

THIRD DIVISION

[G.R. No. 161051, July 23, 2009]

COMPANIA GENERAL DE TABACOS DE FILIPINAS AND LA FLOR DE LA ISABELA, INC., PETITIONERS, HON. VIRGILIO A. SEVANDAL, AS DIRECTOR AND DTI ADJUDICATION OFFICER, ATTY. RUBEN S. EXTRAMADURA, AS HEARING OFFICER - OFFICE OF THE LEGAL AFFAIRS, DEPARTMENT OF TRADE AND INDUSTRY, TABAQUERIA DE FILIPINAS, INC., AND GABRIEL RIPOLL, JR., RESPONDENTS.

D E C I S I O N

VELASCO JR., J.:

The Case

This Petition for Review on Certiorari under Rule 45 seeks the reversal of the June 16, 2003 Decision^[1] and December 1, 2003 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. SP No. 42881. The CA denied petitioners' Petition for Certiorari (With Urgent Application for Temporary Restraining Order and/or Writ of Preliminary Injunction) and their motion for reconsideration.

The Facts

Petitioner Compania General de Tabacos de Filipinas, also known as "Tabacalera," is a foreign corporation organized and existing under the laws of Spain. It is the owner of 24 trademarks registered with the Bureau of Patents, Trademarks and Technology Transfer (BPTTT) of the Department of Trade and Industry (DTI). Tabacalera authorized petitioner La Flor de la Isabela, Inc. to manufacture and sell cigars and cigarettes using the Tabacalera trademarks.

Respondent Gabriel Ripoll, Jr. was an employee of petitioners for 28 years and was the General Manager before he retired sometime in 1993.^[3] In the same year, Ripoll organized Tabaqueria de Filipinas, Inc. (Tabaqueria), a domestic corporation also engaged in the manufacture of tobacco products like cigars.^[4] Ripoll is the managing director of Tabaqueria.

On October 1, 1993, petitioners filed a Letter-Complaint^[5] with the Securities and Exchange Commission praying for the cancellation of the corporate name of Tabaqueria on the following ground:

Tabaqueria, being engaged in the same business as Tabacalera, cannot be allowed to continue using "tabaqueria" which will confuse and deceive the public into believing that Tabaqueria is operated and managed by,

and part of, Tabacalera and that its business is approved, sponsored by, and affiliated with, Tabacalera.

Thereafter, petitioners also filed with the Department of Justice (DOJ)-Task Force on Anti-Intellectual Property Piracy a criminal complaint against Ripoll for Infringement of Trademark and Unfair Competition for violation of Articles 188 and 189 of the Revised Penal Code. The case was docketed as I.S. No. 94C-07941, entitled *Compania General de Tabacos de Filipinas & La Flor de la Isabela, Inc. (Attys. Ferdinand S. Fider and Ma. Dolores T. Syquia v. Gabriel Ripoll, Jr. (Tabaqueria de Filipinas, Inc.))*.

On February 8, 1994, petitioners filed with the DTI a Complaint dated February 4, 1994^[6] for Unfair Competition, docketed as Administrative Case No. 94-19 and entitled *Compania General de Tabacos de Filipinas and La Flor de la Isabela, Inc. v. Tabaqueria de Filipinas, Inc. and Gabriel Ripoll, Jr.*

Petitioners alleged in the Complaint that Tabaqueria deliberately sought to adopt/simulate the Tabacalera trademarks to confuse the public into believing that the Tabaqueria cigars are the same or are somehow connected with the Tabacalera products.^[7]

In the Complaint petitioners sought, among others, the issuance of a "preliminary order requiring respondents to refrain from manufacturing, distributing and/or selling the Tabaqueria products."^[8]

In their Answer dated April 9, 1994, Tabaqueria and Ripoll opposed the issuance of injunctive relief pending investigation on the ground that petitioners' allegation of unfair competition is unproved and unsubstantiated. They alleged that petitioners failed to establish the following elements required for the issuance of an injunctive writ:

The party applying for preliminary injunction must show (a) The invasion of the right sought to be protected is material and substantial; (b) The right of complainant is clear and unmistakable; and (c) There is an urgent and paramount necessity for the writ to prevent serious damage. (Director of Forest Administration vs. Fernandez, 192 SCRA 121 [1990]; Phil. Virginia Tobacco Administration vs. De los Angeles, 164 SCRA 543 [1988])^[9]

Meanwhile, on September 1, 1994, the DOJ issued a Resolution^[10] in I.S. No. 94C-07941, the dispositive portion of which reads:

Accordingly, it is hereby recommended that the complaint for unfair competition and/or infringement of trademark be dismissed against respondent Gabriel Ripoll Jr. for insufficiency of evidence.

Petitioners moved reconsideration of the above resolution, but their motion was

denied in a Letter dated October 18, 1994.^[11] Later, the Secretary of Justice reversed the Resolution dated September 1, 1994. Upon reconsideration, the Secretary, however, issued a Letter dated February 5, 1997^[12] reaffirming the Resolution dated September 1, 1994.

On March 24, 1995, petitioners filed a Motion to Issue Cease and Desist Order^[13] with the DTI, praying for the issuance of an order: (1) directing private respondents to immediately cease and desist from manufacturing, distributing, and selling cigar products bearing the marks and design of petitioners; (2) for the immediate seizure of all cigar products of private respondents bearing the marks and design of petitioners; and (3) for the immediate closure of private respondents' establishment involved in the production of those products.

In response, private respondents filed an Opposition to Complainants' Motion to Issue Cease and Desist Order, with Motion to Dismiss Complaint dated March 30, 1995.^[14] Private respondents anchored their motion to dismiss on the ground of forum shopping due to petitioners' filing of prior cases of infringement and unfair competition with the DOJ. As to the Motion to Issue Cease and Desist Order, private respondents claimed that such motion was premature considering that the alleged evidence for the issuance of the order was just then marked. Moreover, they alleged that the acts that petitioners sought to be restrained would not cause irreparable injury to them.

Subsequently, the DTI issued a Temporary Restraining Order dated September 18, 1995^[15] with a validity period of 20 days from receipt by private respondents.

In an Order dated April 30, 1996, the Office of Legal Affairs of the DTI ruled that there was no similarity in the general appearance of the products of the parties and that consumers would not be misled. In the same order, the DTI partially granted petitioners' prayer for the issuance of a writ of preliminary injunction. The pertinent portions of the DTI Order state:

DETERMINATION OF SIMILARITY IN GENERAL APPEARANCE AND
LIKELIHOOD OF CONFUSION; PRODUCT COMPARISON; USUAL
PURCHASER

x x x [L]et us now determine if there is similarity in general appearance between Tabacalera products and Respondents' products, such that it will likely mislead, confuse or deceive the usual purchasers of cigars into buying Respondents' products thinking that what they are buying are the Tabacalera products they intended to buy.

The competing products should be viewed in their totality. But certain features, have to be excluded first. That is what the Supreme Court did in determining similarity between SAN MIGUEL PALE PILSEN (of San Miguel Corporation) and BEER PALE PILSEN (of Asia Brewery, Inc.) in the case of Asia Brewery, Inc. vs. C.A. and San Miguel Corp. (G.R. No. 103543, prom. July 5, 1993). In said case, the Supreme Court found that the two competing beer products have certain features in common. Therefore, the two competing products are similar as far as those features are

concerned. But the Supreme Court excluded said features. Apparently the Court wanted to distinguish between "similarity as a matter of fact" and "similarity as a matter of law", the latter having a limited scope considering the many exclusions that have to be made. Hereunder are the said features and the reasons cited by the Supreme Court for their exclusion:

| COMMON FEATURES | REASONS FOR EXCLUSION |
|---|--|
| 1. The container is steinie bottle. | It is a standard type of bottle and therefore lacks exclusivity. It is of functional or common use. It is universally used. |
| 2. The color of the bottle is amber. | It is a functional feature. Its function is to prevent the transmission of light into the said bottle and thus protect the beer inside the bottle. |
| 3. The phrase "pale pilsen" is carried in their respective trademark. | This phrase is a generic one even if included in their trademarks. |
| 4. The bottle has a capacity of 320 ML and is printed on the label. | It is a metrication and standardization requirement of the defunct Metric System Board (now a function of the Bureau of Product Standards, DTI). |
| 5. The color of the words and design on the label is white. | It is the most economical to use on the label and easiest to bake in the furnace. Hence, a functional feature. |
| 6. Rectangular shape of the label. | It is the usual configuration of labels. |
| 7. The bottle's shape is round with a neck. | It is commonly and universally used. |

In the same case of Supreme Court stated the following, citing Callman, Unfair Competition, Trademarks and Monopolies:

"Protection against imitation should be properly confined to non-functional features. Even if purely functional elements are slavishly copied, the resemblance will not support an action for unfair competition, and the first user cannot claim secondary meaning protection. Nor can the first user predicate his claim in reliance of any such unpatented functional feature, even at large expenditure of money."

Following the Supreme Court's way of determining similarity, OLA will exclude the features which arise from industry practices of cigar manufacturers worldwide, features commonly used by cigar manufacturers, standard features, functional features, features arising from labeling rights and obligations, and generic words and phrases. All of these features have been listed and/or discussed above. Now this needs clarification. When we say that we are excluding the logo because it is a functional and universal feature, what we mean to say is that, the fact that both products bear a logo (and therefore they are similar in that respect), will be excluded; but the design, words, drawings of the respective logo of the contending parties will be considered. This clarification is also true for the other excluded features.

Before we view the products in their totality, we will first compare the products as to their respective details. The competing products of the Parties consist of around thirty-two (32) wooden boxes. We note the following glaring differences/distinctions:

1. As to the logo engraved on the top and/or back of the cover of the box:

TABACALERA'S:

Tabacalera uses two variants of their logo, one for the ordinary plywood boxes and another for the narra boxes. The logo on the ordinary plywood box is as follows:

There are word/phrases thereon, namely:

- 1st line - the brand "TABACALERA" (in big letters);
- 2nd line - the representation "THE FINEST CIGARS SINCE 1881";
- 3rd line - the representation "HAND MADE 100% TOBACCO";
- 4th line - the address "MANILA, PHILIPPINES";
- 5th line - the code "A-4-2".

Between the 2nd line and 3rd line is inscribed the crest and coat of arms of Tabacalera which consists of a shield placed vertically, and divided into 4 parts with inscriptions/drawings in each part. Within the center of the shield is an oval vertically placed with drawings in it. The crest consists of the uppermost part of a watchtower used in ancient times in watching for enemies coming.

As regards the logo on the narra boxes, it is oblong or egg-shaped, in two parallel lines interrupted at its sides with semi-oblong two parallel lines and inscribed within such latter parallel lines on the left side is "100% TABACO" and on the right side "HECHO A MANO". On the lower portion between the oblong lines are the words "COMPANIA GENERAL DE TABACOS DE FILIPINAS - MANILA, PHILIPPINES, A-4-2". Within the center of the smaller oblong is inscribed the crest and coat (described already above). At each side of the crest/coat are tobacco leaves tied together. On top of the crest is the corporate name "LA FLOR DE LA ISABELA" and this