

Title: Universal Mills Corporation v. Universal Textile Mills, Inc.

Facts:

Universal Textile Mills, Inc. (hereinafter “Universal Textile”) was established on December 29, 1953, and engaged in textile manufacturing, receiving its certificate of registration on January 8, 1954. On October 27, 1954, Universal Mills Corporation (hereinafter “Universal Mills”), initially named Universal Hosiery Mills Corporation, was registered with the primary business of manufacturing hosiery and apparel. Universal Mills later amended its articles on May 24, 1963, to change its name to its present iteration, for which a certificate of approval was issued on June 10, 1963.

The pivotal event prompting the legal controversy was a fire that destroyed Universal Textile’s spinning mills in Pasig, Rizal. Because of the similarity in corporate names, news reports about the fire induced confusion among Universal Mills’ stakeholders, leading it to clarify the situation publicly. In response, Universal Textile filed a complaint with the Securities and Exchange Commission (SEC), seeking to compel Universal Mills to change its corporate name, alleging it was “confusingly and deceptively similar” to its own. Universal Mills argued the names were not sufficiently similar to cause confusion, and any similarity was non-deceptive; also, it indicated that the name change was due to an expansion into fabric manufacturing.

Procedurally, the SEC assumed jurisdiction over the complaint and decided in favor of Universal Textile, mandating Universal Mills to change its name. Universal Mills appealed the SEC’s order to the Supreme Court, arguing the decision constituted grave abuse of discretion.

Issues:

1. Whether the order of the Securities and Exchange Commission directing Universal Mills Corporation to change its corporate name on the basis of potential public confusion constitutes grave abuse of discretion.

Court’s Decision:

The Supreme Court affirmed the SEC’s decision, holding there was no grave abuse of discretion. The Court ruled that the corporate names were not identical but were strikingly similar, especially considering Universal Mills’ amendment to include the manufacturing and selling of fabrics—a business in which Universal Textile had been engaged longer. The SEC found evidence of confusion, which the Court regarded as sufficient. The good faith of

Universal Mills was deemed immaterial to the injunction issue. The appeal was dismissed, and the initial decision requiring the name change was upheld.

Doctrine:

The Supreme Court recognized the administrative power of the SEC to prevent confusion of corporate identities for the protection of the public and validated the SEC's role in ensuring corporations adopt distinctive names not likely to mislead the public or cause confusion with existing entities. A corporate name once registered and used by one entity should not be adopted in a similar manner by another, especially when both are engaged in similar businesses.

Class Notes:

- A corporation must have a distinct name, avoiding similarity with existing entities, particularly in the same industry.
- The test for similarity is "reasonable care and observation" expected of the general public.

Historical Background:

This case reflects the historical function of the SEC in the Philippines to oversee corporate affairs and enforcement related to corporate naming, as governed by Commonwealth Act 287, as amended by Republic Act 1055. The decision is a classic example of the judiciary's deference to administrative expertise in matters of complex regulatory oversight and the balancing of corporate interests with the protection of the public's ability to distinguish between entities.