

## FIRST DIVISION

[ G.R. No. 164324, August 14, 2009 ]

**TANDUAY DISTILLERS, INC., PETITIONER, VS. GINEBRA SAN MIGUEL, INC., RESPONDENT**

### DECISION

**CARPIO, J.:**

#### The Case

Tanduay Distillers, Inc. (Tanduay) filed this Petition for Review on Certiorari<sup>[1]</sup> assailing the Court of Appeals' Decision dated 9 January 2004<sup>[2]</sup> as well as the Resolution dated 2 July 2004<sup>[3]</sup> in CA-G.R. SP No. 79655 denying the Motion for Reconsideration. In the assailed decision, the Court of Appeals (CA) affirmed the Regional Trial Court's Orders<sup>[4]</sup> dated 23 September 2003 and 17 October 2003 which respectively granted Ginebra San Miguel, Inc.'s (San Miguel) prayer for the issuance of a temporary restraining order (TRO) and writ of preliminary injunction. The Regional Trial Court of Mandaluyong City, Branch 214 (trial court), enjoined Tanduay "from committing the acts complained of, and, specifically, to cease and desist from manufacturing, distributing, selling, offering for sale, advertising, or otherwise using in commerce the mark "Ginebra," and manufacturing, producing, distributing, or otherwise dealing in gin products which have the general appearance of, and which are confusingly similar with," San Miguel's marks, bottle design, and label for its gin products.<sup>[5]</sup>

#### The Facts

Tanduay, a corporation organized and existing under Philippine laws, has been engaged in the liquor business since 1854. In 2002, Tanduay developed a new gin product distinguished by its sweet smell, smooth taste, and affordable price. Tanduay claims that it engaged the services of an advertising firm to develop a brand name and a label for its new gin product. The brand name eventually chosen was "Ginebra Kapitan" with the representation of a revolutionary *Kapitan* on horseback as the dominant feature of its label. Tanduay points out that the label design of "Ginebra Kapitan" in terms of color scheme, size and arrangement of text, and other label features were precisely selected to distinguish it from the leading gin brand in the Philippine market, "Ginebra San Miguel." Tanduay also states that the "Ginebra Kapitan" bottle uses a resealable twist cap to distinguish it from "Ginebra San Miguel" and other local gin products with bottles which use the crown cap or *tansan*.<sup>[6]</sup>

After filing the trademark application for "Ginebra Kapitan" with the Intellectual Property Office (IPO) and after securing the approval of the permit to manufacture

and sell "Ginebra Kapitan" from the Bureau of Internal Revenue, Tanduay began selling "Ginebra Kapitan" in Northern and Southern Luzon areas in May 2003. In June 2003, "Ginebra Kapitan" was also launched in Metro Manila.<sup>[7]</sup>

On 13 August 2003, Tanduay received a letter from San Miguel's counsel. The letter informed Tanduay to immediately cease and desist from using the mark "Ginebra" and from committing acts that violate San Miguel's intellectual property rights.<sup>[8]</sup>

On 15 August 2003, San Miguel filed a complaint for trademark infringement, unfair competition and damages, with applications for issuance of TRO and Writ of Preliminary Injunction against Tanduay before the Regional Trial Court of Mandaluyong. The case was raffled to Branch 214 and docketed as IP Case No. MC-03-01 and Civil Case No. MC-03-073.<sup>[9]</sup>

On 25 and 29 August and 4 September 2003, the trial court conducted hearings on the TRO. San Miguel submitted five affidavits, but only one affiant, Mercedes Abad, was presented for cross-examination because the trial court ruled that such examination would be inconsistent with the summary nature of a TRO hearing.<sup>[10]</sup> San Miguel submitted the following pieces of evidence:<sup>[11]</sup>

1. Affidavit of Mercedes Abad, President and Managing Director of the research firm NFO Trends, Inc. (NFO Trends), to present, among others, market survey results which prove that gin drinkers associate the term "Ginebra" with San Miguel, and that the consuming public is being misled that "Ginebra Kapitan" is a product of San Miguel;
2. Market Survey results conducted by NFO Trends to determine the brand associations of the mark "Ginebra" and to prove that the consuming public is confused as to the manufacturer of "Ginebra Kapitan";
3. Affidavit of Ramon Cruz, San Miguel's Group Product Manager, to prove, among others, the prior right of San Miguel to the mark "Ginebra" as shown in various applications for, and registrations of, trademarks that contain the mark "Ginebra." His affidavit included documents showing that the mark "Ginebra" has been used on San Miguel's gin products since 1834;
4. Affidavits of Leopoldo Guanzon, Jr., San Miguel's Trade and Promo Merchandising Head for North Luzon Area, and Juderick Crescini, San Miguel's District Sales Supervisor for South Luzon-East Area, to prove, among others, that Tanduay's salesmen or distributors misrepresent "Ginebra Kapitan" as San Miguel's product and that numerous retailers of San Miguel's gin products are confused as to the manufacturer of "Ginebra Kapitan"; and
5. Affidavit of Jose Reginald Pascual, San Miguel's District Sales Supervisor for the North-Greater Manila Area, to prove, among others, that gin drinkers confuse San Miguel to be the manufacturer of "Ginebra Kapitan" due to the use of the dominant feature "Ginebra."

Tanduay filed a Motion to Strike Out Hearsay Affidavits and Evidence, which motion was denied by the trial court. Tanduary presented witnesses who affirmed their affidavits in open court, as follows:[12]

1. Ramoncito Bugia, General Services Manager of Tanduary. Attached to his affidavit were various certificates of registration of trademarks containing the word "Ginebra" obtained by Tanduary and other liquor companies, to prove that the word "Ginebra" is required to be disclaimed by the IPO. The affidavit also attested that there are other liquor companies using the word "Ginebra" as part of their trademarks for gin products aside from San Miguel and Tanduary.

2. Herbert Rosales, Vice President of J. Salcedo and Associates, Inc., the advertising and promotions company hired by Tanduary to design the label of "Ginebra Kapitan." His affidavit attested that the label was designed to make it "look absolutely different from the Ginebra San Miguel label."

On 23 September 2003, the trial court issued a TRO prohibiting Tanduary from manufacturing, selling and advertising "Ginebra Kapitan." [13] The dispositive portion reads in part:

WHEREFORE, the application for temporary restraining order is hereby GRANTED and made effective immediately. Plaintiff is directed to post a bond of ONE MILLION PESOS (Php 1,000,000.00) within five (5) days from issuance hereof, otherwise, this restraining order shall lose its efficacy. Accordingly, defendant Tanduary Distillers, Inc., and all persons and agents acting for and in behalf are enjoined to cease and desist from manufacturing, distributing, selling, offering for sale and/or advertising or otherwise using in commerce the mark "GINEBRA KAPITAN" which employs, thereon, or in the wrappings, sundry items, cartons and packages thereof, the mark "GINEBRA" as well as from using the bottle design and labels for its gin products during the effectivity of this temporary restraining order unless a contrary order is issued by this Court. [14]

On 3 October 2003, Tanduary filed a petition for certiorari with the CA. [15] Despite Tanduary's Urgent Motion to Defer Injunction Hearing, the trial court continued to conduct hearings on 8, 9, 13 and 14 October 2003 for Tanduary to show cause why no writ of preliminary injunction should be issued. [16] On 17 October 2003, the trial court granted San Miguel's application for the issuance of a writ of preliminary injunction. [17] The dispositive portion of the Order reads:

WHEREFORE, the plaintiff's application for a writ of preliminary injunction is GRANTED. Upon plaintiff's filing of an injunctive bond executed to the defendant in the amount of P20,000,000.00 (TWENTY MILLION) PESOS,

let a Writ of Preliminary Injunction issue enjoining the defendant, its employees, agents, representatives, dealers, retailers or assigns, and any all persons acting on its behalf, from committing the acts complained of, and, specifically, to cease and desist from manufacturing, distributing, selling, offering for sale, advertising, or otherwise using in commerce the mark "GINEBRA", and manufacturing, producing, distributing or otherwise dealing in gin products which have the general appearance of, and which are confusingly similar with, plaintiff's marks, bottle design and label for its gin products.

SO ORDERED.<sup>[18]</sup>

On 22 October 2003, Tanduay filed a supplemental petition in the CA assailing the injunction order. On 10 November 2003, the CA issued a TRO enjoining the trial court from implementing its injunction order and from further proceeding with the case.<sup>[19]</sup> On 23 December 2003, the CA issued a resolution directing the parties to appear for a hearing on 6 January 2004 to determine the need for the issuance of a writ of preliminary injunction.<sup>[20]</sup>

On 9 January 2004, the CA rendered a Decision dismissing Tanduay's petition and supplemental petition. On 28 January 2004, Tanduay moved for reconsideration which was denied in a Resolution dated 2 July 2004.<sup>[21]</sup>

Aggrieved by the decision dismissing the petition and supplemental petition and by the resolution denying the Motion for Reconsideration, Tanduay elevated the case before this Court.

### **The Trial Court's Orders**

In the Order dated 23 September 2003, the trial court stated that during the hearings conducted on 25 and 29 August and on 4 and 11 September 2003, the following facts have been established:

1. San Miguel has registered the trademark "Ginebra San Miguel";
2. There is a close resemblance between "Ginebra San Miguel" and "Ginebra Kapitan";
3. The close similarity between "Ginebra San Miguel" and "Ginebra Kapitan" may give rise to confusion of goods since San Miguel and Tanduay are competitors in the business of manufacturing and selling liquors; and
4. "Ginebra," which is a well-known trademark, was adopted by Tanduay to benefit from the reputation and advertisement of the originator of the mark "Ginebra San Miguel," and to convey to the public the impression of some supposed connection between the manufacturer of the gin product sold under the name "Ginebra San Miguel" and the new gin product "Ginebra Kapitan."<sup>[22]</sup>

Based on these facts, the trial court concluded that San Miguel had demonstrated a

clear, positive, and existing right to be protected by a TRO. Otherwise, San Miguel would suffer irreparable injury if infringement would not be enjoined. Hence, the trial court granted the application for a TRO and set the hearing for preliminary injunction.<sup>[23]</sup>

In the Order dated 17 October 2003, the trial court granted the application for a writ of preliminary injunction. The trial court ruled that while a corporation acquires a trade name for its product by choice, it should not select a name that is confusingly similar to any other name already protected by law or is patently deceptive, confusing, or contrary to existing law.<sup>[24]</sup>

The trial court pointed out that San Miguel and its predecessors have continuously used "Ginebra" as the dominant feature of its gin products since 1834. On the other hand, Tanduay filed its trademark application for "Ginebra Kapitan" only on 7 January 2003. The trial court declared that San Miguel is the prior user and registrant of "Ginebra" which has become closely associated to all of San Miguel's gin products, thereby gaining popularity and goodwill from such name.<sup>[25]</sup>

The trial court noted that while the subject trademarks are not identical, it is obviously clear that the word "Ginebra" is the dominant feature in the trademarks. The trial court stated that there is a strong indication that confusion is likely to occur since one would inevitably be led to conclude that both products are affiliated with San Miguel due to the distinctive mark "Ginebra" which is readily identified with San Miguel. The trial court concluded that ordinary purchasers would not examine the letterings or features printed on the label but would simply be guided by the presence of the dominant mark "Ginebra." Any difference would pale in significance in the face of evident similarities in the dominant features and overall appearance of the products. The trial court emphasized that the determinative factor was whether the use of such mark would likely cause confusion on the part of the buying public, and not whether it would actually cause confusion on the part of the purchasers. Thus, Tanduay's choice of "Ginebra" as part of the trademark of "Ginebra Kapitan" tended to show Tanduay's intention to ride on the popularity and established goodwill of "Ginebra San Miguel."<sup>[26]</sup>

The trial court held that to constitute trademark infringement, it was not necessary that every word should be appropriated; it was sufficient that enough be taken to deceive the public in the purchase of a protected article.<sup>[27]</sup>

The trial court conceded to Tanduay's assertion that the term "Ginebra" is a generic word; hence, it is non-registrable because generic words are by law free for all to use. However, the trial court relied on the principle that even if a word is incapable of appropriation as a trademark, the word may still acquire a proprietary connotation through long and exclusive use by a business entity with reference to its products. The purchasing public would associate the word to the products of a business entity. The word thus associated would be entitled to protection against infringement and unfair competition. The trial court held that this principle could be made to apply to this case because San Miguel has shown that it has established goodwill of considerable value, such that its gin products have acquired a well-known reputation as just "Ginebra." In essence, the word "Ginebra" has become a popular by-word among the consumers and they had closely associated it with San Miguel.<sup>[28]</sup>