



Republic of the Philippines
 Supreme Court
 Manila

FIRST DIVISION

EMZEE FOODS, INC.,
Petitioner,

G.R. No. 220558

Present:

- versus -

PERALTA, C.J.,
 CAGUIOA,
 CARANDANG,
 ZALAMEDA, *and*
 GAERLAN, JJ.

ELARFOODS, INC.,
Respondent.

Promulgated:

FEB 17 2021

withhold

X-----X

DECISION

GAERLAN, J.:

A business is remembered and revered by its goodwill and reputation. Hence, for a business, its mark is not simply a random, meaningless combination of letters, phrases or symbols. Rather these emblems embody the quality of the goods and services offered by the entity. For these reasons, the law steps in to protect its intellectual property rights.

This resolves the Petition for Review on *Certiorari* under Rule 45 of the Rules of Court filed by Emzee Foods, Inc. (petitioner), praying for the reversal of the March 27, 2015 Decision¹ and September 11, 2015 Resolution² of the Court of Appeals (CA) in CA-GR. SP No. 133652. The CA affirmed the December 20, 2013 Decision³ of the Director General of the Intellectual Property Office (IPO), declaring petitioner liable for unfair competition and trademark infringement.

¹ *Rollo*, pp. 37-59; penned by Associate Justice Amy C. Lazaro-Javier (now a Member of this Court), with Associate Justices Romeo F. Barza, and Melchor Q. C. Sadang, concurring.

² *Id.* at 30-35.

³ *Id.* at 82-86.

↓

Antecedents

Sometime in 1970, spouses Jose and Leonor Lontoc (spouses Lontoc) established a business of selling Filipino food and roasted pigs, which they marketed under the name “ELARS Lechon.”⁴

Desiring to leave a legacy, in 1989, the spouses Lontoc incorporated their food business. Thus, on May 19, 1989, Elarfoods, Inc. (respondent) was granted a Certificate of Registration by the Securities and Exchange Commission (SEC).⁵

Since then, the spouses Lontoc actively managed the respondent corporation. Over the years, respondent used Elarfoods, Inc. as its business name and marketed its products, particularly, its roasted pigs as “ELAR’S LECHON ON A BAMBOO TRAY.” Eventually, it rose to notoriety as the “ELAR’S LECHON” brand.⁶

However, without respondent’s knowledge and permission, petitioner sold and distributed roasted pigs using the marks “ELARZ LECHON”, “ELAR LECHON,” “PIG DEVICE” and “ON A BAMBOO TRAY”, thereby making it appear that petitioner was a branch or franchisee of the respondent.

On September 25, 2001, respondent filed with the IPO an application for registration of the trademark “ELARS LECHON.” Thereafter, on October 1, 2001, respondent filed two more applications for the marks “ON A BAMBOO TRAY” and “ROASTED PIG DEVICE” (collectively, subject marks).⁷ The mark “ROASTED PIG DEVICE” is a design or representation of a roasted pig on a bamboo stick placed on top of a bamboo tray.⁸

On October 2, 2001, respondent sent the petitioner a Cease and Desist Letter⁹ urging the latter to stop using the subject marks or any variations thereof. However, petitioner ignored the demand and continued selling its roasted pigs under the marks “ELARZLECHON,” “ELAR LECHON,” “PIG DEVICE,” and “ON A BAMBOO TRAY,” thereby causing confusion as to the source and origin of the products.¹⁰

⁴ Id. at 354.

⁵ Id.

⁶ Id.

⁷ Id. at 356.

⁸ Id. at 231.

⁹ Id. at 214-216.

¹⁰ Id. at 357.

Thereafter, respondent filed three separate complaints¹¹ for unfair competition and violation of intellectual property rights against petitioner for the latter's use of the former's trademarks "ELARS LECHON," "ROASTED PIG DEVICE," and "ON A BAMBOO TRAY." Respondent claimed that petitioner unfairly rode on its fame, goodwill and reputation, causing its sales and profits to be diverted to petitioner.¹²

On November 12, 2001, the Bureau of Legal Affairs (BLA) of the IPO ordered the consolidation of the cases.¹³

Petitioner filed an Answer, where it countered that the respondent is not the owner of the subject marks. Rather, respondent is a mere alter ego or business conduit of the spouses Lontoc who have proprietary rights over the marks. Petitioner related that the mark "Elar" stands for "L.R.," which are the initials of the spouses Lontoc-Rodriguez's family names. In fact, since 1967, the spouses Lontoc have used "Elar" for their other corporations, such as Elar Development (ELARDEV) for their livestock business; Casa Elar Incorporated (CASA ELAR) for their restaurant business; and Elar Foods (Elarfoods) for their meat business. Petitioner further narrated that Jose Lontoc (Jose) himself designed the logo which became the symbol and mark of "ELARS LECHON." The phrase "ON A BAMBOO TRAY" was loosely used by Jose and through word of mouth, became associated with "ELARS LECHON".

On August 8, 2005, BLA Director Estrelita Beltran-Abelardo (Beltran-Abelardo) dismissed the complaint. She ruled that the spouses Lontoc are the owners of the subject marks by prior commercial use. Said marks acquired popularity through their consistent use in connection with the spouses Lontoc's lechon business, even prior to the respondent's incorporation. Moreover, BLA Director Beltran-Abelardo opined that the use of the "ELAR" mark was not coined by the spouses Lontoc for the sole benefit of respondent, but for the use of the Lontoc-Rodriguez clan in their businesses.¹⁴ At best, respondent merely acquired the usufruct of the subject trademarks. On this score, the real-party-in-interest to file a suit against the petitioner is the Estate of the spouses Lontoc.¹⁵ In the same vein, it is only the Estate who may apply for registration and appropriate the subject trademarks for its exclusive use.¹⁶ In the absence of a valid transfer or assignment in favor of the respondent or the petitioner, any goodwill that may be earned through the use of the trademark shall redound to the Estate's

¹¹ Id. at 217-227.

¹² Id. at 357.

¹³ Id. at 350.

¹⁴ Id. at 98.

¹⁵ Id.

¹⁶ Id. at 99.

benefit.¹⁷ Finally, BLA Director Beltran-Abelardo concluded that her office has no jurisdiction to make a final determination on the matter considering that it is not a probate court.¹⁸

Meanwhile, during the pendency of the proceedings before the BLA, particularly on February 10, 2005, April 28, 2006, and October 2, 2006, the IPO issued Certificates of Registration in favor of the respondent for the marks "ON A BAMBOO TRAY,"¹⁹ "ELARS LECHON"²⁰ and "ROASTED PIG DEVICE,"²¹ respectively. Said Certificates are valid for a period of 10 years from their respective dates of issuance.²²

On September 17, 2005, respondent sought reconsideration of BLA Director Beltran-Abelardo's ruling, which was denied in the latter's Resolution²³ dated December 21, 2009.

Hence, on February 10, 2010, respondent filed an appeal before the Office of the Director General.²⁴

Ruling of the IPO Director General

In a Decision²⁵ dated December 20, 2013, IPO Director General Ricardo R. Blancaflor (Blancaflor) reversed the BLA. He stated that there was no need for a written assignment of the subject trademarks because the spouses Lontoc themselves, in their desire to leave a legacy, incorporated and registered respondent with the SEC. As a result, all rights and interests of the spouses Lontoc, including the subject trademarks were transferred to respondent. In fact, the spouses Lontoc actively managed respondent and represented to the public that they were its owners. Even petitioner admitted that respondent is an alter ego of the spouses Lontoc, implying that the rights and interests of respondent are identical and inseparable from those of the spouses Lontoc.

Likewise, Director General Blancaflor explained that the requirement of a written assignment of rights applies only if the trademark is already registered, or has a pending application for registration. In this case, a written assignment was not yet possible considering that the subject

¹⁷ Id.

¹⁸ Id.

¹⁹ Id. at 228.

²⁰ Id. at 229-230.

²¹ Id. at 231.

²² Id. at 360.

²³ Id. at 194-196.

²⁴ Id. at 359-360.

²⁵ Id. at 82-86.

trademarks were not yet registered nor the subject of an application for registration. Hence, Director General Blancaflor concluded that petitioner's use of the trademarks "ELARZLECHON," "ELAR LECHON," "PIG DEVICE," and "ON A BAMBOO TRAY" constituted unfair competition during the time that the marks were not yet registered, and trademark infringement, after their registration. He further expressed that the petitioner should have been made liable for the payment of damages and should have been subject to injunction. Accordingly, he disposed of the case as follows:

WHEREFORE, in view of the foregoing, the herein Appeal is hereby GRANTED, and Decision No. 2005-02 dated August 8, 2005, of the Director of the Bureau of Legal Affairs, together with Resolution No. 09-03 (D), dated December 21, 2009, which affirmed the same, are hereby REVERSED.

Concerning the prayer for damages made by the Complainant-Appellant, we hereby award the following:

1. Moral damages in the amount of Five Hundred Thousand Pesos (PhP 500,000.00) in view of the injury to its goodwill;
2. Exemplary damages in the amount of Four Hundred Thousand Pesos (PhP 400,000.00);
3. Attorney's fees in the amount of Five Hundred Thousand Pesos; and
4. Costs of litigation.

No actual damages can be awarded as there was no evidence adduced to prove the same.

Let a copy of this Decision as well as the records be furnished and returned to the Director of Bureau of Legal Affairs for appropriate action. Further, let also the Director of the Bureau of Trademarks and the library of the Documentation, Information and Technology Transfer Bureau be furnished a copy of this Decision for information, guidance, and records purposes.

SO ORDERED.²⁶

Dissatisfied with the ruling, petitioner filed with the CA a Petition for Review²⁷ under Rule 43 of the Rules of Court.

Ruling of the CA

On March 27, 2015, the CA affirmed the ruling of IPO Director General Blancaflor.²⁸ The CA noted that the IPO had already issued the

²⁶ Id. at 86.

²⁷ Id. at 60-76.

²⁸ Id. at 37-59.

respondent Certificates of Registration for the subject trademarks. These Certificates of Registration carry with them the operation of ownership and exclusive use of the subject trademarks.²⁹ Consequently, the CA found the petitioner liable for infringement. It applied the dominancy test and held that the petitioner's use of the mark "ELARZ LECHON" or "ELAR LECHON" likely results in confusion. The marks both feature the name "ELAR"; have a similar sound and pronunciation with the respondent's trademarks; and are likewise used in the sale of lechon and related products. Thus, there exists a likelihood that the consumers will mistakenly associate petitioner's lechon and business with those of respondent's.³⁰

Moreover, the CA held petitioner liable for unfair competition. It explained that petitioner's use of the marks "ELARZLECHON," "ELAR LECHON," "PIG DEVICE," and "ON A BAMBOO TRAY" on its packaging materials and signages has clothed its goods with the general appearance of respondent's products.³¹ Worse, petitioner did not issue a notice to the buying public that "ELARZ LECHON" is not respondent's product. Hence, petitioner's intent to deceive the public is clear.³²

In view of the petitioner's acts, the CA affirmed the award of exemplary damages, attorney's fees and costs of litigation in favor of the respondent. However, it deleted the award of moral damages holding that the respondent is an artificial being, and thus cannot experience physical suffering and mental anguish.³³

The dispositive portion of the CA ruling states:

ACCORDINGLY, the assailed Decision dated December 20, 2013 is AFFIRMED with MODIFICATION as follows:

- 1) The award of P400,000.00 exemplary damages and P500,000.00 attorney's fees and cost of litigation is RETAINED subject to the justifications as heretofore stated.
- 2) The award of moral damages is DELETED.

SO ORDERED.³⁴

²⁹ Id. at 48.

³⁰ Id. at 52.

³¹ Id. at 54.

³² Id. at 54-55.

³³ Id. at 58.

³⁴ Id. at 59.

Aggrieved, petitioner filed a Motion for Reconsideration, which was denied in the September 11, 2015 CA Resolution.³⁵

Undeterred, petitioner filed the instant Petition for Review on *Certiorari*³⁶ before this Court.

Issues

The main issues in the instant case revolve around the petitioner's liability for damages for violating the respondent's intellectual property rights and the propriety of granting an injunction against the petitioner.

Petitioner maintains that the Estate of the spouses Lontoc is the rightful owner of the subject trademarks. Said trademarks were created by the spouses Lontoc for the sole and exclusive use of the Lontoc-Rodriguez clan, and not for the benefit of any of the corporations.³⁷ Petitioner further asserts that by virtue of succession, Manuel Enrique Zalamea (Manuel Enrique), President of petitioner corporation, his brother, Manuel Jose Zalamea (Manuel Jose), and the other heirs of the deceased spouses Lontoc are the co-owners of said trademarks.³⁸

Moreover, petitioner contends that the respondent is not the real-party-in-interest to file a suit before the IPO.³⁹ There was no valid assignment of the subject trademarks in favor of respondent. Without a valid assignment, any goodwill that may be earned through the use of the trademarks shall redound to the Estate's benefit.⁴⁰

Lastly, petitioner decries the award of exemplary damages and attorney's fees for lack of factual and legal basis. It claims that it did not act in a wanton, fraudulent, oppressive or malevolent manner. Petitioner's officers, as heirs of the deceased spouses, stand to inherit the right to use the marks created by their ancestors.⁴¹ Thus, there is no deliberate intent to engage in unfair competition.⁴²

On the other hand, respondent counters that it is the legal owner of the subject trademarks having acquired a vested legal right thereto pursuant to

³⁵ Id. at 30-35.

³⁶ Id. at 8-24.

³⁷ Id. at 18.

³⁸ Id. at 17-18.

³⁹ Id. at 21.

⁴⁰ Id.

⁴¹ Id. at 22.

⁴² Id. at 22-23.

4

Section 236 of Republic Act (R.A.) No. 8293,⁴³ in relation to Section 2 of R.A. No. 166.⁴⁴ Respondent explains that after its incorporation, the spouses Lontoc tacitly transferred to it ownership of Elar's Lechon and the subject trademarks in connection with the sale of its roasted pigs and other products.⁴⁵ Since then, respondent conducted its business using the mark "ELARS LECHON" under the direct management and control of the spouses Lontoc. Over the years, respondent has exclusively used the subject trademarks and has been patronized by customers.⁴⁶ In addition, it has invested time and money in promoting and perfecting its roasted pigs and other products known as "ELARS LECHON ON A BAMBOO TRAY" or popularly known by the public in Metro Manila as "ELARS LECHON."⁴⁷

In addition, respondent avers that the IPO confirmed its ownership of the subject trademarks as proven by the Certificates of Registration.⁴⁸ This confirms that the spouses Lontoc transferred their previously unincorporated business to respondent. Thus, the heirs of the former in their individual capacities are bereft of any right to use the mark or any identical or similar mark sans authority from the respondent.⁴⁹

Finally, respondent urges that petitioner is liable for exemplary damages.⁵⁰ Manuel Jose, one of the incorporators and a stockholder of petitioner was respondent's former trusted employee. While working for respondent, he acquired various confidential information relating to respondent's business operations. In complete bad faith, Manuel Jose and Manuel Enrique incorporated petitioner, whose business is exactly the same as that of respondent's.⁵¹ Manuel Enrique organized "elarZ Corp.", opened a new restaurant on the same street where respondent holds business, and solicits franchises of elarZ lechon under the pretense that it is the original "ELARS LECHON." He has been using marks substantially similar to the subject trademarks owned by respondent.⁵² These actions are fraudulent and oppressive in nature, and thus, deserve the imposition of exemplary damages.⁵³ Furthermore, petitioner is liable to pay attorney's fees and costs of litigation.⁵⁴

⁴³ REPUBLIC ACT NO. 8293, Section 236. *Preservation of Existing Rights*. - Nothing herein shall adversely affect the rights on the enforcement of rights in patents, utility models, industrial designs, marks and works, acquired in good faith prior to the effective date of this Act. (n)

⁴⁴ *Rollo*, p. 357.

REPUBLIC ACT NO. 166, Section 2. *What are registrable*. - Trade-marks, trade-names and service-marks may be registered in accordance with the provisions of this Act.

⁴⁵ *Rollo*, p. 355.

⁴⁶ *Id.* at 356.

⁴⁷ *Id.* at 355-356.

⁴⁸ *Id.* at 367.

⁴⁹ *Id.* at 367-368.

⁵⁰ *Id.* at 374.

⁵¹ *Id.* at 374-375.

⁵² *Id.* at 375.

⁵³ *Id.*

⁵⁴ *Id.* at 377.

Ruling of the Court

The petition is denied.

At the fore is a legal battle between two food corporations marketing and selling a Filipino staple – lechon. Particularly, both parties are fighting over the right to exclusively use the marks “ELARS LECHON,” “PIG DEVICE,” and “ON A BAMBOO TRAY” in their respective businesses. On the one hand, respondent claims that it is the true and lawful owner of the subject marks, while on the other hand, petitioner avers that the rightful owner of the said marks are the spouses Lontoc (currently, the Estate), who had originally created the marks. For the Court to properly determine liability for damages, it must first resolve the issue of ownership of the subject marks.

Notably, a mark pertains to “any visible sign capable of distinguishing the goods (trademark) or services (service mark) of an enterprise and shall include a stamped or marked container of goods.”⁵⁵ Particularly, 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 by others.”⁵⁶ A trademark is an intellectual property that deserves protection under the law.⁵⁷

On this score, the Intellectual Property Code (IP Code) states how a mark is obtained and, correlatively, enumerates the rights of a trademark owner:

Section 122. *How Marks are Acquired.* – The rights in a mark shall be acquired through registration made validly in accordance with the provisions of this law.

X X X X

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

⁵⁵ REPUBLIC ACT NO. 8293, Intellectual Property Code, Section. 121.1

⁵⁶ *UFC Philippines, Inc. v. Barrio Fiesta Mfg. Corp.*, 778 Phil. 763, 787 (2016), citing *Dermaline, Inc. v. Myra Pharmaceuticals, Inc.*, 642 Phil. 503, 510-511 (2010).

⁵⁷ *Id.*, *id.*

x x x x

Section 168. *Unfair Competition, Rights, Regulation and Remedies.* –

168.1. A person who has identified in the mind of the public the goods he manufactures or deals in, his business or services from those of others, whether or not a registered mark is employed, has a property right in the goodwill of the said goods, business or services so identified, which will be protected in the same manner as other property rights.⁵⁸

In the recent case of *Zuneca Pharmaceutical, et al. v. Natrapharm, Inc.*,⁵⁹ the Court exhaustively discussed the manner of acquiring ownership of a particular trademark which, over the years, vacillated between registration and actual use. The *ponencia* elaborately surveyed all the intellectual property laws passed in our country, beginning from the Spanish Royal Decree of October 26, 1888, which required business entities to obtain a certificate before using a particular trademark. This rule, however, changed in 1903, when Act No. 666 was enacted and required actual use of the mark as a means of obtaining ownership thereof. Then, in 1947, R.A. No. 166 (Trademark Law) was passed which strengthened the rule of actual use, while imposing non-abandonment of the mark as an additional prerequisite for registration. Fast-forward to 1998, the IP Code was passed and the manner of acquiring ownership of a trademark reverted to registration, subject to the rule that the first-to-file shall be prioritized to the exclusion of all other applicants/users.⁶⁰

Essentially, *Zuneca*⁶¹ clarified that, as the rule now stands, the lawful owner of the mark shall be the person or entity who first registers it in good faith:

Once the IP Code took effect, however, the general rule on ownership was changed and repealed. At present, as expressed in the language of the provisions of the IP Code, prior use no longer determines the acquisition of ownership of a mark in light of the adoption of the rule that ownership of a mark is acquired through registration made validly in accordance with the provisions of the IP Code. Accordingly, the trademark provisions of the IP Code use the term “owner” in relation to registrations. This fact is also apparent when comparing the provisions of the Trademark Law, as amended, and the IP Code, x x x.⁶²

It must be noted that respondent filed applications for the registration of the subject trademarks “ON A BAMBOO TRAY,” “ELARS LECHON”

⁵⁸ REPUBLIC ACT NO. 8293, Intellectual Property Code

⁵⁹ G.R. No. 211850, September 8, 2020.

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² *Id.*

and “ROASTED PIG DEVICE.”⁶³ Recognizing their ownership of the said marks, the IPO granted the respondent Certificates of Registration on February 10, 2005,⁶⁴ April 28, 2006,⁶⁵ and October 2, 2006,⁶⁶ valid for a period of 10 years. Indeed, the registration of the marks gives rise to a presumption of the validity of registration, the registrant’s ownership of the marks, and the right to its exclusive use.⁶⁷ Petitioner failed to overcome said presumption. Furthermore, according to the database of the IPO, the respondent’s right to use the subject trademarks has been renewed for another 10 years.⁶⁸ Thus, as of date, the respondent unequivocally enjoys the exclusive right to use the subject trademarks.

It likewise bears stressing that even prior to the registration of the subject trademarks, the respondent has been consistently using said marks since its incorporation in 1989. Hence, even under the law applicable at that time, namely, Section 2-A of R.A. No. 166,⁶⁹ respondent’s consistent use of the subject trademarks confirms its ownership thereof.

Despite the overwhelming evidence in respondent’s favor, petitioner staunchly insists that the owner of the subject trademarks is the Estate of the spouses Lontoc.

This contention deserves scant consideration.

It cannot be gainsaid that respondent corporation is a creation of the spouses Lontoc themselves. In 1989, the spouses Lontoc wanted to leave their legacy, and thus incorporated the respondent to ensure the continuation of their lechon and food business. From that moment, the spouses Lontoc transferred to the respondent the ownership of ELARS Lechon and the subject marks in connection with the sale of its roasted pigs and other products.⁷⁰ Moreover, all throughout their lives, the spouses Lontoc actively

⁶³ *Rollo*, p. 360.

⁶⁴ For the mark “ON A BAMBOO TRAY.”

⁶⁵ For the mark “ELARS LECHON.”

⁶⁶ For the mark “ROASTED PIG DEVICE.”

⁶⁷ *Shangri-La International Hotel Management, Ltd, et al. v. Developers Group of Companies, Inc.*, 520 Phil. 935, 953 (2006), citing *Lorenzana v. Macagba*, 238 Phil. 709, 714-715 (1987).

⁶⁸ Republic of the Philippines Intellectual Property Office, <https://www.ipophil.gov.ph/services/trademark/filing/>. Last accessed on November 26, 2020

⁶⁹ REPUBLIC ACT NO. 166, “Section 2-A. **Ownership** of trademarks, trade names and service marks; 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 services of others. The ownership or possession of a trademark, trade name, service mark, heretofore or hereafter appropriated, as in this section provided, shall be recognized and protected in the same manner and to the same extent as are other property rights known to this law. [Emphasis supplied]”

⁷⁰ *Rollo*, p. 355.

managed respondent and consistently used the subject trademarks in promoting the latter's goods. Certainly, the spouses Lontoc's overt acts of incorporating respondent, actively managing it, and consistently representing to the public that ELARS Lechon is operating under the respondent, conclusively prove that indeed the "ELARS LECHON" brand has been transferred to, and is owned by respondent. As such, the respondent has the exclusive right to use the name ELARS LECHON to the exclusion of all other parties, including the descendants of the spouses Lontoc.⁷¹

In fact, Jose, as then President and General Manager of respondent, eagerly promoted Elar's Lechon as the respondent's business.⁷² This was established through Jose's Letter dated October 7, 1996 under respondent's letterhead, where he declared that "*we are one of the biggest lechon producers in the country under our brand name – "ELAR LECHON on a BAMBOO TRAY."*"⁷³ Indeed, Jose's unqualified representation that Elar's Lechon is the business of respondent confirms that even without a formal assignment, exclusive ownership of the mark "ELARS LECHON" and its adjunct trademarks have been vested on respondent. Actually, even the petitioner admitted that respondent is an "alter ego of the spouses Lontoc,"⁷⁴ implying that the rights and interests of respondent are identical and inseparable from those of the spouses Lontoc.

Similarly, respondent's prior adoption and continuous use of the subject trademarks since 1990 are bolstered by documents consisting of various commercial sales invoices from November 1990 to February 1995.⁷⁵

In addition, respondent invested time and money in promoting and advertising its food products and roasted pigs "ELARS LECHON ON A BAMBOO TRAY" or popularly known by the public as "Elar's Lechon."⁷⁶ Certainly, these cumulative acts that have been done for decades have resulted in respondent's notoriety to the public as the source of roasted pigs bearing the subject trademarks.⁷⁷

Interestingly, even the BLA ruled that the spouses Lontoc, by virtue of prior commercial use under Section 2-A of R.A. No. 166 are the owners of the subject trademarks. However, it refused to recognize the transfer of ownership to the respondent due to the absence of a written assignment in favor of the latter.

⁷¹ Id. at 364-365.

⁷² Id. at 364.

⁷³ Id. at 631.

⁷⁴ Id. at 148.

⁷⁵ Id. at 34.

⁷⁶ Id. at 355-356.

⁷⁷ Id. at 356.

Notably, this lacuna was filled by IPO Director General Blancaflor who explained that the fact of the transfer may not be disproven by the absence of a written assignment. A trademark, like any incorporeal right may be disposed of not only by way of formal assignment.⁷⁸ More importantly, the subject trademarks were not yet registered when respondent started doing business under the Elar's Lechon brand.⁷⁹ Neither was there a pending application for the said trademarks. Besides, under Article 1624⁸⁰ of the Civil Code, in relation to Article 1475⁸¹ of the same Code, the assignment of incorporeal rights, like an unregistered mark, is perfected by mere consent without need of a written contract. Thus, what matters is that from the time of respondent's incorporation until present, respondent has used and exclusively appropriated the subject trademarks as its own.⁸²

Having thus established the respondent's ownership of the subject trademarks, the next issue to be resolved is whether or not petitioner is liable for damages for violating the respondent's intellectual property rights.

On this score, the Court finds that petitioner's use of the marks "ELARZ LECHON," "ELAR LECHON," "PIG DEVICE," and "ON A BAMBOO TRAY," which are substantially identical to the respondents' marks, constitute unfair competition.

The IP Code defines unfair competition as:

Section 168. Unfair Competition, Rights, Regulation and Remedies. -

x x x x

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

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

⁷⁸ Id. at 365.

⁷⁹ Id. at 366.

⁸⁰ CIVIL CODE. Article 1624. An assignment of creditors and other incorporeal rights shall be perfected in accordance with the provisions of article 1475. (n)

⁸¹ Id. Article 1475. The contract of sale is perfected at the moment there is a meeting of minds upon the thing which is the object of the contract and upon the price.

⁸² *Rollo*, p. 366.

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

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

x x x x

168.4. The remedies provided by Sections 156, 157 and 161 shall apply *mutatis mutandis*. (Sec. 29, R.A. No. 166a)

The Court agrees with the CA that petitioner is liable for unfair competition for the following reasons:

Here, petitioner's product is lechon which is also the product of respondent. Since petitioner uses "ELARZ LECHON", "ELAR LECHON", "PIG DEVICE", and "ON A BAMBOO TRAY" on their packaging materials and signages in the same manner like respondent uses "ELAR'S LECHON" mark on its lechon products, petitioner has obviously clothed its product the general appearance of respondent's product itself. More, there is no notice to the buying public that "ELARZ LECHON" is not respondent's product, albeit it is the latter that has the exclusive right to the trademark "ELAR'S LECHON." There is indeed a clear intent to deceive the public on petitioner's part. x x x⁸³

Remarkably, in *UFC Philippines, Inc. v. Barrio Fiesta Manufacturing Corporation*,⁸⁴ the Court enumerated the kinds of confusion caused by similar marks, and the tests that aid in determining the likelihood of confusion:

There are two tests used in jurisprudence to determine likelihood of confusion, namely the dominancy test used by the IPO, and the holistic test adopted by the Court of Appeals. In *Skechers, U.S.A., Inc. v. Inter Pacific Industrial Trading Corp.*, we held:

The essential element of infringement under R.A. No. 8293 is that the infringing mark is likely to cause confusion. In determining similarity

⁸³ Id. at 55.

⁸⁴ *Supra* note 56.

and likelihood of confusion, jurisprudence has developed tests - the Dominancy Test and the Holistic or Totality Test. **The Dominancy Test focuses on the similarity of the prevalent or dominant features of the competing trademarks that might cause confusion, mistake, and deception in the mind of the purchasing public.** Duplication or imitation is not necessary; neither is it required that the mark sought to be registered suggests an effort to imitate. **Given more consideration are the aural and visual impressions created by the marks on the buyers of goods, giving little weight to factors like prices, quality, sales outlets, and market segments.**

x x x x

Relative to the question on confusion of marks and trade names, jurisprudence has noted two (2) types of confusion, viz.: (1) confusion of goods (product confusion), where the ordinarily prudent purchaser would be induced to purchase one product in the belief that he was purchasing the other; and (2) confusion of business (source or origin confusion), where, although the goods of the parties are different, the product, the mark of which registration is applied for by one party, is such as might reasonably be assumed to originate with the registrant of an earlier product, and the public would then be deceived either into that belief or into the belief that there is some connection between the two parties, though inexistent.⁸⁵ (Citations omitted)

In *Wilton Dy and/or Philites Electronics & Lighting Products v. Koninklijke Philips Electronics. N.V.*,⁸⁶ the Court used the dominancy test to conclude that the competing marks bear an uncanny resemblance that may confuse the consumers:

On one hand, the dominancy test focuses on “the similarity of the prevalent or dominant features of the competing trademarks that might cause confusion, mistake, and deception in the mind of the purchasing public. Duplication or imitation is not necessary; neither is it required that the mark sought to be registered suggests an effort to imitate. Given more consideration are the aural and visual impressions created by the marks on the buyers of goods, giving little weight to factors like prices, quality, sales outlets, and market segments.

x x x x

Applying the dominancy test to this case requires us to look only at the mark submitted by petitioner in its application, while we give importance to the aural and visual impressions the mark is likely to create in the minds of the buyers. We agree with the findings of the CA that the mark “PHILITES” bears an uncanny resemblance or confusing similarity with respondent’s mark “PHILIPS,” to wit:

⁸⁵ Id. at 801.

⁸⁶ 807 Phil. 819 (2017).

Applying the dominancy test in the instant case, it shows the uncanny resemblance or confusing similarity between the trademark applied for by respondent with that of petitioner's registered trademark. An examination of the trademarks shows that their dominant or prevalent feature is the five-letter "PHILI", "PHILIPS" for petitioner, and "PHILITES" for respondent. The marks are confusingly similar with each other such that an ordinary purchaser can conclude an association or relation between the marks. The consuming public does not have the luxury of time to ruminate the phonetic sounds of the trademarks, to find out which one has a short or long vowel sound. At bottom, the letters "PHILI" visually catch the attention of the consuming public and the use of respondent's trademark will likely deceive or cause confusion. Most importantly, both trademarks are used in the sale of the same goods, which are light bulbs.⁸⁷ (Citations omitted)

In the same vein, in *McDonald's Corp. v. L.C. Big Mak Burger, Inc.*,⁸⁸ the Court also applied the dominancy test in determining the likelihood of confusion between the two competing marks:

This Court, however, has relied on the dominancy test rather than the holistic test. The dominancy test considers the dominant features in the competing marks in *determining* whether they are confusingly similar. Under the dominancy test, courts give greater weight to the similarity of the appearance of the product arising from *the adoption of* the dominant features of the registered mark, disregarding *minor* differences. Courts will consider more the aural and visual impressions created by the marks in the public mind, giving little weight to factors like prices, quality, sales outlets and market segments.

X X X X

Applying the dominancy test, the Court finds that respondents' use of the "Big Mak" mark results in likelihood of confusion. First, "Big Mak" sounds *exactly* the same as "Big Mac." Second, the first word in "Big Mak" is *exactly* the same as the first word in "Big Mac." Third, the first two letters in "Mak" are the same as the first two letters in "Mac." Fourth, the last letter in "Mak" while a "k" sounds the same as "c" when the word "Mak" is pronounced. Fifth, in Filipino, the letter "k" replaces "c" in spelling, thus "Caloocan" is spelled "Kalookan."

In short, aurally the two marks are the same, with the first word of *both* marks phonetically the same, and the second word of *both* marks also phonetically the same. Visually, the two marks have *both* two words and six letters, with the first word of *both* marks having the same letters and the second word having the same first two letters. In spelling, considering the Filipino language, even the last letters of *both* marks are the same.

⁸⁷ Id. at 830-831.

⁸⁸ 840 Phil. 402 (2004).

Clearly, respondents have adopted in “Big Mak” not only the dominant but also almost all the features of “Big Mac.” Applied to the same food product of hamburgers, the two marks will likely result in confusion in the public mind.⁸⁹ (Citations omitted)

Applying the dominance test to the case at bar, it is very obvious that the petitioner’s marks “ELARZ LECHON” and “ELAR LECHON” bear an indubitable likeness with respondent’s “ELARS LECHON.” As can easily be seen, both marks use the essential and dominant word “ELAR”. The only difference between the petitioner’s mark from that of respondent’s are the last letters Z and S, respectively. However, the letters Z and S sound similar when pronounced. Thus, both marks are not only visually similar, but are phonetically and aurally similar as well. To top it all off, both marks are used in selling lechon products. Verily, there exists a high likelihood that the consumers may conclude an association or relation between the products. Likewise, the uncanny resemblance between the marks may even lead purchasers to believe that the petitioner and respondent are the same entity.

In fine, petitioner’s use of marks similar to those of the respondent’s constitutes a violation of the latter’s intellectual property rights. It is high time for petitioner to desist from conveniently latching on to the good will and reputation built by the respondent over the years. To fully protect the respondent’s rights, it is imperative to order the petitioner to cease and desist from using the former’s marks. This remedy is recognized under Section 156.4⁹⁰ of the IP Code, which grants the complainant the right to demand an injunction, upon proper showing of its entitlement thereto. A similar redress was granted in the case of *Asia Pacific Resources International Holdings, Ltd. v. Paperone, Inc.*,⁹¹ where the Court affirmed the orders of the BLA and the IPO Director General commanding the party guilty of unfair competition to cease and desist from using the complainant’s marks.⁹²

Unfortunately, despite the IPO Director General’s finding that the petitioner is liable for unfair competition, and thus, “should have been subject to injunction,”⁹³ it failed to categorically order the latter to cease and desist from using the respondent’s marks. Similarly, the CA affirmed the petitioner’s culpability for unfair competition, yet failed to issue an order directing the latter to refrain from using the subject marks. Hence, to afford the respondent full relief, an injunction must be issued against the petitioner.

⁸⁹ Id. at 433-435.

⁹⁰ Section 156.4. The complainant, upon proper showing, may also be granted injunction.

⁹¹ G.R. Nos. 213365-66, December 10, 2018.

⁹² Id.

⁹³ *Rollo*, p. 85.

Additionally, in view of the petitioner's unfair acts, the Court affirms the award of damages granted by the IPO Director General and the CA in favor of the respondent. Likewise, as affirmed in *In-N-Out Burger, Inc. v. Sehwaní Incorporated and/or Benita's Frites, Inc.*,⁹⁴ exemplary damages may be imposed if the accountable party deliberately engaged in unfair competition. This is to provide an example or correction for the public good, enhance the protection accorded to intellectual property, and to prevent similar acts of unfair competition. Viewed in this light, the Court finds that an award of ₱400,000.00 as exemplary damages is commensurate with the respondent's injury. The Court further notes that the petitioner's officers acted in bad faith, considering that its president and incorporators were former employees of respondent corporation. They clearly had knowledge that the subject trademarks belong to the respondent, and have been consistently and continuously used by the latter since 1989.⁹⁵

Finally, Article 2208(1) of the Civil Code allows the prevailing party to recover attorney's fees when exemplary damages are awarded.⁹⁶ Moreover, the Court recognizes that respondent was compelled to litigate to protect its rights over the subject marks. Thus, an award of ₱500,000.00 as attorney's fees and costs of litigation is justified.

WHEREFORE, premises considered, the petition is **DENIED** for **lack of merit**. Accordingly, the March 27, 2015 Decision and the September 11, 2015 Resolution of the Court of Appeals in CA-G.R. SP No. 133652 are **AFFIRMED with the modification** that in addition to the payment of exemplary damages and attorney's fees, petitioner Emzee Foods Inc. is hereby **ORDERED to CEASE and DESIST** from using "ELARZ LECHON," "ELAR LECHON," "PIG DEVICE," and "ON A BAMBOO TRAY" on its products.

SO ORDERED.

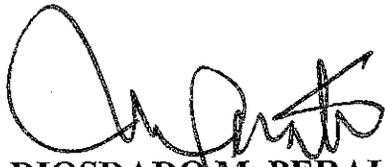

SAMUEL H. GAERLAN
Associate Justice

⁹⁴ 595 Phil. 1119 (2008).

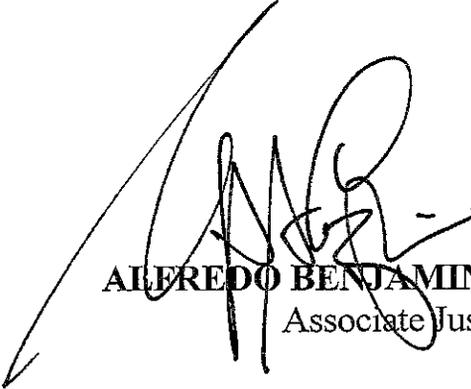
⁹⁵ *Rollo*, pp. 374-375.

⁹⁶ *In-N-Out Burger, Inc. v. Sehwaní Incorporated and/or Benita's Frites, Inc.*, *supra*.

WE CONCUR:



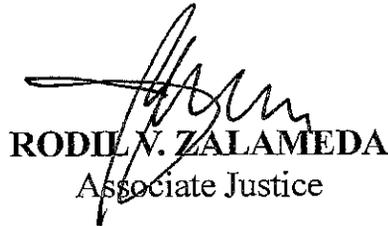
DIOSDADO M. PERALTA
Chief Justice



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



ROMARIC D. CARANDANG
Associate Justice



RODIL N. ZALAMEDA
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



DIOSDADO M. PERALTA
Chief Justice

