binding on this Court.[57]

For lack of convincing proof on the part of the petitioners of actual use of their registered trademarks prior to respondent's use of its mark and for petitioners' failure to demonstrate confusing similarity between said trademarks, the dismissal of their basic complaint for infringement and the concomitant plea for damages must be affirmed. The law, the surrounding circumstances and the equities of the situation call for this disposition.

WHEREFORE, the petition is hereby *DENIED*. Accordingly, the assailed decision and resolution of the Court of Appeals are *AFFIRMED*.

Costs against the petitioners.

SO ORDERED.

Puno (Chairperson), Sandoval-Gutierrez, Corona, and *Azcuna, JJ.,* concur.

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[56] *Rollo*, p. 179.

[57] *Sambar v. Levi Strauss & Co.*, G.R. No. 132604, March 6, 2002, 378 SCRA 364, 370.