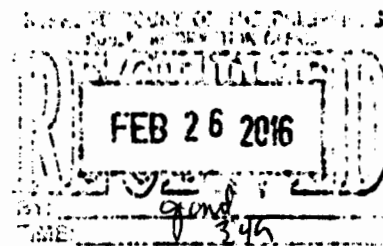




Republic of the Philippines
Supreme Court
Manila



FIRST DIVISION

UFC PHILIPPINES, INC. (now merged with NUTRI-ASIA, INC., with NUTRI-ASIA, INC. as the surviving entity),

Petitioner,

- versus -

BARRIO
MANUFACTURING
CORPORATION,

Respondent.

FIESTA

G.R. No. 198889

Present:

SERENO, *CJ.*,
Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
PERLAS-BERNABE, and
JARDELEZA, *JJ.*

Promulgated:

JAN 20 2016

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DECISION

LEONARDO-DE CASTRO, *J.*:

For our disposition is a petition for review on *certiorari* under Rule 45 seeking to annul and set aside the June 23, 2011 **Decision**¹ and the October 4, 2011 **Resolution**² of the Court of Appeals in CA-G.R. SP No. 107570, which reversed and set aside the March 26, 2008 **Decision**³ of the Bureau of Legal Affairs of the Intellectual Property Office (IPO-BLA) and the January 29, 2009 **Decision**⁴ of the Director General of the IPO.

Petitioner Nutri-Asia, Inc. (petitioner) is a corporation duly organized and existing under Philippine laws.⁵ It is the emergent entity in a merger with UFC Philippines, Inc. that was completed on February 11, 2009.⁶

¹ *Rollo*, pp. 49-62; penned by Associate Justice Franchito N. Diamante with Associate Justices Josefina Guevara-Salonga and Mariflor P. Punzalan Castillo concurring.

² *Id.* at 64-65.

³ *CA rollo*, pp. 234-246.

⁴ *Id.* at 34-44.

⁵ In its Certificate of Filing of the Articles and Plan of Merger, it is stated that NUTRI-ASIA, INC. is the "Surviving Corporation" and UFC PHILIPPINES, INC. is the "Absorbed Corporation" and that "the entire assets and liabilities of UFC PHILIPPINES, INC. will be transferred to and absorbed by NUTRI-ASIA, INC." (*Rollo*, p. 66.)

⁶ In its Amended Articles of Incorporation, it is stated that Nutri-Asia, Inc. was formed to "engage in, operate, conduct and maintain the business of manufacturing, importing, exporting, buying, selling, distributing or otherwise dealing in, at wholesale, food products, such as but not limited to food sauces and condiments which are banana and tomato-based, vinegar, fish sauce, convenience meals and foodservice products and brewed soy sauce." (*Rollo*, p. 84.)

hmt

Respondent Barrio Fiesta Manufacturing Corporation (respondent) is likewise a corporation organized and existing under Philippine laws.

On April 4, 2002, respondent filed Application No. 4-2002-002757 for the mark "PAPA BOY & DEVICE" for goods under Class 30, specifically for "lechon sauce."⁷ The Intellectual Property Office (IPO) published said application for opposition in the IP Phil. e-Gazette released on September 8, 2006. The mark appears as follows:



On December 11, 2006, petitioner filed with the IPO-BLA a Verified Notice of Opposition to the above-mentioned application and alleged that:

1. The mark "PAPA" for use on banana catsup and other similar goods was first used [in] 1954 by Neri Papa, and thus, was taken from his surname;
2. After using the mark "PAPA" for about twenty-seven (27) years, Neri Papa subsequently assigned the mark "PAPA" to Hernan D. Reyes who, on September 17, 1981, filed an application to register said mark "PAPA" for use on banana catsup, chili sauce, achara, banana chips, and instant ube powder;
3. On August 14, 1983, Hernan D. Reyes was issued Certificate of Registration No. 32416;
4. [Certificate of] Registration No. 32416 was subsequently assigned to the following in successive fashion: Acres & Acres Food, Inc., Southeast Asia Food, Inc., Heinz-UFC Philippines, Inc., and Opposer UFC Philippines, Inc.;
5. Last October 28, 2005, Heinz-UFC Philippines, Inc. filed Application Serial No. 4-2005-010788 which, in effect, is a re-registration of Registration No. 32416 which expired on August 11, 2003;
6. Hernan D. Reyes also filed on March 04, 1982 an application to register in the Supplemental Register the "PAPA BANANA CATSUP Label";
7. On August 11, 1983, Hernan D. Reyes was issued Certificate of Registration No. SR-6282 which was subsequently assigned to Acres & Acres Food, Inc., Southeast Asia Food, Inc., Heinz-UFC Philippines, Inc.;

8. After its expiration, Opposer filed on November 15, 2006 Trademark Application Serial No. 4-2006-012346 for the re-registration of the "PAPA Label Design";
9. The mark "PAPA KETSARAP" for use on banana sauce falling under Class 30 was also registered in favor of Acres & Acres Food, Inc. under Registration No. 34681 issued on August 23, 1985 and renewed last August 23, 2005 by Heinz-UFC Philippines, Inc. for ten (10) years;
10. On November 07, 2006, Registration No. 34681 was assigned to Opposer;
11. Opposer has not abandoned the use of the mark "PAPA" and the variations thereof as Opposer has continued their use up to the present;
12. The mark "PAPA BOY & DEVICE" is identical to the mark "PAPA" owned by Opposer and duly registered in its favor, particularly the dominant feature thereof;
13. [With the] dominant feature of respondent-applicant's mark "PAPA BOY & DEVICE", which is Opposer's "PAPA" and the variations thereof, confusion and deception is likely to result: The consuming public, particularly the unwary customers, will be deceived, confused, and mistaken into believing that respondent-applicant's goods come from Opposer or are authorized by Opposer to Opposer's prejudice, which is particularly true considering that Opposer's sister company, Southeast Asia Food, Inc., and its predecessors-in-interest have been major manufacturers and distributors of lechon sauce and other table sauces since 1965 under its registered mark "Mang Tomas";
14. Respondent-applicant's mark "PAPA BOY & DEVICE" which nearly resembles Opposer's mark "PAPA" and the variations thereof will impress upon the gullible or unsuspecting public that it is the same or related to Opposer as to source because its dominant part is the same as Opposer's mark and, thus, will likely be mistaken to be the mark, or related to, or a derivative or variation of, Opposer's mark;
15. The goods covered by respondent-applicant's application fall under Class 30, the same Class under which Opposer's goods enumerated in its earlier issued registrations;
16. The test of dominancy is now explicitly incorporated into law in Section 155.1 of the IP Code which defines infringement as the colorable imitation of a registered mark or a dominant feature thereof, and is provided for by jurisprudence;
17. As a corporation also engaged in the food business, Respondent-applicant knew and/or ought to know that Opposer and its predecessors-in-interest have been using the mark "PAPA" and the variations thereof for the last fifty-two (52) years while its sister company is engaged in the business of manufacturing and

distributing “lechon sauce” and other table sauces for the last forty-one (41) years;

18. The approval of the subject application will violate Opposer’s right to the exclusive use of its registered mark “PAPA” and the variations thereof per Section 138 of the IP Code;
19. The approval of the subject application has caused and will continue to cause great and irreparable damage and injury to Opposer;
20. Respondent-applicant filed the subject application fraudulently and in bad faith; and
21. Respondent-applicant is not entitled to register the subject mark in its favor.⁸

In its verified opposition before the IPO, petitioner contended that “PAPA BOY & DEVICE” is confusingly similar with its “PAPA” marks inasmuch as the former incorporates the term “PAPA,” which is the dominant feature of petitioner’s “PAPA” marks. Petitioner averred that respondent’s use of “PAPA BOY & DEVICE” mark for its lechon sauce product, if allowed, would likely lead the consuming public to believe that said lechon sauce product originates from or is authorized by petitioner, and that the “PAPA BOY & DEVICE” mark is a variation or derivative of petitioner’s “PAPA” marks. Petitioner argued that this was especially true considering that petitioner’s ketchup product and respondent’s lechon sauce product are related articles that fall under the same Class 30.⁹

Petitioner alleged that the registration of respondent’s challenged mark was also likely to damage the petitioner, considering that its former sister company, Southeast Asia Food, Inc., and the latter’s predecessors-in-interest, had been major manufacturers and distributors of lechon and other table sauces since 1965, such as products employing the registered “Mang Tomas” mark.

In its Verified Answer, respondent argued that there is no likelihood of confusion between petitioner’s family of “PAPA” trademarks and respondent’s “PAPA BOY & DEVICE” trademark. Respondent raised affirmative defenses and we quote the relevant ones below:

3. Opposer cites several of its following marks in support of its opposition to the application but an examination of said marks [reveals] that these have already expired and/or that no confusing similarity exists x x x;

4. Assuming that the mark “PAPA KETSARAP” had been timely renewed on August 23, 2005 for “banana sauce” under Class 30, the same is not a hindrance to the successful registration of the mark “PAPA BOY & DEVICE”: Jurisprudence provides that a certificate of registration

⁸ Id. at 235-238.

⁹ *Rollo*, pp. 14-15.

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confers upon the trademark owner the exclusive right to use its own symbol only to those goods specified in the certificate subject to the conditions and limitations stated therein;

5. As a result, Opposer's right to use the mark "PAPAKETSARAP" is limited to the products covered by its certificate of registration which is Class 30 for banana sauce;

6. Contrary to Opposer's belief, the dominant features of Respondent-applicant's mark "PAPA BOY & DEVICE" are the words "PAPA BOY" and the representation of a smiling hog-like character gesturing the thumbs-up sign and wearing a traditional Filipino hat and scarf while the dominant feature of Opposer's mark "PAPA KETSARAP" are the words "Papa" and "Ketsarap", not the word "Papa"; and the word "Ketsarap" is more prominently printed and displayed in the foreground than the word "Papa" for which reasons opposer's reference to the Dominancy Test fails;

7. Opposer's allegation that the registration of Respondent-applicant's mark "PAPA BOY & DEVICE" will damage and prejudice the mark "MANG TOMAS" is irrelevant considering that Opposer's basis for filing this opposition is the alleged confusing similarity between Respondent-applicant's mark and Opposer's mark "PAPA KETSARAP", not the mark "MANG TOMAS";

8. Respondent-applicant's mark "PAPA BOY & DEVICE" is neither identical nor confusingly similar to Opposer's mark "PAPA KETSARAP": Respondent-applicant's mark "PAPABOY & DEVICE" is an arbitrary mark which differs in overall sound, spelling, meaning, style, configuration, presentation, and appearance from Opposer's mark "PAPA KETSARAP";

9. The dissimilarities between the marks are so distinct, thus, confusion is very unlikely: While Opposer's mark is a plain word mark, Respondent-applicant's mark "PAPA BOY & DEVICE" is much more intricate and distinctive such as Opposer's mark not having the words "Lechon Sauce" printed inside a blue ribbon-like device which is illustrated below the words "PAPA BOY", Opposer's mark not having a prominent smiling hog-like character gesturing a thumbs-up sign and wearing a Filipino hat and scarf stands beside the words "PAPA BOY", and Opposer's mark not having the words "Barrio Fiesta" albeit conspicuously displayed above the mark, all which leave no doubt in the consumer's mind on the product that he is purchasing;

10. Aside from the fact that Respondent-applicant's mark "PAPA BOY & DEVICE" is distinct and different in appearance, spelling, sound, meaning, and style from Opposer's mark "PAPA KETSARAP", the difference in the goods covered by both marks is obvious: Since the goods covered by Respondent-applicant's mark is unrelated and non-competing to those covered by Opposer's mark, the doctrine allowing the registrations of marks covering unrelated and non-competing goods as enunciated by the Supreme Court is therefore applicable in this case;

11. Respondent-applicant's mark cannot be confusingly similar to Opposer's mark considering that the products covered by these marks are different: While Respondent-applicant's mark "PAPA BOY & DEVICE"

covers lechon sauce under Class 30, Opposer's mark "PAPA KETSARAP" covers banana sauce;

12. If a consumer is in the market for banana sauce, he will not buy lechon sauce and vice-versa and as a result, the margin of error in the acquisition of one from the other is simply remote;

13. Respondent-applicant is the exclusive owner of the mark "PAPA BOY & DEVICE" for lechon sauce under Class 30: The words "PAPA BOY" is a combination of the nickname of Bonifacio Ongpauco who is one of Respondent-applicant's incorporators and founders-"BOY"- and the word "PAPA" as Bonifacio Ongpauco's mother, Sixta P. Evangelista, had been fondly known as "Mama Chit", making Respondent-applicant the prior adopter, user, and applicant of the mark "PAPA BOY & DEVICE" in the Philippines;

14. To protect its ownership over the mark "PAPA BOY & DEVICE" considering that it is the first to adopt and use said mark, Respondent-applicant applied for its registration under Application Serial No. 4-2002-002757 for Class 30, and said application was found registrable by the Examiner as a consequence of which the same was recommended for allowance after undergoing a thorough process of examination, which recommendation was then approved by the Director of the Bureau of Trademarks (BOT);

15. Respondent-applicant's mark "PAPA BOY & DEVICE" has been commercially used in the Philippines;

16. Respondent-applicant's mark "PAPA BOY & DEVICE" has been promoted and advertised for a considerable duration of time and over wide geographical areas: Respondent-applicant has invested tremendous amount of resources in the promotion of its mark "PAPA BOY & DEVICE" through various media including print publications and promotional materials;

17. The widespread local commercial use of the subject mark by Respondent-applicant to distinguish and identify its various high-quality consumer products has earned Respondent-applicant a well-deserved business reputation and goodwill;

18. Respondent-applicant's mark is distinctive and capable of identifying its goods and distinguishing them from those offered for sale by others in the market including Opposer's goods for which reason no confusion will result because Respondent-applicant's mark is for lechon sauce while Opposer's mark is for banana sauce; and

19. The presence of a common prefix "PAPA" in the marks of both parties does not render said marks identical or confusingly similar: Opposer cannot exclusively appropriate said prefix considering that other marks such as "Papa Heinz Pizza", "Papa Heinz Sausage", "Papa Beaver", "Papa Pop", "Pizza Papa John's & Design", "Papadoods", and "Papa in Wine and Device" are valid and active.¹⁰

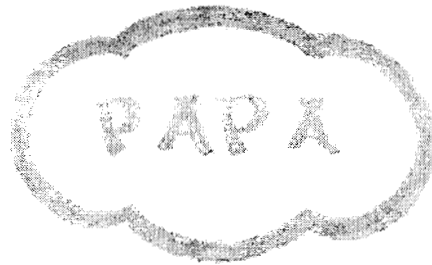
¹⁰

CA rollo, pp. 238-242.

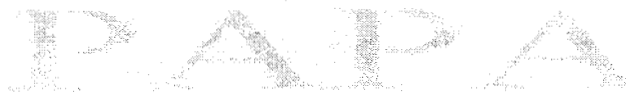
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Petitioner's mark and its variations appear as follows:

1. "PAPA" under Registration No. **32416** for Class 29 goods;¹¹



2. The mark "PAPA" as it appeared upon re-registration of Certificate No. 32416, under Application No. 4-2005-010788 for Classes 29 and 30 goods;¹²



3. "PAPA LABEL DESIGN" under Registration No. 4-2006-012364;¹³ and



4. "PAPA KETSARAP" under Certificate of Registration No. 34681, for banana sauce (Class 30).¹⁴

¹¹ Id. at 242.

¹² Id. at 243.

¹³ Id.

¹⁴ Id.

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**PROCEEDINGS BEFORE THE
INTELLECTUAL PROPERTY
OFFICE**

The case was referred to mediation but the parties failed to arrive at an amicable settlement. The case was thus set for preliminary conference. Subsequently, the IPO-BLA directed the parties to file their respective position papers and draft decisions.

The IPO-BLA rendered a Decision on March 26, 2008 sustaining petitioner's Opposition and rejecting respondent's application for "PAPA BOY & DEVICE." The *fallo* of said decision reads as follows:

WHEREFORE, the VERIFIED NOTICE OF OPPOSITION filed by UFC Philippines, Inc. is, as it is hereby, SUSTAINED. Consequently, Application Serial No. 4-2002-002757 for the mark "PAPA BOY & DEVICE" for lechon sauce under Class 30 filed on April 04, 2002 by Barrio Fiesta Manufacturing Corporation, is, as it is hereby, REJECTED.

Let the file wrapper of PAPA BOY & Device subject matter of this case be forwarded to the Bureau of Trademarks (BOT) for appropriate action in accordance with this Decision.¹⁵

Respondent filed an appeal before the IPO Director General, who found it unmeritorious, and disposed of the case in the following manner:

WHEREFORE, the instant appeal is hereby DISMISSED. Let a copy of this Decision as well as the trademark application and records be furnished and returned to the Director of the 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."¹⁶

¹⁵ Id. at 246.

¹⁶ Id. at 44.

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DECISION OF THE COURT OF APPEALS

Respondent then filed a petition with the Court of Appeals, questioning the above decision of the IPO Director General that affirmed the decision of the IPO Bureau of Legal Affairs Director, which disallowed respondent's application for trademark registration. Respondent's arguments before the Court of Appeals are quoted below:

A.

REGISTRATION NOS. 32416 AND 42005010788 ISSUED FOR THE "PAPA" MARK AND REGISTRATION NOS. SR-6282 AND 42006012364 ISSUED FOR THE TRADEMARK "PAPA BANANA CATSUP LABEL/PAPA LABEL DESIGN" SHOULD NOT BE USED AS BASIS IN DETERMINING THE EXISTENCE OF CONFUSING SIMILARITY.

B.

THERE IS NO CONFUSING SIMILARITY BETWEEN PETITIONER-APPLICANT'S "PAPA BOY & DEVICE" AND RESPONDENT'S "PAPA KETSARAP" MARK.

C.

PETITIONER-APPLICANT IS ENTITLED TO THE REGISTRATION OF THE MARK "PAPA BOY & DEVICE."

D.

THE OPPOSITION STATES NO CAUSE OF ACTION, AND HENCE, SHOULD BE DENIED OUTRIGHT.¹⁷

As regards the first ground, the Court of Appeals held:

Records show that respondent UFC has Certificates of Registration for the trademarks PAPA, PAPA BANANA CATSUP label and PAPA KETSARAP. A closer look at the respective Certificate[s] of Registration of the aforementioned marks, however, reveals that at the time the trademark application of petitioner was published in the IPO e-Gazette on September 8, 2006, the duration of the trademark registration of respondent over the marks PAPA and PAPA BANANA CATSUP have already expired. On the other hand, **the mark PAPA KETSARAP was timely renewed by respondent as shown by the Certificate of Renewal of Registration issued on September 1, 2006 by the Director of the Bureau of Trademarks.**

Under R.A. No. 8293, as amended by R.A. No. 9150, the duration of a trademark registration is 10 years, renewable for periods of 10 years

¹⁷ *Rollo*, p. 53.

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each renewal. The request for renewal must be made within 6 months before or after the expiration of the registration. Respondent's PAPA mark was not renewed within the period provided for under RA No. 8293. Its registered term ended on August 11, 2003 but was reapplied for registration only on April 4, 2005. Meanwhile, the mark PAPA BANANA CATSUP was registered by respondent only in the Supplemental Register, hence, was not provided any protection. x x x. It is noted that the PAPA BANANA CATSUP label was applied for registration on November 15, 2006, over three years after the expiration of its registration in the Supplemental Register of the Philippine Patent Office on August 11, 2003. **Thus, while petitioner has a point that the marks PAPA and PAPA BANANA CATSUP have already expired and the latter having been afforded no protection at all and should not be juxtaposed with petitioner's trademark, respondent can still use the marks PAPA KETSARAP and PAPA BANANA CATSUP, it appearing that the Intellectual Property Office issued a Certificate of Registration No. 4-2006-012364 for the latter on April 30, 2007, to bar the registration of petitioner's "PAPA BOY & DEVICE" mark.**¹⁸ (Emphases supplied, citations omitted.)

Anent the second ground, the Court of Appeals ruled in the following manner:

After taking into account the aforementioned doctrines and the factual circumstances of the case at bar, this Court, after considering the trademarks involved as a whole, is of the view that petitioner's trademark "PAPA BOY & DEVICE" is not confusingly similar to respondent's "PAPA KETSARAP" and "PAPA BANANA CATSUP" trademark. Petitioner's trademark is "PAPA BOY" as a whole as opposed to respondent's "PAPA". Although on its label the word "PAPA" is prominent, the trademark should be taken as a whole and not piecemeal. The difference between the two marks are conspicuous and noticeable. While respondent's products are both labeled as banana sauces, that of petitioner Barrio Fiesta is labeled as lechon sauce.

Moreover, it appears on the label of petitioner's product that the said lechon sauce is manufactured by Barrio Fiesta thus, clearly informing the public [of] the identity of the manufacturer of the lechon sauce. As claimed by respondent, its products have been in commercial use for decades. It is safe to assume then that the consumers are already aware that "PAPA KETSARAP" and "PAPA BANANA CATSUP" are products of UFC and not of petitioner or the other way around. In addition, as correctly pointed out by petitioner, if a consumer is in the market for banana sauce, he will not buy lechon sauce and vice-versa because aside from the fact that the labels of both parties' products contain the kind of sauce they are marketing, the color of the products is visibly different. An ordinary consumer is familiar with the fact that the color of a banana sauce is red while a lechon sauce is dark brown. There can be no deception as both products are marketed in bottles making the distinction visible to the eye of the consumer and the likelihood of acquiring a wrong sauce, remote. Even if the products are placed side by side, the dissimilarities between the two marks are conspicuous, noticeable and substantial enough to matter especially in the light of the following variables that must be factored in.

¹⁸

Id. at 55-56.

Lastly, respondent avers that the word “PAPA” was coined after the surname of the person who first created and made use of the mark. Admittedly, while “PAPA” is a surname, it is more widely known as a term of endearment for one’s father. Respondent cannot, therefore, claim exclusive ownership over and singular use of [the] term. Petitioner was able to explain that it adopted the word “PAPA” in parallel to the nickname of the founder of Barrio fiesta which is “MAMA CHIT”. “PAPA BOY” was derived from the nickname of one of the incorporators of herein petitioner, a certain Bonifacio Ongpauco, son of Mama Chit.¹⁹ (Emphasis ours, citation omitted.)

THEORY OF PETITIONER

Thus, petitioner came to this Court, seeking the reversal of the questioned decision and resolution of the Court of Appeals, and the reinstatement of the decision of the IPO Director General affirming the decision of the IPO-BLA. Petitioner raises the following grounds:

I.

The court *a quo* erred in applying the “holistic test” to determine whether there is confusing similarity between the contending marks, and in reversing the IPO-BLA and the Director General’s application of the “dominancy test.”

II.

The court *a quo* erred in holding that there is no likelihood of confusion between the contending marks given that the “PAPA BOY & DEVICE” mark is used on lechon sauce, as opposed to ketchup products.

III.

The court *a quo* erred in holding that Petitioner cannot claim exclusive ownership and use of the “PAPA” mark for its sauce products because “PAPA” is supposedly a common term of endearment for one’s father.²⁰

Under the first ground, petitioner submitted the following arguments:

1. The findings of administrative agencies, if supported by substantial evidence, are binding upon the courts.²¹

Petitioner alleges that the Court of Appeals should have respected the ruling of the IPO Director General, which was consistent with the ruling of the IPO-BLA and supported by substantial evidence, instead of substituting its findings of fact for those of the Director General and the IPO-BLA.

¹⁹ Id. at 59-61.

²⁰ Id. at 22.

²¹ Id. at 22.

2. The dominancy test should have been applied to determine if there is confusing similarity between the competing marks.²²

Petitioner points out that the Director General and the IPO-BLA found that the dominant feature of the competing marks is the word “PAPA” and the minor additions to respondent’s “PAPA BOY & DEVICE” mark do not negate likelihood of confusion caused by the latter’s use of the dominant word “PAPA.” Petitioner claims that even compared solely to petitioner’s “PAPA KETSARAP” mark (Registration No. 34681), which is conceded to have been timely renewed and to have never expired, respondent’s “PAPA BOY & DEVICE” would still create the likelihood of confusion.²³

According to petitioner, the Court of Appeals based its decision on *Mead Johnson & Co. v. N.V.J. Van Dorp, Ltd.*,²⁴ a case decided almost five decades ago, long before Republic Act No. 8293 or the 1998 Intellectual Property Code was enforced. Thus, the Court of Appeals erroneously applied the holistic test since given the nature of the products bearing the competing marks, the dominancy test should have been applied.

Petitioner claims that “[k]etchup and lechon sauce are common and inexpensive household products that are sold in groceries and regularly encountered by the ordinary or common purchaser who is not expected to examine, scrutinize, and compare the details of the competing marks.”²⁵

Petitioner distinguishes this case from *Mead Johnson* and claims that the ordinary purchaser of ketchup or lechon sauce is not likely to closely scrutinize each mark as a whole, for the latter is “undiscerningly rash” and usually in a hurry, and cannot be expected to take note of the smiling hog-like character or the blue ribbon-like device with the words “Lechon Sauce.” Petitioner argues that under the Intellectual Property Code, it is not necessary for one to colorably imitate the competing trademark as a whole. It is sufficient that one imitates a “dominant feature” of the mark to constitute trademark infringement.

Petitioner asserts that as the IPO-BLA and the Director General observed that the ordinary purchaser is most likely to notice the words “PAPA BOY,” which, in turn, may lead him to believe that there is a connection between respondent’s lechon sauce and petitioner’s ketchup products.

Under the second ground, petitioner argues that the Court of Appeals seemed to be unmindful that two kinds of confusion may arise from the use of similar or colorable imitation marks, *i.e.*, confusion of goods (product confusion) and confusion of business (source or origin confusion). Petitioner claims that it is reasonable to assume that it may expand its

²² Id. at 24.

²³ Id. at 26.

²⁴ 117 Phil. 779 (1963).

²⁵ *Rollo*, pp. 27-28.

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business to producing lechon sauce, inasmuch as it already produces food sauce products and its Articles of Incorporation authorizes it to do so.

Petitioner alleges that the IPO-BLA recognized that confusion of business may arise from respondent's use of its "PAPA BOY & DEVICE" mark for lechon sauce products, and that the Director-General agreed with the IPO-BLA's findings on this issue.

Petitioner asserts that ketchup and lechon sauce are undeniably related goods; that they belong to the same class, *i.e.*, Class 30 of the Nice Classifications; that they serve practically the same purpose, *i.e.*, to spice up dishes; and that they are sold in similar bottles in the same shelves in grocery stores. Petitioner argues that the Court of Appeals had absolutely no basis for stating that a person who is out to buy ketchup is not likely to buy lechon sauce by mistake, as this analysis allegedly only applies to "product confusion" and does not consider confusion of business. Petitioner alleges that "[t]here equally is actionable confusion when a buyer purchases Respondent's 'PAPA BOY' lechon sauce believing that the said product is related to or associated with the famous 'PAPA KETSUP' makers." Petitioner further alleges that "it is reasonable and likely for a consumer to believe that Respondent's 'PAPA BOY' lechon sauce originated from or is otherwise connected with Petitioner's line of sauces" and that this is "the precise evil that recognition of confusion of business seeks to prevent."²⁶

Petitioner avers that "PAPA" is a well-known mark and that it has been in commercial use as early as 1954 on banana ketchup and similar goods. The "PAPA" mark is also registered as a trademark and in commercial use in other parts of the world such as the United States of America and the Middle East. Petitioner claims that "[b]eing a trademark that is registered and well-known both locally and internationally, Petitioner's 'PAPA' marks cannot be appropriated by another person or entity not only with respect to goods similar to those with respect to which it is registered, but also with respect to goods which are not similar to those for which the 'PAPA' marks are registered."²⁷

Under the third ground, petitioner claims that the fact that the word "PAPA" is a known term of endearment for fathers does not preclude it from being used as a mark to identify goods. Petitioner claims that their mark falls under a type of mark known as "arbitrary or fanciful marks," which are "marks that bear no logical relation to the actual characteristics of the products they represent," are "highly distinctive and valid," and "are entitled to the greatest protection."²⁸

Petitioner claims that the mark "PAPA" falls under this class of arbitrary marks, even if "PAPA" is also a common term of endearment for

²⁶ Id. at 37-38.

²⁷ Id. at 39.

²⁸ Id. at 41.

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one's father. Petitioner states that there is no logical connection between one's father and food sauces, such as ketchup; thus, with respect to ketchup, food sauces, and their related products, and for the purpose of identifying its products, petitioner claims exclusive ownership of the term "PAPA" as an arbitrary mark.

Petitioner alleges that if respondent "has a good faith and proud desire to unmistakably and distinctly identify its lechon sauce product out in the market, it should have coined a mark that departs from and is distinguished from those of its competitors." Petitioner claims that respondent, with full knowledge of the fame and the decades-long commercial use of petitioner's "PAPA" marks, opted for "PAPA BOY & DEVICE," which obviously is just a "colorable imitation."²⁹

THEORY OF RESPONDENT

In its **Comment**,³⁰ respondent claims that petitioner's marks have either expired and/or "that no confusing similarity exists between them and respondent's "PAPA BOY & DEVICE" mark." Respondent alleges that under Section 15 of Republic Act No. 166, a renewal application should be filed within six months before the expiration of the period or within three months after such expiration. Respondent avers that the expiration of the 20-year term for the "PAPA" mark under Registration No. 32416 issued on August 11, 1983 was August 11, 2003. The sixth month before August 11, 2003 was February 11, 2003 and the third month after August 11, 2003 was November 11, 2003. Respondent claims that the application that petitioner filed on October 28, 2005 was almost two years late. Thus, it was not a renewal application, but could only be considered a new application under the new Trademark Law, with the filing date reckoned on October 28, 2005. The registrability of the mark under the new application was examined again, and any certificate issued for the registration of "PAPA" could not have been a renewal certificate.

As for petitioner's other mark "PAPA BANANA CATSUP LABEL," respondent claims that its 20-year term also expired on August 11, 2003 and that petitioner only filed its application for the new "PAPA LABEL DESIGN" on November 15, 2006. Having been filed three years beyond the renewal application deadline, petitioner was not able to renew its application on time, and cannot claim a "continuous existence of its rights over the 'PAPA BANANA CATSUP LABEL.'" Respondent claims that the two marks are different from each other and that the registration of one is independent of the other. Respondent concludes that the certificate of registration issued for "PAPA LABEL DESIGN" is "not and will never be a renewal certificate."³¹

²⁹ Id. at 43.

³⁰ Id. at 106-136.

³¹ Id. at 108.

Respondent also avers as follows:

1.3. With regard to the two new registrations of petitioner namely: “PAPA” (Reg. No. 4-2005-010788) and “PAPA LABEL DESIGN” (Reg. No. 4-2006-012364), these were filed on October 28, 2005 and November 15, 2006, respectively, under the Intellectual Property Code (RA 8293), which follows the “first to file” rule, and were obviously filed later than respondent’s “PAPA BOY & DEVICE” mark filed on April 4, 2002. These new marks filed much later than the opposed “PAPA BOY & DEVICE” mark cannot, therefore, be used as basis for the opposition and should in fact, be denied outrightly.

x x x x

A search of the Online Trademark Database of Intellectual Property Office (IPO) will show that only Registration No. 34681 issued for “PAPA KETSARAP” was properly renewed on August 23, 2005. x x x Clearly, the registrations of “PAPA” and “PAPA BANANA CATSUP LABEL” marks under registration nos. 32416 and SR-6282 respectively, have already expired when Petitioner filed its opposition proceeding against Respondent’s trademark on December 11, 2006. Having expired, and therefore, no longer legally existing, the “PAPA” and “PAPA BANANA CATSUP LABEL” marks CANNOT BAR the registration of respondent’s mark. To allow petitioner’s expired marks to prevent respondent’s distinct “PAPA BOY & DEVICE” mark from being registered would be the ultimate absurdity.³²

Respondent posits that the Court of Appeals did not err in reversing the decisions of the administrative agencies, alleging that “[while] it is true that the general rule is that the factual findings of administrative bodies deserve utmost respect when supported by evidence, the same is subject to exceptions,”³³ and that the Court of Appeals had justifiable reasons to disregard the factual finding of the IPO. Here, the Court of Appeals wisely identified certain material facts that were overlooked by the IPO-BLA and the IPO Director General which it opined, when correctly appreciated, would alter the result of the case.

Respondent alleges that the IPO-BLA erroneously considered petitioner’s marks “PAPA” and “PAPA BANANA CATSUP LABEL” when it applied the dominancy test in determining whether petitioner’s marks are confusingly similar to those of respondent’s mark “PAPA BOY & DEVICE.”

Respondent avers that the IPO-BLA absurdly took emphasis on the mark “PAPA” to arrive at its decision and did not take into consideration that petitioner’s mark was already expired when respondent applied for the registration of its “PAPA BOY & DEVICE” mark. Respondent compares its “PAPA BOY & DEVICE” with the only mark that respondent allegedly has, “PAPA KETSARAP,” and found no confusing similarity between the two.

³² Id. at 108-109.

³³ Id. at 110.

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We quote below respondent's discussion of its application of the dominancy test to the marks in question:

Applying the Dominancy test, as correctly emphasized by the Court of Appeals, the dominant feature in respondent's mark is "PAPA BOY" and not "PAPA". It can be gleaned from respondent's mark that the word "PAPA" was written in the same font, style and color as the word "BOY". There is also the presence of a "smiling hog-like character" which is positioned very prominently, both in size and location in said mark, at glance (*sic*) even more dominant than the word "PAPA BOY".

x x x x

On the other hand, the dominant feature in petitioner's mark is "KETSARAP", not "PAPA". Even an ordinary examiner could observe that the word "KETSARAP" in petitioner's mark is more prominently printed than the word "PAPA".

x x x x

In a dominancy test, the prominent feature of the competing trademarks must be similar to cause confusion or deception. x x x.³⁴

Verily, respondent's dominant feature "PAPA BOY" and the smiling hog-like character and petitioner's dominant feature "KETSARAP", being the word written in a larger font, are neither confusing nor deceiving to the public. In fact, the differences between their dominant marks are very noticeable and conspicuous to every purchaser.

Furthermore, the Supreme Court in *Societe des Produits Nestle, S.A. v. Dy* [641 Phil. 345], applied the dominancy test by taking into account the aural effects of the words and letters contained in the marks in determining the issue of confusing similarity. Obviously, petitioners' "PAPA KETSARAP" mark does not in any way sounds (*sic*) like respondent's "PAPA BOY" mark. The common prefix "PAPA" does not render the marks aurally the same. As discussed above, the dominant feature in petitioner's mark is "KETSARAP" and the dominant feature in respondent's mark is "PAPA BOY". Thus, the words "KETSARAP" and "PAPA BOY" in petitioner's and respondent's respective marks are obviously different in sound, making "PAPA BOY & DEVICE" even more distinct from petitioner's "PAPA KETSARAP" mark.³⁵

Using the holistic test, respondent further discusses the differences in the marks in this wise:

Even the use of the holistic test x x x takes into consideration the entirety of the marks in question [to] be considered in resolving confusing similarity. The differences are again very obvious. Respondent's mark has (1) the word "lechon sauce" printed inside a blue ribbon-like device which is illustrated below the word "PAPA BOY"; (2) a prominent smiling hog-

³⁴ Id. at 115.

³⁵ Id. at 114-117.

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like character gesturing a thumbs-up sign and wearing a Filipino hat and scarf stands beside the word "PAPA BOY"; and the word "BARRIO FIESTA" conspicuously displayed above the said trademark which leaves no doubt in the consumer's mind on the product that he or she is purchasing. On the other hand, petitioner's mark is the word "PAPA" enclosed by a cloud on top of the word "KETSARAP" enclosed by a geometrical figure.

X X X X

In the instant case, the respective marks are obviously different in color scheme, logo, spelling, sound, meaning and connotation. Thus, yet again, under the holistic test there can be no confusion or deception between these marks.

It also bears stressing that petitioner's "PAPA KETSARAP" mark covers "banana catsup" while respondent's "PAPA BOY & DEVICE" covers "lechon sauce", thereby obliterating any confusion of products of both marks as they travel different channels of trade. If a consumer is in the market for banana catsup, he or she will not buy lechon sauce and vice-versa. As a result, the margin of error in the acquisition of one for the other is simply remote. Lechon sauce which is liver sauce is distinct from catsup extracted/ made from banana fruit. The flavor and taste of a lechon sauce are far from those of a banana catsup. Lechon sauce is sauce for "lechon" while banana catsup is apparently catsup made from banana.³⁶

Respondent also contends that "PAPA BOY & DEVICE" mark is not confusingly similar to petitioner's trademark "PAPA KETSARAP" in terms of appearance, sound, spelling and meaning. The difference in nature, usage, taste and appearance of products decreases the possibility of deception among buyers.³⁷

Respondent alleges that since petitioner merely included banana catsup as its product in its certificate, it cannot claim any further right to the mark "PAPA KETSARAP" on products other than banana catsup. Respondent also alleges that petitioner cannot raise "international notoriety of the mark" for the first time on appeal and that there is no proof that petitioner's mark is internationally well-known.³⁸

Furthermore, respondent argues that petitioner cannot claim exclusive ownership over the use of the word "PAPA," a term of endearment for one's father. Respondent points out that there are several other valid and active marks owned by third parties which use the word "PAPA," even in classes of goods similar to those of petitioner's. Respondent avers that petitioner's claim that its "PAPA" mark is an arbitrary mark is belatedly raised in the instant petition, and cannot be allowed because the "PAPA KETSARAP" mark would immediately bring the consuming public to thinking that the product involved is catsup and the description of said catsup is "*masarap*" (delicious) and due to the logical relation of the petitioner's mark to the

³⁶ Id. at 117-118.

³⁷ Id. at 118-120.

³⁸ Id. at 120-123.

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actual product, it being descriptive or generic, it is far from being arbitrary or fanciful.³⁹

Lastly, respondent claims that the Court of Appeals correctly ruled that respondent's product cannot be confused as originating from the petitioner. Since it clearly appears in the product label of the respondent that it is manufactured by Barrio Fiesta, the public is dutifully informed of the identity of the lechon sauce manufacturer. The Court of Appeals further took into account the fact that petitioner's products have been in commercial use for decades.⁴⁰

Petitioner, in its **Reply**⁴¹ to respondent's Comment, contends that respondent cannot invoke a prior filing date for the "PAPA BOY" mark as against Petitioner's "PAPA" and "PAPA BANANA CATSUP LABEL" marks, because the latter marks were still registered when respondent applied for registration of its "PAPA BOY" mark. Thus, the IPO-BLA and Director General correctly considered them in deciding whether the "PAPA BOY" mark should be registered, using the "first to file" rule under Section 123.1(d) of Republic Act No. 8293, or the Intellectual Property Code (IP Code).

Petitioner reiterates its argument that the Court of Appeals erred in applying the holistic test and that the proper test under the circumstances is the dominancy test, which was correctly applied by the IPO-BLA and the Director General.⁴²

THIS COURT'S RULING

The petition has merit.

We find that the Court of Appeals erred in applying the holistic test and in reversing and setting aside the decision of the IPO-BLA and that of the IPO Director General, both of which rejected respondent's application for the mark "PAPA BOY & DEVICE."

In *Dermaline, Inc. v. Myra Pharmaceuticals, Inc.*,⁴³ we defined a trademark as "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." We held that a trademark is "an intellectual property deserving protection by law."

³⁹ Id. at 127-128.

⁴⁰ Id. at 128.

⁴¹ Id. at 143-168.

⁴² Id. at 147.

⁴³ 642 Phil. 503, 510-511 (2010).

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The rights of the trademark owner are found in the Intellectual Property Code, which provides:

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

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.

The guideline for courts in determining likelihood of confusion is found in A.M. No. 10-3-10-SC, or the Rules of Procedure for Intellectual Property Rights Cases, Rule 18, which provides:

RULE 18

Evidence in Trademark Infringement and Unfair Competition Cases

SECTION 1. *Certificate of Registration.* — A certificate of registration of a mark shall be *prima facie* evidence of:

- a) the validity of the registration;
- b) the registrant's ownership of the mark; and
- c) the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate.

x x x x

SECTION 3. *Presumption of Likelihood of Confusion.* — Likelihood of confusion shall be presumed in case an identical sign or mark is used for identical goods or services.

SECTION 4. *Likelihood of Confusion in Other Cases.* — In determining whether one trademark is confusingly similar to or is a colorable imitation of another, the court must consider 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. Visual, aural, connotative comparisons and overall impressions engendered by the marks in controversy as they are encountered in the realities of the marketplace must be taken into account. Where there are both similarities and differences in the marks, these must be weighed against one another to see which predominates.

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In determining likelihood of confusion between marks used on non-identical goods or services, several factors may be taken into account, such as, but not limited to:

- a) the strength of plaintiff's mark;
- b) the degree of similarity between the plaintiff's and the defendant's marks;
- c) the proximity of the products or services;
- d) the likelihood that the plaintiff will bridge the gap;
- e) evidence of actual confusion;
- f) the defendant's good faith in adopting the mark;
- g) the quality of defendant's product or service; and/or
- h) the sophistication of the buyers.

"Colorable imitation" denotes such a close or ingenious imitation as to be calculated to deceive ordinary persons, or such a resemblance to the original as to deceive an ordinary purchaser giving such attention as a purchaser usually gives, as to cause him to purchase the one supposing it to be the other.

SECTION 5. *Determination of Similar and Dissimilar Goods or Services.* — Goods or services may not be considered as being similar or dissimilar to each other on the ground that, in any registration or publication by the Office, they appear in different classes of the Nice Classification.

In this case, the findings of fact of the highly technical agency, the Intellectual Property Office, which has the expertise in this field, should have been given great weight by the Court of Appeals. As we held in *Berris Agricultural Co., Inc. v. Abyadang*⁴⁴:

R.A. No. 8293 defines a "mark" as 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. It also defines a "collective mark" as any visible sign designated as such in the application for registration and capable of distinguishing the origin or any other common characteristic, including the quality of goods or services of different enterprises which use the sign under the control of the registered owner of the collective mark.

On the other hand, R.A. No. 166 defines a "trademark" as 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 another. A trademark, being a special property, is afforded

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647 Phil. 517, 525-533 (2010).

protection by law. But for one to enjoy this legal protection, legal protection ownership of the trademark should rightly be established.

The ownership of a trademark is acquired by its registration and its actual use by the manufacturer or distributor of the goods made available to the purchasing public. Section 122 of R.A. No. 8293 provides that the rights in a mark shall be acquired by means of its valid registration with the IPO. A certificate of registration of a mark, once issued, constitutes *prima facie* evidence of the validity of the registration, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate. R.A. No. 8293, however, requires the applicant for registration or the registrant to file a declaration of actual use (DAU) of the mark, with evidence to that effect, within three (3) years from the filing of the application for registration; otherwise, the application shall be refused or the mark shall be removed from the register. In other words, the *prima facie* presumption brought about by the registration of a mark may be challenged and overcome, in an appropriate action, by proof of the nullity of the registration or of non-use of the mark, except when excused. Moreover, the presumption may likewise be defeated by evidence of prior use by another person, *i.e.*, it will controvert a claim of legal appropriation or of ownership based on registration by a subsequent user. This is because a trademark is a creation of use and belongs to one who first used it in trade or commerce.

The determination of priority of use of a mark is a question of fact. Adoption of the mark alone does not suffice. One may make advertisements, issue circulars, distribute price lists on certain goods, but these alone will not inure to the claim of ownership of the mark until the goods bearing the mark are sold to the public in the market. Accordingly, receipts, sales invoices, and testimonies of witnesses as customers, or orders of buyers, best prove the actual use of a mark in trade and commerce during a certain period of time.

X X X X

Verily, the protection of trademarks as intellectual property is intended not only to preserve the goodwill and reputation of the business established on the goods bearing the mark through actual use over a period of time, but also to safeguard the public as consumers against confusion on these goods. **On this matter of particular concern, administrative agencies, such as the IPO, by reason of their special knowledge and expertise over matters falling under their jurisdiction, are in a better position to pass judgment thereon. Thus, their findings of fact in that regard are generally accorded great respect, if not finality by the courts, as long as they are supported by substantial evidence, even if such evidence might not be overwhelming or even preponderant. It is not the task of the appellate court to weigh once more the evidence submitted before the administrative body and to substitute its own judgment for that of the administrative agency in respect to sufficiency of evidence.** (Emphasis added, citations omitted.)

In trademark controversies, each case must be scrutinized according to its peculiar circumstances, such that jurisprudential precedents should only

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be made to apply if they are specifically in point.⁴⁵ The cases discussed below are mentioned only for purposes of lifting the applicable doctrines, laws, and concepts, but not for their factual circumstances, because of the uniqueness of each case in controversies such as this one.

There are two tests used in jurisprudence to determine likelihood of confusion, namely the dominance 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.*,⁴⁶ 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 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.

Applying the Dominancy Test to the case at bar, this Court finds that the use of the stylized “S” by respondent in its Strong rubber shoes infringes on the mark already registered by petitioner with the IPO. While it is undisputed that petitioner’s stylized “S” is within an oval design, to this Court’s mind, the dominant feature of the trademark is the stylized “S,” as it is precisely the stylized “S” which catches the eye of the purchaser. Thus, even if respondent did not use an oval design, the mere fact that it used the same stylized “S”, the same being the dominant feature of petitioner’s trademark, already constitutes infringement under the Dominancy Test.

This Court cannot agree with the observation of the CA that the use of the letter “S” could hardly be considered as highly identifiable to the products of petitioner alone. The CA even supported its conclusion by stating that the letter “S” has been used in so many existing trademarks,

⁴⁵ *Dermaline, Inc. v. Myra Pharmaceuticals, Inc.*, supra note 43 at 511.

⁴⁶ 662 Phil. 11, 19-24 (2011).

the most popular of which is the trademark "S" enclosed by an inverted triangle, which the CA says is identifiable to Superman. Such reasoning, however, misses the entire point, which is that respondent had used a stylized "S," which is the same stylized "S" which petitioner has a registered trademark for. The letter "S" used in the Superman logo, on the other hand, has a block-like tip on the upper portion and a round elongated tip on the lower portion. Accordingly, the comparison made by the CA of the letter "S" used in the Superman trademark with petitioner's stylized "S" is not appropriate to the case at bar.

Furthermore, respondent did not simply use the letter "S," but it appears to this Court that based on the font and the size of the lettering, the stylized "S" utilized by respondent is the very same stylized "S" used by petitioner; a stylized "S" which is unique and distinguishes petitioner's trademark. Indubitably, the likelihood of confusion is present as purchasers will associate the respondent's use of the stylized "S" as having been authorized by petitioner or that respondent's product is connected with petitioner's business.

x x x x

While there may be dissimilarities between the appearances of the shoes, to this Court's mind such dissimilarities do not outweigh the stark and blatant similarities in their general features. x x x.

Based on the foregoing, this Court is at a loss as to how the RTC and the CA, in applying the holistic test, ruled that there was no colorable imitation, when it cannot be any more clear and apparent to this Court that there is colorable imitation. The dissimilarities between the shoes are too trifling and frivolous that it is indubitable that respondent's products will cause confusion and mistake in the eyes of the public. Respondent's shoes may not be an exact replica of petitioner's shoes, but the features and overall design are so similar and alike that confusion is highly likely.

x x x x

Neither can the difference in price be a complete defense in trademark infringement. In *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*, this Court held:

Modern law recognizes that the protection to which the owner of a trademark is entitled is not limited to guarding his goods or business from actual market competition with identical or similar products of the parties, but extends to all cases in which the use by a junior appropriator of a trade-mark or trade-name is likely to lead to a confusion of source, as where prospective purchasers would be misled into thinking that the complaining party has extended his business into the field (see 148 ALR 56 *et seq.*; 53 Am. Jur. 576) or is in any way connected with the activities of the infringer; or when it forestalls the normal potential expansion of his business (v. 148 ALR 77, 84; 52 Am. Jur. 576, 577). x x x.

Indeed, the registered trademark owner may use its mark on the same or similar products, in different segments of the market, and at

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different price levels depending on variations of the products for specific segments of the market. The purchasing public might be mistaken in thinking that petitioner had ventured into a lower market segment such that it is not inconceivable for the public to think that Strong or Strong Sport Trail might be associated or connected with petitioner's brand, which scenario is plausible especially since both petitioner and respondent manufacture rubber shoes.

Withal, the protection of trademarks as intellectual property is intended not only to preserve the goodwill and reputation of the business established on the goods bearing the mark through actual use over a period of time, but also to safeguard the public as consumers against confusion on these goods. While respondent's shoes contain some dissimilarities with petitioner's shoes, this Court cannot close its eye to the fact that for all intents and purpose, respondent had deliberately attempted to copy petitioner's mark and overall design and features of the shoes. Let it be remembered, that defendants in cases of infringement do not normally copy but only make colorable changes. The most successful form of copying is to employ enough points of similarity to confuse the public, with enough points of difference to confuse the courts. (Citations omitted.)

The Court discussed the concept of confusion of business in the case of *Societe Des Produits Nestle, S.A. v. Dy, Jr.*,⁴⁷ as quoted below:

Among the elements, the element of likelihood of confusion is the gravamen of trademark infringement. There are two types of confusion in trademark infringement: confusion of goods and confusion of business. In *Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft*, the Court distinguished the two types of confusion:

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

There are two tests to determine likelihood of confusion: the dominancy test and holistic test. The dominancy test focuses on the similarity of the main, prevalent or essential features of the competing trademarks that might cause confusion. Infringement takes place when the competing trademark contains the essential features of another. Imitation or an effort to imitate is unnecessary. The question is whether the use of the marks is likely to cause confusion or deceive purchasers.

X X X X

⁴⁷ 641 Phil. 345, 358-367 (2010).

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In cases involving trademark infringement, no set of rules can be deduced. Each case must be decided on its own merits. Jurisprudential precedents must be studied in the light of the facts of each particular case. In *McDonald's Corporation v. MacJoy Fastfood Corporation*, the Court held:

In trademark cases, particularly in ascertaining whether one trademark is confusingly similar to another, no set rules can be deduced because each case must be decided on its merits. In such cases, even more than in any other litigation, precedent must be studied in the light of the facts of the particular case. That is the reason why in trademark cases, jurisprudential precedents should be applied only to a case if they are specifically in point.

In the light of the facts of the present case, the Court holds that the dominancy test is applicable. In recent cases with similar factual milieus, the Court has consistently applied the dominancy test. x x x.

x x x x

In *McDonald's Corporation v. MacJoy Fastfood Corporation*, the Court applied the dominancy test in holding that "MACJOY" is confusingly similar to "MCDONALD'S." The Court held:

While we agree with the CA's detailed enumeration of differences between the two (2) competing trademarks herein involved, we believe that the holistic test is not the one applicable in this case, the dominancy test being the one more suitable. In recent cases with a similar factual milieu as here, the Court has consistently used and applied the dominancy test in determining confusing similarity or likelihood of confusion between competing trademarks.

x x x x

Applying the dominancy test to the instant case, the Court finds that herein petitioner's "MCDONALD'S" and respondent's "MACJOY" marks are confusingly similar with each other that an ordinary purchaser can conclude an association or relation between the marks.

To begin with, both marks use the corporate "M" design logo and the prefixes "Mc" and/or "Mac" as dominant features. x x x.

For sure, it is the prefix "Mc," and abbreviation of "Mac," which visually and aurally catches the attention of the consuming public. Verily, the word "MACJOY" attracts attention the same way as did "McDonalds," "Mac Fries," "Mc Spaghetti," "McDo," "Big Mac" and the rest of the MCDONALD'S marks which all use the prefixes Mc and/or Mac.

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Besides and most importantly, both trademarks are used in the sale of fastfood products. Indisputably, the respondent's trademark application for the "MACJOY & DEVICE" trademark covers goods under Classes 29 and 30 of the International Classification of Goods, namely, fried chicken, chicken barbeque, burgers, fries, spaghetti, etc. Likewise, the petitioner's trademark registration for the MCDONALD'S marks in the Philippines covers goods which are similar if not identical to those covered by the respondent's application.

In *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*, the Court applied the dominancy test in holding that "BIG MAK" is confusingly similar to "BIG MAC." The Court held:

This Court x x x 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.

Thus, in the 1954 case of *Co Tiong Sa v. Director of Patents*, the Court ruled:

x x x It has been consistently held that the question of infringement of a trademark is to be determined by the test of dominancy. Similarity in size, form and color, while relevant, is not conclusive. If the competing trademark contains the main or essential or dominant features of another, and confusion and deception is likely to result, infringement takes place. Duplication or imitation is not necessary; nor is it necessary that the infringing label should suggest an effort to imitate. (*G. Heilman Brewing Co. vs. Independent Brewing Co.*, 191 F., 489, 495, citing *Eagle White Lead Co. vs. Pflugh (CC)* 180 Fed. 579). The question at issue in cases of infringement of trademarks is whether the use of the marks involved would be likely to cause confusion or mistakes in the mind of the public or deceive purchasers. (*Auburn Rubber Corporation vs. Honover Rubber Co.*, 107 F. 2d 588; x x x)

x x x x

The test of dominancy is now explicitly incorporated into law in Section 155.1 of the Intellectual Property Code which defines infringement as the "colorable imitation of a registered mark x x x or a dominant feature thereof."

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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 "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 *Societe Des Produits Nestle, S.A. v. Court of Appeals*, the Court applied the dominancy test in holding that "FLAVOR MASTER" is confusingly similar to "MASTER ROAST" and "MASTER BLEND." The Court held:

While this Court agrees with the Court of Appeals' detailed enumeration of differences between the respective trademarks of the two coffee products, this Court cannot agree that totality test is the one applicable in this case. Rather, this Court believes that the dominancy test is more suitable to this case in light of its peculiar factual milieu.

Moreover, the totality or holistic test is contrary to the elementary postulate of the law on trademarks and unfair competition that confusing similarity is to be determined on the basis of visual, aural, connotative comparisons and overall impressions engendered by the marks in controversy as they are encountered in the realities of the marketplace. The totality or holistic test only relies on visual comparison between two trademarks whereas the dominancy test relies not only on the visual but also on the aural and connotative comparisons and overall impressions between the two trademarks.

For this reason, this Court agrees with the BPTTT when it applied the test of dominancy and held that:

x x x x

The scope of protection afforded to registered trademark owners is not limited to protection from infringers with identical goods. The scope of protection extends to protection from infringers with related goods, and to market areas that are the normal expansion of business of the registered trademark owners. Section 138 of R.A. No. 8293 states:

Certificates of Registration. — A certificate of registration of a mark shall be *prima facie* evidence of validity of the registration, the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate. x x x.

In *Mighty Corporation v. E. & J. Gallo Winery*, the Court held that, "Non-competing goods may be those which, though they are not in

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actual competition, are so related to each other that it can reasonably be assumed that they originate from one manufacturer, in which case, confusion of business can arise out of the use of similar marks." In that case, the Court enumerated factors in determining whether goods are related: (1) classification of the goods; (2) nature of the goods; (3) descriptive properties, physical attributes or essential characteristics of the goods, with reference to their form, composition, texture or quality; and (4) style of distribution and marketing of the goods, including how the goods are displayed and sold.

x x x x

x x x. However, as the registered owner of the "NAN" mark, Nestle should be free to use its mark on similar products, in different segments of the market, and at different price levels. In *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*, the Court held that the scope of protection afforded to registered trademark owners extends to market areas that are the normal expansion of business:

x x x x

Even respondent's use of the "Big Mak" mark on non-hamburger food products cannot excuse their infringement of petitioners' registered mark, otherwise registered marks will lose their protection under the law.

The registered trademark owner may use his mark on the same or similar products, in different segments of the market, and at different price levels depending on variations of the products for specific segments of the market. The Court has recognized that the registered trademark owner enjoys protection in product and market areas that are the normal potential expansion of his business. Thus, the Court has declared:

Modern law recognizes that the protection to which the owner of a trademark is entitled is not limited to guarding his goods or business from actual market competition with identical or similar products of the parties, but extends to all cases in which the use by a junior appropriator of a trade-mark or trade-name is likely to lead to a confusion of source, as where prospective purchasers would be misled into thinking that the complaining party has extended his business into the field (see 148 ALR 56 *et seq.*; 53 Am. Jur. 576) or is in any way connected with the activities of the infringer; or when it forestalls the normal potential expansion of his business (v. 148 ALR, 77, 84; 52 Am. Jur. 576, 577). (Emphases supplied, citations omitted.)

Again, this Court discussed the dominance test and confusion of business in *Dermaline, Inc. v. Myra Pharmaceuticals, Inc.*,⁴⁸ and we quote:

The Dominancy Test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion or deception. It is applied when the trademark sought to be registered contains the main, essential and dominant features of the earlier registered

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Supra note 43 at 511-515.

trademark, and confusion or deception is likely to result. Duplication or imitation is not even required; neither is it necessary that the label of the applied mark for registration should suggest an effort to imitate. The important issue is whether the use of the marks involved would likely cause confusion or mistake in the mind of or deceive the ordinary purchaser, or one who is accustomed to buy, and therefore to some extent familiar with, the goods in question. Given greater consideration are 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. The test of dominancy is now explicitly incorporated into law in Section 155.1 of R.A. No. 8293 which provides —

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

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.

x x x x

We agree with the findings of the IPO. As correctly applied by the IPO in this case, while there are no set rules that can be deduced as what constitutes a dominant feature with respect to trademarks applied for registration; usually, what are taken into account are signs, color, design, peculiar shape or name, or some special, easily remembered earmarks of the brand that readily attracts and catches the attention of the ordinary consumer.

x x x x

Further, Dermaline's stance that its product belongs to a separate and different classification from Myra's products with the registered trademark does not eradicate the possibility of mistake on the part of the purchasing public to associate the former with the latter, especially considering that both classifications pertain to treatments for the skin.

Indeed, the registered trademark owner may use its mark on the same or similar products, in different segments of the market, and at

myra

different price levels depending on variations of the products for specific segments of the market. The Court is cognizant that the registered trademark owner enjoys protection in product and market areas that are the *normal potential expansion of his business*. Thus, we have held —

Modern law recognizes that the protection to which the owner of a trademark is entitled is not limited to guarding his goods or business from *actual* market competition with identical or similar products of the parties, but extends to all cases in which the use by a junior appropriator of a trade-mark or trade-name is **likely to lead to a confusion of source, as where prospective purchasers would be misled into thinking that the complaining party has extended his business into the field** (see 148 ALR 56 *et seq*; 53 Am Jur. 576) or is in *any* way connected with the activities of the infringer; **or when it forestalls the normal potential expansion of his business** (v. 148 ALR 77, 84; 52 Am. Jur. 576, 577).

Thus, the public may mistakenly think that Dermaline is connected to or associated with Myra, such that, considering the current proliferation of health and beauty products in the market, the purchasers would likely be misled that Myra has already expanded its business through Dermaline from merely carrying pharmaceutical topical applications for the skin to health and beauty services.

Verily, when one applies for the registration of a trademark or label which is almost the same or that very closely resembles one already used and registered by another, the application should be rejected and dismissed outright, even without any opposition on the part of the owner and user of a previously registered label or trademark. This is intended not only to avoid confusion on the part of the public, but also to protect an already used and registered trademark and an established goodwill. (Citations omitted.)

Section 123.1(d) of the IP Code provides:

A mark cannot be registered if it:

x x x x

- (d) Is identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date, in respect of:
 - i. The same goods or services, or
 - ii. Closely related goods or services, or
 - iii. If it nearly resembles such a mark as to be likely to deceive or cause confusion[.]

A scrutiny of petitioner's and respondent's respective marks would show that the IPO-BLA and the IPO Director General correctly found the word "PAPA" as the dominant feature of petitioner's mark "PAPA

KETSARAP.” Contrary to respondent’s contention, “KETSARAP” cannot be the dominant feature of the mark as it is merely descriptive of the product. Furthermore, it is the “PAPA” mark that has been in commercial use for decades and has established awareness and goodwill among consumers.

We likewise agree with the IPO-BLA that the word “PAPA” is also the dominant feature of respondent’s “PAPA BOY & DEVICE” mark subject of the application, such that “the word ‘PAPA’ is written on top of and before the other words such that it is the first word/figure that catches the eyes.”⁴⁹ Furthermore, as the IPO Director General put it, the part of respondent’s mark which appears prominently to the eyes and ears is the phrase “PAPA BOY” and that is what a purchaser of respondent’s product would immediately recall, not the smiling hog.

We quote the relevant portion of the IPO-BLA decision on this point below:

A careful examination of Opposer’s and Respondent-applicant’s respective marks shows that the word “PAPA” is the dominant feature: In Opposer’s marks, the word “PAPA” is either the mark by itself or the predominant word considering its stylized font and the conspicuous placement of the word “PAPA” before the other words. In Respondent-applicant’s mark, the word “PAPA” is written on top of and before the other words such that it is the first word figure that catches the eyes. The visual and aural impressions created by such dominant word “PAPA” at the least is that the respective goods of the parties originated from the other, or that one party has permitted or has been given license to the other to use the word “PAPA” for the other party’s product, or that there is a relation/connection between the two parties when, in fact, there is none. This is especially true considering that the products of both parties belong to the same class and are closely related: Catsup and lechon sauce or liver sauce are both gravy-like condiments used to spice up dishes. Thus, confusion of goods and of business may likely result.

Under the Dominancy Test, the dominant features of the competing marks are considered in determining whether these competing marks are confusingly similar. Greater weight is given to the similarity of the appearance of the products arising from the adoption of the dominant features of the registered mark, disregarding minor differences. The visual, aural, connotative, and overall comparisons and impressions engendered by the marks in controversy as they are encountered in the realities of the marketplace are the main considerations (McDonald’s Corporation, et al., v. L. C. Big Mak Burger, Inc., et al., G. R. No.143993, August 18, 2004; Societe Des Produits Nestle, S. A.” et al. v. Court of Appeals, et al., G. R. No. 112012, April 4, 2001). If the competing trademark contains the main or essential or dominant features of another, and confusion and deception is likely to result, infringement takes place. (Lim Hoa v. Director of Patents, 100 Phil. 214 [1956]); Co Tiong Sa v. Director of Patents, et al., G. R. No. L-5378, May 24, 1954). Duplication or imitation is not necessary; nor is it necessary that the infringing label should suggest an

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CA rollo, p. 244.

effort to imitate (*Lim Hoa v. Director of Patents, supra, and Co Liong Sa v. Director of Patents, supra*). Actual confusion is not required: Only likelihood of confusion on the part of the buying public is necessary so as to render two marks confusingly similar so as to deny the registration of the junior mark (*Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft*, 137 Phil. 838 [1969]).

As to the first issue of whether PAPA BOY is confusingly similar to Opposer's PAPA mark, this Bureau rules in the affirmative.

The records bear the following:

1. Registration No. 32416 issued for the mark "PAPA" under Class 29 goods was deemed expired as of February 11, 2004 (Exhibit "A" attached to the VERIFIED NOTICE OF OPPOSITION). Application Serial No. 4-2005-010788 was filed on October 28, 2005 for the same mark "PAPA" for Class 30 goods and Registration No. 42005010788 was issued on March 19, 2007;
2. Opposer was issued for the mark "PAPA BANANA CATSUP LABEL" on August 11, 1983 Registration No. SR-6282 for Class 30 goods in the Supplemental Register, which registration expired in 2003. Application Serial No. 4-2006-012364 was filed for the mark "PAPA LABEL DESIGN" for Class 30 goods on November 15, 2006, and Registration No. 42006012364 was issued on April 30, 2007; and
3. Lastly, Registration No. 34681 for the mark "PAPA KETSARAP" for Class 30 goods was issued on August 23, 1985 and was renewed on August 23, 2005.

Though Respondent-applicant was first to file the subject application on April 04, 2002 vis-a-vis the mark "PAPA" the filing date of which is reckoned on October 28, 2005, and the mark "PAPA LABEL DESIGN" the filing date of which is reckoned on November 15, 2006, Opposer was able to secure a registration for the mark "PAPA KETSARAP" on August 23, 1985 considering that Opposer was the prior registrant and that its renewal application timely filed on August 23, 2005.

x x x x

Pursuant to [Section 123.1(d) of the IP Code], the application for registration of the subject mark cannot be allowed considering that Opposer was earlier registrant of the marks PAPA and PAPA KETSARAP which registrations were timely renewed upon its expiration. Respondent-applicant's mark "PAPA BOY & DEVICE" is confusingly similar to Opposer's mark "PAPA KETSARAP" and is applied to goods that are related to Opposer's goods, but Opposer's mark "PAPA KETSARAP" was registered on August 23, 1985 per Certificate of Registration No. 34681, which registration was renewed for a period of 10 years counted from August 23, 2005 per Certificate of Renewal of Registration No. 34681 issued on August 23, 2005. To repeat, Opposer has already registered a mark which Respondent-applicant's mark nearly resembles as to likely deceive or cause confusion as to origin and which is applied to goods to which respondent-applicant's goods under Class 30 are closely related.

Section 138 of the IP Code provides that a certificate of registration of a mark is *prima facie* evidence of the validity of the registration, the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods and those that are related thereto specified in the certificate.⁵⁰

We agree that respondent's mark cannot be registered. Respondent's mark is related to a product, lechon sauce, an everyday all-purpose condiment and sauce, that is not subjected to great scrutiny and care by the casual purchaser, who knows from regular visits to the grocery store under what aisle to find it, in which bottle it is contained, and approximately how much it costs. Since petitioner's product, catsup, is also a household product found on the same grocery aisle, in similar packaging, the public could think that petitioner had expanded its product mix to include lechon sauce, and that the "PAPA BOY" lechon sauce is now part of the "PAPA" family of sauces, which is not unlikely considering the nature of business that petitioner is in. Thus, if allowed registration, confusion of business may set in, and petitioner's hard-earned goodwill may be associated to the newer product introduced by respondent, all because of the use of the dominant feature of petitioner's mark on respondent's mark, which is the word "PAPA." The words "Barrio Fiesta" are not included in the mark, and although printed on the label of respondent's lechon sauce packaging, still do not remove the impression that "PAPA BOY" is a product owned by the manufacturer of "PAPA" catsup, by virtue of the use of the dominant feature. It is possible that petitioner could expand its business to include lechon sauce, and that would be well within petitioner's rights, but the existence of a "PAPA BOY" lechon sauce would already eliminate this possibility and deprive petitioner of its rights as an owner of a valid mark included in the Intellectual Property Code.

The Court of Appeals likewise erred in finding that "PAPA," being a common term of endearment for one's father, is a word over which petitioner could not claim exclusive use and ownership. The Merriam-Webster dictionary defines "Papa" simply as "a person's father." True, a person's father has no logical connection with catsup products, and that precisely makes "PAPA" as an arbitrary mark capable of being registered, as it is distinctive, coming from a family name that started the brand several decades ago. What was registered was not the word "Papa" as defined in the dictionary, but the word "Papa" as the last name of the original owner of the brand. In fact, being part of several of petitioner's marks, there is no question that the IPO has found "PAPA" to be a registrable mark.


Respondent had an infinite field of words and combinations of words to choose from to coin a mark for its lechon sauce. While its claim as to the origin of the term "PAPA BOY" is plausible, it is not a strong enough claim to overrule the rights of the owner of an existing and valid mark. Furthermore, this Court cannot equitably allow respondent to profit by the

⁵⁰ Id. at 244-246.


name and reputation carefully built by petitioner without running afoul of the basic demands of fair play.⁵¹

WHEREFORE, we hereby **GRANT** the petition. We **SET ASIDE** the June 23, 2011 **Decision** and the October 4, 2011 **Resolution** of the Court of Appeals in CA-G.R. SP No. 107570, and **REINSTATE** the March 26, 2008 **Decision** of the Bureau of Legal Affairs of the Intellectual Property Office (IPO-BLA) and the January 29, 2009 **Decision** of the Director General of the IPO.

SO ORDERED.


TERESITA J. LEONARDO-DE CASTRO
Associate Justice

WE CONCUR:


MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson


LUCAS P. BERSAMIN
Associate Justice


ESTELA M. PERLAS-BERNABE
Associate Justice



FRANCIS H. JARDELEZA
Associate Justice

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Coffee Partners, Inc. v. San Francisco Coffee & Roastery, Inc., 628 Phil. 13 (2010).

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.



MARIA LOURDES P. A. SERENO
Chief Justice

