

FIRST DIVISION

[G.R. No. 143993, August 18, 2004]

MCDONALD'S CORPORATION AND MCGEORGE FOOD INDUSTRIES, INC., PETITIONERS, VS. L.C. BIG MAK BURGER, INC., FRANCIS B. DY, EDNA A. DY, RENE B. DY, WILLIAM B. DY, JESUS AYCARDO, ARACELI AYCARDO, AND GRACE HUERTO, RESPONDENTS.

DECISION

CARPIO, J.:

The Case

This is a petition for review^[1] of the Decision dated 26 November 1999 of the Court of Appeals^[2] finding respondent L.C. Big Mak Burger, Inc. not liable for trademark infringement and unfair competition and ordering petitioners to pay respondents P1,900,000 in damages, and of its Resolution dated 11 July 2000 denying reconsideration. The Court of Appeals' Decision reversed the 5 September 1994 Decision^[3] of the Regional Trial Court of Makati, Branch 137, finding respondent L.C. Big Mak Burger, Inc. liable for trademark infringement and unfair competition.

The Facts

Petitioner McDonald's Corporation ("McDonald's") is a corporation organized under the laws of Delaware, United States. McDonald's operates, by itself or through its franchisees, a global chain of fast-food restaurants. McDonald's^[4] owns a family of marks^[5] including the "Big Mac" mark for its "double-decker hamburger sandwich."^[6] McDonald's registered this trademark with the United States Trademark Registry on 16 October 1979.^[7] Based on this Home Registration, McDonald's applied for the registration of the same mark in the Principal Register of the then Philippine Bureau of Patents, Trademarks and Technology ("PBPTT"), now the Intellectual Property Office ("IPO"). Pending approval of its application, McDonald's introduced its "Big Mac" hamburger sandwiches in the Philippine market in September 1981. On 18 July 1985, the PBPTT allowed registration of the "Big Mac" mark in the Principal Register based on its Home Registration in the United States.

Like its other marks, McDonald's displays the "Big Mac" mark in items^[8] and paraphernalia^[9] in its restaurants, and in its outdoor and indoor signages. From 1982 to 1990, McDonald's spent P10.5 million in advertisement for "Big Mac" hamburger sandwiches alone.^[10]

Petitioner McGeorge Food Industries ("petitioner McGeorge"), a domestic corporation, is McDonald's Philippine franchisee.^[11]

Respondent L.C. Big Mak Burger, Inc. ("respondent corporation") is a domestic corporation which operates fast-food outlets and snack vans in Metro Manila and nearby provinces.^[12] Respondent corporation's menu includes hamburger sandwiches and other food items.^[13] Respondents Francis B. Dy, Edna A. Dy, Rene B. Dy, William B. Dy, Jesus Aycardo, Araceli Aycardo, and Grace Huerto ("private respondents") are the incorporators, stockholders and directors of respondent corporation.^[14]

On 21 October 1988, respondent corporation applied with the PBPTT for the registration of the "Big Mak" mark for its hamburger sandwiches. McDonald's opposed respondent corporation's application on the ground that "Big Mak" was a colorable imitation of its registered "Big Mac" mark for the same food products. McDonald's also informed respondent Francis Dy ("respondent Dy"), the chairman of the Board of Directors of respondent corporation, of its exclusive right to the "Big Mac" mark and requested him to desist from using the "Big Mac" mark or any similar mark.

Having received no reply from respondent Dy, petitioners on 6 June 1990 sued respondents in the Regional Trial Court of Makati, Branch 137 ("RTC"), for trademark infringement and unfair competition. In its Order of 11 July 1990, the RTC issued a temporary restraining order ("TRO") against respondents enjoining them from using the "Big Mak" mark in the operation of their business in the National Capital Region.^[15] On 16 August 1990, the RTC issued a writ of preliminary injunction replacing the TRO.^[16]

In their Answer, respondents admitted that they have been using the name "Big Mak Burger" for their fast-food business. Respondents claimed, however, that McDonald's does not have an exclusive right to the "Big Mac" mark or to any other similar mark. Respondents point out that the Isaiyas Group of Corporations ("Isaiyas Group") registered the same mark for hamburger sandwiches with the PBPTT on 31 March 1979. One Rodolfo Topacio ("Topacio") similarly registered the same mark on 24 June 1983, prior to McDonald's registration on 18 July 1985. Alternatively, respondents claimed that they are not liable for trademark infringement or for unfair competition, as the "Big Mak" mark they sought to register does not constitute a colorable imitation of the "Big Mac" mark. Respondents asserted that they did not fraudulently pass off their hamburger sandwiches as those of petitioners' Big Mac hamburgers.^[17] Respondents sought damages in their counterclaim.

In their Reply, petitioners denied respondents' claim that McDonald's is not the exclusive owner of the "Big Mac" mark. Petitioners asserted that while the Isaiyas Group and Topacio did register the "Big Mac" mark ahead of McDonald's, the Isaiyas Group did so only in the Supplemental Register of the PBPTT and such registration does not provide any protection. McDonald's disclosed that it had acquired Topacio's rights to his registration in a Deed of Assignment dated 18 May 1981.^[18]

The Trial Court's Ruling

On 5 September 1994, the RTC rendered judgment ("RTC Decision") finding respondent corporation liable for trademark infringement and unfair competition.

However, the RTC dismissed the complaint against private respondents and the counterclaim against petitioners for lack of merit and insufficiency of evidence. The RTC held:

Undeniably, the mark "B[ig] M[ac]" is a registered trademark for plaintiff McDonald's, and as such, it is entitled [to] protection against infringement.

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There exist some distinctions between the names "B[ig] M[ac]" and "B[ig] M[ak]" as appearing in the respective signages, wrappers and containers of the food products of the parties. But infringement goes beyond the physical features of the questioned name and the original name. There are still other factors to be considered.

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Significantly, the contending parties are both in the business of fast-food chains and restaurants. An average person who is hungry and wants to eat a hamburger sandwich may not be discriminating enough to look for a McDonald's restaurant and buy a "B[ig] M[ac]" hamburger. Once he sees a stall selling hamburger sandwich, in all likelihood, he will dip into his pocket and order a "B[ig] M[ak]" hamburger sandwich. Plaintiff McDonald's fast-food chain has attained wide popularity and acceptance by the consuming public so much so that its air-conditioned food outlets and restaurants will perhaps not be mistaken by many to be the same as defendant corporation's mobile snack vans located along busy streets or highways. But the thing is that what is being sold by both contending parties is a food item – a hamburger sandwich which is for immediate consumption, so that a buyer may easily be confused or deceived into thinking that the "B[ig] M[ak]" hamburger sandwich he bought is a food-product of plaintiff McDonald's, or a subsidiary or allied outlet thereof. Surely, defendant corporation has its own secret ingredients to make its hamburger sandwiches as palatable and as tasty as the other brands in the market, considering the keen competition among mushrooming hamburger stands and multinational fast-food chains and restaurants. Hence, the trademark "B[ig] M[ac]" has been infringed by defendant corporation when it used the name "B[ig] M[ak]" in its signages, wrappers, and containers in connection with its food business. xxxx

Did the same acts of defendants in using the name "B[ig] M[ak]" as a trademark or tradename in their signages, or in causing the name "B[ig] M[ak]" to be printed on the wrappers and containers of their food products also constitute an act of unfair competition under Section 29 of the Trademark Law?

The answer is in the affirmative. xxxx

The xxx provision of the law concerning unfair competition is broader and more inclusive than the law concerning the infringement of trademark, which is of more limited range, but within its narrower range recognizes a

more exclusive right derived by the adoption and registration of the trademark by the person whose goods or services are first associated therewith. xxx Notwithstanding the distinction between an action for trademark infringement and an action for unfair competition, however, the law extends substantially the same relief to the injured party for both cases. (See Sections 23 and 29 of Republic Act No. 166)

Any conduct may be said to constitute unfair competition if the effect is to pass off on the public the goods of one man as the goods of another. The choice of "B[ig] M[ak]" as tradename by defendant corporation is not merely for sentimental reasons but was clearly made to take advantage of the reputation, popularity and the established goodwill of plaintiff McDonald's. For, as stated in Section 29, a person is guilty of unfair competition who in selling his goods shall give them the general appearance, of goods of another manufacturer or dealer, either as to the goods themselves or in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance, which would likely influence purchasers to believe that the goods offered are those of a manufacturer or dealer other than the actual manufacturer or dealer. Thus, plaintiffs have established their valid cause of action against the defendants for trademark infringement and unfair competition and for damages.^[19]

The dispositive portion of the RTC Decision provides:

WHEREFORE, judgment is rendered in favor of plaintiffs McDonald's Corporation and McGeorge Food Industries, Inc. and against defendant L.C. Big Mak Burger, Inc., as follows:

1. The writ of preliminary injunction issued in this case on [16 August 1990] is made permanent;
2. Defendant L.C. Big Mak Burger, Inc. is ordered to pay plaintiffs actual damages in the amount of P400,000.00, exemplary damages in the amount of P100,000.00, and attorney's fees and expenses of litigation in the amount of P100,000.00;
3. The complaint against defendants Francis B. Dy, Edna A. Dy, Rene B. Dy, Wiliam B. Dy, Jesus Aycardo, Araceli Aycardo and Grace Huerto, as well as all counter-claims, are dismissed for lack of merit as well as for insufficiency of evidence.^[20]

Respondents appealed to the Court of Appeals.

The Ruling of the Court of Appeals

On 26 November 1999, the Court of Appeals rendered judgment ("Court of Appeals' Decision") reversing the RTC Decision and ordering McDonald's to pay respondents P1,600,000 as actual and compensatory damages and P300,000 as moral damages. The Court of Appeals held:

Plaintiffs-appellees in the instant case would like to impress on this Court that the use of defendants-appellants of its corporate name – the whole

"L.C. B[ig] M[ak] B[urger], I[nc]." which appears on their food packages, signages and advertisements is an infringement of their trademark "B[ig] M[ac]" which they use to identify [their] double decker sandwich, sold in a Styrofoam box packaging material with the McDonald's logo of umbrella "M" stamped thereon, together with the printed mark in red block capital letters, the words being separated by a single space. Specifically, plaintiffs-appellees argue that defendants-appellants' use of their corporate name is a colorable imitation of their trademark "Big Mac".

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To Our mind, however, this Court is fully convinced that no colorable imitation exists. As the definition dictates, it is not sufficient that a similarity exists in both names, but that more importantly, the over-all presentation, or in their essential, substantive and distinctive parts is such as would likely MISLEAD or CONFUSE persons in the ordinary course of purchasing the genuine article. A careful comparison of the way the trademark "B[ig] M[ac]" is being used by plaintiffs-appellees and corporate name L.C. Big Mak Burger, Inc. by defendants-appellants, would readily reveal that no confusion could take place, or that the ordinary purchasers would be misled by it. As pointed out by defendants-appellants, the plaintiffs-appellees' trademark is used to designate only one product, a double decker sandwich sold in a Styrofoam box with the "McDonalds" logo. On the other hand, what the defendants-appellants corporation is using is not a trademark for its food product but a business or corporate name. They use the business name "L.C. Big Mak Burger, Inc." in their restaurant business which serves diversified food items such as siopao, noodles, pizza, and sandwiches such as hotdog, ham, fish burger and hamburger. Secondly, defendants-appellants' corporate or business name appearing in the food packages and signages are written in silhouette red-orange letters with the "b" and "m" in upper case letters. Above the words "Big Mak" are the upper case letter "L.C.". Below the words "Big Mak" are the words "Burger, Inc." spelled out in upper case letters. Furthermore, said corporate or business name appearing in such food packages and signages is always accompanied by the company mascot, a young chubby boy named Maky who wears a red T-shirt with the upper case "m" appearing therein and a blue lower garment. Finally, the defendants-appellants' food packages are made of plastic material.

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xxx [I]t is readily apparent to the naked eye that there appears a vast difference in the appearance of the product and the manner that the tradename "Big Mak" is being used and presented to the public. As earlier noted, there are glaring dissimilarities between plaintiffs-appellees' trademark and defendants-appellants' corporate name. Plaintiffs-appellees' product carrying the trademark "B[ig] M[ac]" is a double decker sandwich (depicted in the tray mat containing photographs of the various food products xxx sold in a Styrofoam box with the "McDonald's" logo and trademark in red, block capital letters printed thereon xxx at a price which is more expensive than the defendants-appellants' comparable food products. In order to buy a "Big Mac", a