

7 Phil. 221

[ G.R. No. 1999. December 27, 1906 ]

**THE UNITED STATES, PLAINTIFF AND APPELLEE, VS. VICENTE MANUEL,  
DEFENDANT AND APPELLANT.**

**D E C I S I O N**

**CARSON, J.:**

The accused in this case is charged with "unfair competition," as defined and penalized in Act No. 606 of the Philippine Commission.

On the 30th day of September, and for many years prior thereto, A. S. Watson & Co., Limited, a corporation duly organized under the laws of Great Britain and registeml in the Mercantile Register of the Philippine Islands, was extensively engaged in the city of Manila and the Philippine Islands in the business of manufacturing and selling soda water, lemonade, ginger ale, and other aerated waters.

On August 14, 1903, the said A. S. Watson & Co., Limited, registered with the Bureau of Patents, Copyrights, and Trade-marks of the Philippine Islands a trade-mark consisting of the words "A. S. Watson & Company, Limited," together with the figure of a unicorn and dragon on either side of a Chinese pagoda, which had been adopted and appropriated by said A. S. Watson & Co., Limited, as their trade-mark for many years prior to its registry.

The soda water, lemonade, and other aerated waters manufactured by A. S. Watson & Co., Limited, were sold in bottles, specially made for the purpose, with their trade-mark blown on the side in large raised letters and figures, these letters and figures being so strikingly and prominently displayed that they forcibly attract the attention of the eye and arouse the sense of touch on the most superficial examination. On these bottles labels were pasted also bearing the said trade-mark, and in addition the name of the particular variety of aerated water contained therein.

It was the custom of the said A. S. Watson & Co., Limited, to give the purchaser of its aerated waters what was called a deposit slip with each case of such goods sold, obligating themselves to refund a stipulated amount on the return of the empty bottles together with this deposit slip.

On and about the 30th of September, 1903, the defendant, Vicente Manuel, manufactured and sold a number of bottles of aerated waters in bottles identical in form and appearance with those used by A. S. Watson & Co., Limited, with the trade-mark of that firm blown on the side in the same manner in which it is blown on their bottles, there being no reasonable doubt that the bottles used by the defendant were bottles which had been formerly used by A. S. Watson & Co., Limited, in their business as manufacturers and vendors of aerated waters. On the bottles sold by the defendant there were pasted labels with his name and the kind of aerated water contained therein, the printed matter contained in these labels being different from that contained in the bottles sold by A. S. Watson & Co., Limited, and the general appearance of the respective labels not being strikingly similar or dissimilar, though a comparative examination develops a number of points of difference in size, shape, and color. It does not expressly appear on either label whether the name printed thereon is that of the manufacturer of the aerated water contained therein or that of a dealer engaged in the business of buying and selling such waters.

The evidence tended to prove that the aerated waters sold by A. S. Watson & Co., Limited, have a wide reputation for excellence in the Philippine Islands, and that great care and attention to detail are exercised in their manufacture, with a view to the production of a wholesome and pleasant beverage, and that to this end distilled water is used exclusively in their preparation; and there is evidence in the record which tends to prove that the aerated waters sold by the defendant were unwholesome and of inferior quality, and that undistilled water had been used in their manufacture.

On this evidence the trial court convicted the accused of "unfair competition," and sentenced him to pay a fine of \$50, gold, and the costs of the trial, and to subsidiary imprisonment in case of insolvency and nonpayment of the fine.

Section 7 of Act No. 666, which defines unfair competition, provides that—

"Any person who in selling his goods shall give them the general appearance of goods of another manufacturer or dealer, either 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 be likely to influence purchasers to believe that the goods offered are those of a manufacturer or dealer other than the actual manufacturer or dealer, and who clothes the goods with such appearance for the purpose of deceiving the public and defrauding another of his legitimate trade, or any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose, shall be guilty of unfair competition \* \* \*, and in order that the action shall lie under this section, actual intent to deceive the public and defraud a competitor shall affirmatively appear on the part of the person sought to be made liable, but such intent may be inferred from similarity in the appearance of the goods as packed or offered for sale to those of the complaining party.”

We are satisfied beyond a reasonable doubt that the defendant, in selling his aerated waters in bottles with the design blown on the side as described above, gave his goods the general appearance of aerated waters manufactured by A. S. Watson & Co., Limited, in the devices and words used on the bottles in which they were contained, in a way which would be likely to influence purchasers to believe that the goods offered were those of A. S. Watson & Co., Limited; and that the similarity in appearance of the goods offered for sale by the defendant to those of A. S. Watson & Co., Limited, was such as to justify the inference that the defendant actually intended to deceive the public and defraud the said A. S. Watson & Co., Limited.

Counsel for defendant insist that the use of different labels pasted on the bottles forbids the inference of an intent to deceive the public or defraud A. S. Watson & Co., Limited, but an ocular examination of the labels and the device blown on the bottles does not sustain his contention; for while it is true that a cautious purchaser who was acquainted with the English language need not have been deceived if he took the pains to read the printed matter on the label, nevertheless the difference in the general appearance of the labels is not sufficient to protect from mistake the ordinary purchaser who is unacquainted with the English language, unless he took the extraordinary precaution of having with him a sample of the label of A. S. Watson & Co., Limited, with which to make a direct comparison, on each occasion when he bought a bottle of aerated water; by far the most striking and noticeable characteristic of the bottles of aerated waters sold by A. S. Watson & Co., Limited, is the device blown on the side, upon seeing which the ordinary purchaser might well be excused from a too careful scrutiny of the wording of the much less noticeable and less easily remembered label, printed in a language known to but a small percentage of the

residents in Manila and the Philippine Islands. (Glen Cove Mfg. Co. vs. Ludeling, 22 Fed. Rep., 823; Cook vs. Ross, 73 Fed. Hep., 203.)

The true test of unfair competition is whether certain goods have been clothed with an appearance which is likely to deceive the ordinary purchaser exercising ordinary care, and not whether a certain limited class of purchasers with special knowledge not possessed by the ordinary purchaser could avoid mistake by the exercise of this special knowledge.

In the case of B. Heinisch's Sons Co. vs. Boker et al. (86 Fed. Rep., 765) the court held that:

“In a suit to restrain unfair use of a trade name, the criterion of unfair competition is whether ordinary purchasers, as distinguished from members of the particular trade, are deceived.”

In the case of Shaver et al. rs. Heller St Merz Co. (108 Fed. Rep., 821) the court used the following language at page 833:

“Counsel for appellants maintain that the fact that they have placed their names and residence in conspicuous places on their packages, and have otherwise distinguished them from those of the appellee, should relieve them from the injunction. But the ‘American Ball Blue’ and the ‘American Wash Blue’ were articles well known to the trade and to the public as the manufactures of the appellee before the appellants entered upon the business of selling bluing. These articles, and the names by which they were known, had an established reputation, and commanded a lucrative trade. To the dealers in bluing the appellants were unknown. The only effect of placing their unfamiliar names and residence upon the packages of bluing under the names of the appellee’s well-known articles was to give to the appellants the benefit of the established reputation of the appellee’s articles, and thus to enable them to derive greater benefit from their fraud. ‘That is an aggravation, and not a justification, for it is openly trading in the name of another upon the reputation acquired by the device of the proprietor.’ (Menendez vs. Holt, 128 U. S., 514, 521, 9 Sup. Ct, 143, 32 L. Ed., 526; Gillnt vs. Esterbrook, 48 N. Y., 374, 378, 8 Am. Rep., 553.)”

It is also contended that since A. S. Watson & Co., Limited, sold the bottles containing their

aerated waters, these bottles became the property of the purchaser, who could not be deprived of the privilege of doing what he pleased with his own property. A. S. Watson & Co., Limited, deny that they ever sold bottles of the kind used by the defendant, and insist that the transaction whereby they received from each purchaser of their bottled goods a certain sum of money which they obligated themselves to return in exchange for the empty bottles was not intended as a sale of these bottles and did not, in fact, represent such a sale. We are satisfied, however, that since the purchaser at his discretion could either retain or return these bottles, the transaction must be regarded as a sale of the bottles when the purchaser actually exercised that discretion, and decided not to return them to the vendor.

In the case of *People vs. Cannon* (139 N. Y., 49) the court said:

“The evidence is that the drivers of the beer or soda water carts who take out the liquors for the owners or manufacturers take them in these bottles, and that they deliver the beer, soda water or other liquor in the bottles to the customers. They (the drivers) then give a receipt to the customers for the deposit given by the customers to the drivers for the safe return of the bottles. This deposit is taken to the manufacturers and they credit the customer with its amount, keeping what is termed a separate deposit account, and when they return the bottles, the manufacturers refund the money, and if the bottles are not returned, the manufacturers keep the money. That a deposit was given as security for the safe return of the bottles *does not prove there was an agreement* to return them. The evidence here shows, as it seems to us; the existence of an understanding that the party may return the bottles and get back his money, or keep the bottles and regard the deposit as a payment, just as he might elect. This construction is strengthened by proof of the fact that the manufacturer acted on the theory that if the bottles were not returned he was to keep the money. *The case is barren of any evidence proving an obligation to return the bottles.*”

“\* \* \* Taking of security for the return of the bottles from the party to whom they were delivered, so long as there is no evidence of an agreement and the party is under no legal obligation to return them if he choose to leave the money deposited as a payment for the bottles, amounts in law to a sale of them, at the election of the party to whom they were delivered.”

We have no doubt that the purchasers of aerated waters from A. S. Watson & Co., Limited,

who paid the so-called “deposit” but never demanded or received the refund guaranteed in the deposit slips, became the absolute, unconditional owners of such bottles, with the right to do with them as they pleased, but the right of ownership does not carry with it the right to use the thing owned for the purpose of deceiving the public and defrauding third parties. The defendant might have manufactured these bottles himself, in which case there could have been no doubt as to his right of ownership, and nevertheless, he would have had no moral or lawful right to use them as he did.

It is said that if the provisions of Act No. 666 deprive the defendant of the right to use these bottles for the sale of his goods, that act is unconstitutional in that it takes from the defendant rights of property without due process of law.

It is not true, however, that the right of ownership carries with it the right to use one’s property as we hold this defendant used these bottles—that is, for the purpose of deceiving the public and defrauding one’s neighbors— and Act No. 666 by expressly prohibiting unfair competition, does not deprive anyone of a right of property which justly belonged to him prior to its enactment, its only effect being to define and penalize a wrong which already existed but for which no adequate punishment had been provided by law. (Evans vs. Van Laer, 32 Fed. Rep., 153; Sawyer Crystal Blue (Jo. vs. Hubbard, 32 Fed. Rep., 388.)

The evidence of record sustains the findings of the trial court and we find no error in the proceedings prejudicial to the rights of the accused, except that the sentence includes subsidiary imprisonment in the event of insolvency and nonpayment of the fine imposed, for which there is no authority in the act of the Commission defining and penalizing “unfair competition.” The sentence imposed by the trial court is therefore modified by reversing so much thereof as prescribes subsidiary imprisonment, and thus modified said sentence is affirmed, with the costs of this instance against the appellant. After expiration of ten days let judgment be entered in accordance herewith and ten days thereafter the record be remanded to the court below for proper action. So ordered.

*Arellano, C. J., Johnson, Willard, and Tracey, JJ., concur.*

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*DISSENTING*

**TORRES, J.:**

The defendant, Vicente Manuel, was charged with unfair competition in that on or about the 30th of September, 1903, and for several days prior thereto, while engaged in the sale<sup>4</sup> of soda water, lemonade, sarsaparilla, and other aerated waters, and with the intent to defraud the public of the city of Manila, and A. S. Watson & Co., Limited, a corporation duly organized and registered in the Mercantile Registry of these Islands, he made use of the trade-mark of the said A. S. Watson & Co., Limited, on the bottles of soda water, lemonade, sarsaparilla, and other like beverages sold by the defendant to Harry S. Gatto and E. F. Austin, members of the police force, and to others whose names were unknown, the said trade-mark consisting of the words "A. S. Watson & Co.," with the figures of a unicorn and a dragon on either side of a Chinese pagoda, and other details appearing thereon, which said trade-mark was duly registered on the 14th of August, 1903, under the provisions of Act No. 666 of the Philippine Commission.

Proceedings having been instituted upon the said complaint, the court below in view of the evidence adduced during the trial entered judgment on the 18th of January, 1904, sentencing the defendant to pay a fine of \$50, gold, and in case of insolvency to suffer the corresponding subsidiary imprisonment, with costs. From this judgment the defendant appealed.

As has been seen, the specific charge<sup>1</sup> against the defendant is that he used bottles with the words "A. S. Watson & Co., Ltd.," and the figures of a dragon and a unicorn standing upright on either side of a Chinese pagoda and with their front feet against it, the said words and figures being blown on the bottles, and sold and offered for sale to the public lemonade and other aerated waters contained in these and other bottles, the above-described bottles being the exclusive property of the firm of A. S. Watson & Co., Limited, who had imported the same into this country and used them for the aerated waters manufactured and sold by them to the public for the past twenty-five years, although the said trade-mark was only registered in the month of August, 1903.

The defendant admitted that he had sold aerated waters manufactured by him in bottles with the registered trade-mark of Watson & Co. blown thereon. He alleges, however, that he acquired the bottles used by him long before the said Watson & Co. had registered their trade-mark under Act No. 666, and that he had also used other bottles of different kinds for the same purpose, but that on all bottles used by him there were pasted his, the defendant's, own labels, for the purpose of showing that the article contained therein had been manufactured by him and not by the said Watson & Co. The labels in question contained the following words: "*El Carmen*," "*Limonada*" or "*Soda*," according to the

*contents, and "Fabrica de aguas gaseosas, Misericordia No. 185, Santa Cruz, Manila."*

On the certificate of registration attached to the record there only appears as the trade-mark the following words: "A. S. Watson & Co., Ltd.," and on page 13 there appear the various printed paper labels in different colors which Watson & Co. have been using upon the bottles containing the aerated waters sold by them. 'It was proven at the trial, and it is admitted by both parties, that the bottles with the trade-mark of Watson & Co. blown thereon, and which were found in the factory or store of the defendant, had pasted upon them partly over the trade-mark of Watson & Co. the defendant's own paper labels on which were printed the words above quoted. This shows that the defendant did not act in bad faith and that it was not his intention to defraud the said Watson & Co. and much less the public purchasing his goods.

The fact, therefore, that the defendant offered for sale the aerated waters manufactured by him in bottles with the trade-mark of Watson & Co. blown thereon does not of itself constitute unfair competition, since all the bottles sold by him had pasted thereon labels containing the name of the factory and its location, and it will be noted that these labels, on account of their shape and the matter printed thereon, had no similarity whatever to those of Watson & Co. and that they could not be mistaken for each other. The difference between them is so striking that they do not require a very careful examination to distinguish the one from the other, the difference being noticeable at a glance from a certain distance. These labels can not mislead anyone nor make the purchaser believe that the water contained in those bottles with the defendant's labels pasted thereon had been manufactured by Watson & Co. It can not be said, therefore, that the defendant is guilty under the law of unfair competition.

The public in general follow the printed matter on the labels and as evidence of this it may be said that Watson & Co., notwithstanding the trade-mark which is blown on their bottles, have been very careful to paste thereon their own labels containing not only the name of the article but also and invariably their own trade-mark and the name and the location of their factory and store. This shows that the contents of the label and not the words and figures blown on the bottle are decisive to the public.

In order to maintain an action for this offense under section 7 of Act No. (Jfjfj), it must appear beyond a reasonable doubt that there was an actual intent to deceive the public or to defraud the competitor on the part of the person accused of such fraud. The defendant had a perfect right to manufacture and sell his own aerated waters and to buy all kinds of



bottles which he could find for sale for the purpose of bottling his own product. He has not violated the act in question and is not guilty of the offense with which he is charged on account of his having sold his goods in bottles which he had legitimately acquired, even though such bottles had the trade-mark of Watson & Co. blown thereon, since each one of the said bottles had pasted upon it a label containing his, the defendant's, own trade-mark. This label was a notice to the prospective purchaser of the origin of the aerated waters thus labeled. It can not be properly said that the defendant gave to his own goods the appearance of those manufactured by Watson & Co. If Watson & Co. had a right to sell their own goods in bottles with a special trade-mark of their own, there is nothing that can deprive the purchaser of such bottles from disposing of the same for his own benefit. He acquired these bottles, which became his property, upon the payment of their value, the amount of this payment augmenting the capital of the seller. If it was the intention of Watson & Co. to restrict the rights of the holders of their bottles and to prohibit the use, resale, or transfer of the same, they would not have sold them to the public, retaining the money received therefor. The privilege granted them does not, moreover, prohibit the transfer or sale of the said bottles. It should also be noted that the registration of the trade-mark of Watson & Co. is limited to the aerated waters sold by them and does not extend to the use of the bottles. When Watson & Co. parted with these bottles, they no longer belonged to them, but became the property of the person who received them in exchange for his money.

There is no evidence of record to the effect that the bottles with the special trade-mark of A. S. Watson & Co. found in the possession of the defendant had been taken or stolen from the factory of the said Watson & Co., nor that they were directly obtained by the defendant with the promise to return, nor that any of these bottles thus taken from the defendant did not have his own labels pasted upon them.

Wherefore, I am of the opinion that the facts set out in the complaint do not constitute an offense and that the judgment of the trial court should be reversed and the defendant acquitted, with the costs of both instances *de officio*.

