

THIRD DIVISION

[G.R. No. 148222, August 15, 2003]

**PEARL DEAN (PHIL.), INCORPORATED, PETITIONER, VS.
SHOEMART, INCORPORATED, AND NORTH EDSA MARKETING,
INCORPORATED, RESPONDENTS.**

D E C I S I O N

CORONA, J.:

In the instant petition for review on *certiorari* under Rule 45 of the Rules of Court, petitioner Pearl Dean (Phil.) Inc. (P D) assails the May 22, 2001 decision^[1] of the Court of Appeals reversing the October 31, 1996 decision^[2] of the Regional Trial Court of Makati, Branch 133, in Civil Case No. 92-516 which declared private respondents Shoemart Inc. (SMI) and North Edsa Marketing Inc. (NEMI) liable for infringement of trademark and copyright, and unfair competition.

FACTUAL ANTECEDENTS

The May 22, 2001 decision of the Court of Appeals^[3] contained a summary of this dispute:

"Plaintiff-appellant Pearl and Dean (Phil.), Inc. is a corporation engaged in the manufacture of advertising display units simply referred to as light boxes. These units utilize specially printed posters sandwiched between plastic sheets and illuminated with back lights. Pearl and Dean was able to secure a Certificate of Copyright Registration dated January 20, 1981 over these illuminated display units. The advertising light boxes were marketed under the trademark "Poster Ads". The application for registration of the trademark was filed with the Bureau of Patents, Trademarks and Technology Transfer on June 20, 1983, but was approved only on September 12, 1988, per Registration No. 41165. From 1981 to about 1988, Pearl and Dean employed the services of Metro Industrial Services to manufacture its advertising displays.

Sometime in 1985, Pearl and Dean negotiated with defendant-appellant Shoemart, Inc. (SMI) for the lease and installation of the light boxes in SM City North Edsa. Since SM City North Edsa was under construction at that time, SMI offered as an alternative, SM Makati and SM Cubao, to which Pearl and Dean agreed. On September 11, 1985, Pearl and Dean's General Manager, Rodolfo Vergara, submitted for signature the contracts covering SM Cubao and SM Makati to SMI's Advertising Promotions and Publicity Division Manager, Ramonlito Abano. Only the contract for SM Makati, however, was returned signed. On October 4, 1985, Vergara wrote Abano inquiring about the other contract and reminding him that their agreement for installation of light boxes was not only for its SM

Makati branch, but also for SM Cubao. SMI did not bother to reply.

Instead, in a letter dated January 14, 1986, SMI's house counsel informed Pearl and Dean that it was rescinding the contract for SM Makati due to non-performance of the terms thereof. In his reply dated February 17, 1986, Vergara protested the unilateral action of SMI, saying it was without basis. In the same letter, he pushed for the signing of the contract for SM Cubao.

Two years later, Metro Industrial Services, the company formerly contracted by Pearl and Dean to fabricate its display units, offered to construct light boxes for Shoemart's chain of stores. SMI approved the proposal and ten (10) light boxes were subsequently fabricated by Metro Industrial for SMI. After its contract with Metro Industrial was terminated, SMI engaged the services of EYD Rainbow Advertising Corporation to make the light boxes. Some 300 units were fabricated in 1991. These were delivered on a staggered basis and installed at SM Megamall and SM City.

Sometime in 1989, Pearl and Dean, received reports that exact copies of its light boxes were installed at SM City and in the fastfood section of SM Cubao. Upon investigation, Pearl and Dean found out that aside from the two (2) reported SM branches, light boxes similar to those it manufactures were also installed in two (2) other SM stores. It further discovered that defendant-appellant North Edsa Marketing Inc. (NEMI), through its marketing arm, Prime Spots Marketing Services, was set up primarily to sell advertising space in lighted display units located in SMI's different branches. Pearl and Dean noted that NEMI is a sister company of SMI.

In the light of its discoveries, Pearl and Dean sent a letter dated December 11, 1991 to both SMI and NEMI enjoining them to cease using the subject light boxes and to remove the same from SMI's establishments. It also demanded the discontinued use of the trademark "Poster Ads," and the payment to Pearl and Dean of compensatory damages in the amount of Twenty Million Pesos (P20,000,000.00).

Upon receipt of the demand letter, SMI suspended the leasing of two hundred twenty-four (224) light boxes and NEMI took down its advertisements for "Poster Ads" from the lighted display units in SMI's stores. Claiming that both SMI and NEMI failed to meet all its demands, Pearl and Dean filed this instant case for infringement of trademark and copyright, unfair competition and damages.

In denying the charges hurled against it, SMI maintained that it independently developed its poster panels using commonly known techniques and available technology, without notice of or reference to Pearl and Dean's copyright. SMI noted that the registration of the mark "Poster Ads" was only for stationeries such as letterheads, envelopes, and the like. Besides, according to SMI, the word "Poster Ads" is a generic term which cannot be appropriated as a trademark, and, as such, registration of such mark is invalid. It also stressed that Pearl and Dean

is not entitled to the reliefs prayed for in its complaint since its advertising display units contained no copyright notice, in violation of Section 27 of P.D. 49. SMI alleged that Pearl and Dean had no cause of action against it and that the suit was purely intended to malign SMI's good name. On this basis, SMI, aside from praying for the dismissal of the case, also counterclaimed for moral, actual and exemplary damages and for the cancellation of Pearl and Dean's Certification of Copyright Registration No. PD-R-2558 dated January 20, 1981 and Certificate of Trademark Registration No. 4165 dated September 12, 1988.

NEMI, for its part, denied having manufactured, installed or used any advertising display units, nor having engaged in the business of advertising. It pleaded SMI's averments, admissions and denials and prayed for similar reliefs and counterclaims as SMI."

The RTC of Makati City decided in favor of P D:

Wherefore, defendants SMI and NEMI are found jointly and severally liable for infringement of copyright under Section 2 of PD 49, as amended, and infringement of trademark under Section 22 of RA No. 166, as amended, and are hereby penalized under Section 28 of PD 49, as amended, and Sections 23 and 24 of RA 166, as amended. Accordingly, defendants are hereby directed:

- (1) to pay plaintiff the following damages:
 - (a) actual damages - P16,600,000.00,
representing profits
derived by defendants
as a result of infringement
of plaintiff's copyright
from 1991 to 1992
 - (b) moral damages - P1,000,000.00
 - (c) exemplary damages - P1,000,000.00
 - (d) attorney's fees - P1,000,000.00
plus
 - (e) costs of suit;
- (2) to deliver, under oath, for impounding in the National Library, all light boxes of SMI which were fabricated by Metro Industrial Services and EYD Rainbow Advertising Corporation;
- (3) to deliver, under oath, to the National Library, all filler-posters using the trademark "Poster Ads", for destruction;
and
- (4) to permanently refrain from infringing the copyright on plaintiff's light boxes and its trademark "Poster Ads".

Defendants' counterclaims are hereby ordered dismissed for lack of merit.

SO ORDERED.^[4]

On appeal, however, the Court of Appeals reversed the trial court:

Since the light boxes cannot, by any stretch of the imagination, be considered as either prints, pictorial illustrations, advertising copies, labels, tags or box wraps, to be properly classified as a copyrightable class "O" work, we have to agree with SMI when it posited that what was copyrighted were the technical drawings only, and not the light boxes themselves, thus:

42. When a drawing is technical and depicts a utilitarian object, a copyright over the drawings like plaintiff-appellant's will not extend to the actual object. It has so been held under jurisprudence, of which the leading case is *Baker vs. Selden* (101 U.S. 841 (1879)). In that case, Selden had obtained a copyright protection for a book entitled "*Selden's Condensed Ledger or Bookkeeping Simplified*" which purported to explain a new system of bookkeeping. Included as part of the book were blank forms and illustrations consisting of ruled lines and headings, specially designed for use in connection with the system explained in the work. These forms showed the entire operation of a day or a week or a month on a single page, or on two pages following each other. The defendant Baker then produced forms which were similar to the forms illustrated in Selden's copyrighted books. The Court held that exclusivity to the actual forms is not extended by a copyright. The reason was that "to grant a monopoly in the underlying art when no examination of its novelty has ever been made would be a surprise and a fraud upon the public; that is the province of letters patent, not of copyright." And that is precisely the point. No doubt aware that its alleged original design would never pass the rigorous examination of a patent application, plaintiff-appellant fought to foist a fraudulent monopoly on the public by conveniently resorting to a copyright registration which merely employs a recordal system without the benefit of an in-depth examination of novelty.

The principle in *Baker vs. Selden* was likewise applied in *Muller vs. Triborough Bridge Authority* [43 F. Supp. 298 (S.D.N.Y. 1942)]. In this case, Muller had obtained a copyright over an unpublished drawing entitled "Bridge Approach - the drawing showed a novel bridge approach to unsnarl traffic congestion". The defendant constructed a bridge approach which was alleged to be an infringement of the new design illustrated in plaintiff's drawings. In this case it was held that protection of the drawing does not extend to the unauthorized duplication of the object drawn because copyright extends only to the description or expression of the object and not to the object itself. It does not prevent one from using the drawings to construct the object portrayed in the drawing.

In two other cases, *Imperial Homes Corp. v. Lamont*, 458 F. 2d 895 and *Scholtz Homes, Inc. v. Maddox*, 379 F. 2d 84, it was held that there is no copyright infringement when one who, without being authorized, uses a copyrighted architectural plan to construct a structure. This is because the copyright does not extend to the structures themselves.

In fine, we cannot find SMI liable for infringing Pearl and Dean's copyright over the technical drawings of the latter's advertising display units.

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The Supreme Court trenchantly held in *Faberge, Incorporated vs. Intermediate Appellate Court* that the protective mantle of the Trademark Law extends only to the goods used by the first user as specified in the certificate of registration, following the clear mandate conveyed by Section 20 of Republic Act 166, as amended, otherwise known as the Trademark Law, which reads:

SEC. 20. *Certification of registration prima facie evidence of validity.*- A certificate of registration of a mark or trade-name shall be *prima facie* evidence of the validity of the registration, the registrant's ownership of the mark or trade-name, and of the registrant's exclusive right to use the same in connection with the goods, business or services specified in the certificate, subject to any conditions and limitations stated therein. (*underscoring supplied*)

The records show that on June 20, 1983, Pearl and Dean applied for the registration of the trademark "Poster Ads" with the Bureau of Patents, Trademarks, and Technology Transfer. Said trademark was recorded in the Principal Register on September 12, 1988 under Registration No. 41165 covering the following products: stationeries such as letterheads, envelopes and calling cards and newsletters.

With this as factual backdrop, we see no legal basis to the finding of liability on the part of the defendants-appellants for their use of the words "Poster Ads", in the advertising display units in suit. Jurisprudence has interpreted Section 20 of the Trademark Law as "an implicit permission to a manufacturer to venture into the production of goods and allow that producer to appropriate the brand name of the senior registrant on goods other than those stated in the certificate of registration." The Supreme Court further emphasized the restrictive meaning of Section 20 when it stated, through Justice Conrado V. Sanchez, that:

Really, if the certificate of registration were to be deemed as including goods not specified therein, then a situation may arise whereby an applicant may be tempted to register a trademark on any and all goods which his mind may conceive even if he had never intended to use the trademark for the