

Title:

Mentholatum Co., Inc. et al. vs. Mangaliman et al.

Facts:

The Mentholatum Co., Inc., a corporation based in Kansas, along with its exclusive Philippine distributor, the Philippine-American Drug Co., Inc., initiated a legal action on October 1, 1935, against Anacleto Mangaliman, Florencio Mangaliman, and the Director of the Bureau of Commerce in Manila. The plaintiffs accused the Mangaliman brothers of trademark infringement and unfair competition for selling a product named "Mentholiman", which closely resembled Mentholatum Co.'s product "Mentholatum" in packaging and appearance.

After a series of legal proceedings, including a temporary dismissal and reinstatement of the case, the Court of First Instance of Manila ruled in favor of the plaintiffs on October 29, 1937. This decision was, however, reversed by the Court of Appeals on June 29, 1940, based on the grounds that Mentholatum Co., Inc., being an unlicensed foreign corporation, could not maintain a lawsuit in the Philippines as per section 69 of the Corporation Law. The Mentholatum Co. and its Philippine counterpart filed a petition for certiorari to the Supreme Court seeking to review the appellate court's decision.

Issues:

1. Whether the Mentholatum Co., Inc. was "transacting business" in the Philippines without the required license, thus barring them from filing a lawsuit based on Section 69 of the Corporation Law.
2. Whether the Philippine-American Drug Co., Inc. could independently maintain the lawsuit in the Philippines.

Court's Decision:

The Supreme Court upheld the decision of the Court of Appeals, denying the writ of certiorari sought by the Mentholatum Co., Inc. The Court found that:

1. The Mentholatum Co., Inc. was, indeed, transacting business in the Philippines through its exclusive distributor, the Philippine-American Drug Co., Inc., which made its business activities fall within the purview of "transacting business" as defined by the Corporation Law, requiring a foreign corporation to obtain a license before engaging in business operations or legal proceedings in the Philippines.
2. The Philippine-American Drug Co., Inc. could not maintain the suit independently due to its derivative authority and representative character, essentially acting on behalf of

Mentholatum Co., which was unlicensed to transact business in the Philippines.

Doctrine:

This case reiterates the doctrine that a foreign corporation must obtain the necessary license to transact business in the Philippines before it can maintain any lawsuit in the country. It further clarified the interpretation of what constitutes “transacting business” involving foreign corporations and their local agents or distributors.

Class Notes:

- ****Transacting Business****: Engaging in continuous commercial dealings significant to the objectives and purposes of the organization. Requires a license for foreign corporations in the Philippines.
- ****Trademark Infringement and Unfair Competition****: The protection of intellectual property rights is subject to jurisdictional authority, requiring complainants, including foreign entities, to comply with local statutory requirements.
- ****Section 69 of the Corporation Law****: Specifies that no foreign corporation shall transact business in the Philippines without a license, affecting their legal standing in court.

Historical Background:

This case highlights the legal challenges faced by foreign companies in protecting their intellectual property rights in the Philippines during the early to mid-20th century. It underscores the balance between encouraging foreign investment and protecting domestic markets and consumers, through regulatory requirements enshrined in the Corporation Law. The decision reflects the judicial enforcement of these regulatory measures, emphasizing the necessity for foreign corporations to comply with local laws for legal standing and operation within the Philippine jurisdiction.