

# FIRST DIVISION

[ G.R. No. 220558, February 17, 2021 ]

**EMZEE FOODS, INC., PETITIONER, VS. ELARFOODS, INC.,  
RESPONDENT.**

## DECISION

**GAERLAN, J.:**

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

This resolves the Petition for Review on *Certiorari* under Rule 45 of the Rules of Court filed by Emzee Foods, Inc. (petitioner), praying for the reversal of the March 27, 2015 Decision<sup>[1]</sup> and September 11, 2015 Resolution<sup>[2]</sup> of the Court of Appeals (CA) in CA-GR. SP No. 133652. The CA affirmed the December 20, 2013 Decision<sup>[3]</sup> of the Director General of the Intellectual Property Office (IPO), declaring petitioner liable for unfair competition and trademark infringement.

### Antecedents

Sometime in 1970, spouses Jose and Leonor Lontoc (spouses Lontoc) established a business of selling Filipino food and roasted pigs, which they marketed under the name "ELARS Lechon."<sup>[4]</sup>

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

Since then, the spouses Lontoc actively managed the respondent corporation. Over the years, respondent used Elarfoods, Inc. as its business name and marketed its products, particularly, its roasted pigs as "ELAR'S LECHON ON A BAMBOO TRAY." Eventually, it rose to notoriety as the "ELAR'S LECHON" brand.<sup>[6]</sup>

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

On September 25, 2001, respondent filed with the IPO an application for registration of the trademark "ELARS LECHON." Thereafter, on October 1, 2001, respondent filed

two more applications for the marks "ON A BAMBOO TRAY" and "ROASTED PIG DEVICE" (collectively, subject marks).<sup>[7]</sup> The mark "ROASTED PIG DEVICE" is a design or representation of a roasted pig on a bamboo stick placed on top of a bamboo tray.<sup>[8]</sup>

On October 2, 2001, respondent sent the petitioner a Cease and Desist Letter<sup>[9]</sup> urging the latter to stop using the subject marks or any variations thereof. However, petitioner ignored the demand and continued selling its roasted pigs under the marks "ELARZLECHON," "ELAR LECHON," "PIG DEVICE," and "ON A BAMBOO TRAY," thereby causing confusion as to the source and origin of the products.<sup>[10]</sup>

Thereafter, respondent filed three separate complaints<sup>[11]</sup> for unfair competition and violation of intellectual property rights against petitioner for the latter's use of the former's trademarks "ELARS LECHON" "ROASTED PIG DEVICE," and "ON A BAMBOO TRAY." Respondent claimed that petitioner unfairly rode on its fame, goodwill and reputation, causing its sales and profits to be diverted to petitioner.<sup>[12]</sup>

On November 12, 2001, the Bureau of Legal Affairs (BLA) of the IPO ordered the consolidation of the cases.<sup>[13]</sup>

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

On August 8, 2005, BLA Director Estrelita Beltran-Abelardo (Beltran-Abelardo) dismissed the complaint. She ruled that the spouses Lontoc are the owners of the subject marks by prior commercial use. Said marks acquired popularity through their consistent use in connection with the spouses Lontoc's lechon business, even prior to the respondent's incorporation. Moreover, BLA Director Beltran-Abelardo opined that the use of the "ELAR" mark was not coined by the spouses Lontoc for the sole benefit of respondent, but for the use of the Lontoc-Rodriguez clan in their businesses.<sup>[14]</sup> At best, respondent merely acquired the usufruct of the subject trademarks. On this score, the real-party-in-interest to file a suit against the petitioner is the Estate of the spouses Lontoc.<sup>[15]</sup> In the same vein, it is only the Estate who may apply for registration and appropriate the subject trademarks for its exclusive use.<sup>[16]</sup> In the absence of a valid transfer or assignment in favor of the respondent or the petitioner, any goodwill that may be earned through the use of the trademark shall redound to the Estate's benefit.<sup>[17]</sup> Finally, BLA Director Beltran-Abelardo concluded that her office has no jurisdiction to make a final determination on the matter considering that it is not a probate court.<sup>[18]</sup>

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

On September 17, 2005, respondent sought reconsideration of BLA Director Beltran-Abelardo's ruling, which was denied in the latter's Resolution<sup>[23]</sup> dated December 21, 2009.

Hence, on February 10, 2010, respondent filed an appeal before the Office of the Director General.<sup>[24]</sup>

### **Ruling of the IPO Director General**

In a Decision<sup>[25]</sup> dated December 20, 2013, IPO Director General Ricardo R. Blancaflor (Blancaflor) reversed the BLA. He stated that there was no need for a written assignment of the subject trademarks because the spouses Lontoc themselves, in their desire to leave a legacy, incorporated and registered respondent with the SEC. As a result, all rights and interests of the spouses Lontoc, including the subject trademarks were transferred to respondent. In fact, the spouses Lontoc actively managed respondent and represented to the public that they were its owners. Even petitioner admitted that respondent is an alter ego of the spouses Lontoc, implying that the rights and interests of respondent are identical and inseparable from those of the spouses Lontoc.

Likewise, Director General Blancaflor explained that the requirement of a written assignment of rights applies only if the trademark is already registered, or has a pending application for registration. In this case, a written assignment was not yet possible considering that the subject trademarks were not yet registered nor the subject of an application for registration. Hence, Director General Blancaflor concluded that petitioner's use of the trademarks "ELARZLECHON," "ELAR LECHON," "PIG DEVICE," and "ON A BAMBOO TRAY" constituted unfair competition during the time that the marks were not yet registered, and trademark infringement, after their registration. He farther expressed that the petitioner should have been made liable for the payment of damages and should have been subject to injunction. Accordingly, he disposed of the case as follows:

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

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

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

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

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

SO ORDERED.<sup>[26]</sup>

Dissatisfied with the ruling, petitioner filed with the CA a Petition for Review<sup>[27]</sup> under Rule 43 of the Rules of Court.

### **Ruling of the CA**

On March 27, 2015, the CA affirmed the ruling of IPO Director General Blancaflor.<sup>[28]</sup> The CA noted that the IPO had already issued the respondent Certificates of Registration for the subject trademarks. These Certificates of Registration carry with them the operation of ownership and exclusive use of the subject trademarks.<sup>[29]</sup> Consequently, the CA found the petitioner liable for infringement. It applied the dominancy test and held that the petitioner's use of the mark "ELARZ LECHON" or "ELAR LECHON" likely results in confusion. The marks both feature the name "ELAR"; have a similar sound and pronunciation with the respondent's trademarks; and are likewise used in the sale of lechon and related products. Thus, there exists a likelihood that the consumers will mistakenly associate petitioner's lechon and business with those of respondent's.<sup>[30]</sup>

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

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

The dispositive portion of the CA ruling states:

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

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

2) The award of moral damages is DELETED.

SO ORDERED.<sup>[34]</sup>

Aggrieved, petitioner filed a Motion for Reconsideration, which was denied in the September 11, 2015 CA Resolution.<sup>[35]</sup>

Undeterred, petitioner filed the instant Petition for Review on *Certiorari*<sup>[36]</sup> before this Court.

### **Issues**

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

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

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

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

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