

****Title:** Philip Morris, Inc. vs. Court of Appeals and Fortune Tobacco Corporation, G.R. No. 91332******

****Facts:****

The case originated when Philip Morris, Inc., Benson & Hedges (Canada), Inc., and Fabriques of Tabac Reunies, S.A. (collectively known as the petitioners) claimed trademark infringement by Fortune Tobacco Corporation (respondent) on their trademarks “MARK VII,” “MARK TEN,” and “LARK.” The trademarks were registered respectively on April 26, 1973, May 28, 1964, and March 25, 1964. The petitioners alleged that Fortune Tobacco was manufacturing and selling cigarettes under the “MARK” trademark, which was confusingly similar to their registered trademarks, thus violating Section 22 of the Trademark Law.

The petitioners sought a preliminary injunction to prevent Fortune Tobacco from manufacturing, selling, or advertising “MARK” cigarettes during the pendency of the case. The Regional Trial Court (RTC) denied the issuance of the preliminary injunction. The RTC reasoned that since the petitioners were not doing business in the Philippines, no irreparable damage could be claimed. Additionally, Fortune Tobacco’s application for the “MARK” trademark registration was deemed pending.

Subsequently, petitioners filed a motion for reconsideration, which the RTC denied. More than two years later, petitioners submitted another motion for a preliminary injunction, citing new developments, including the abandonment of Fortune’s trademark application. However, this motion was also denied by the RTC.

Petitioners escalated the matter to the Court of Appeals (CA), which initially granted a preliminary injunction. However, upon re-evaluation and the posting of a counterbond by Fortune Tobacco, the CA dissolved the injunction, prompting the petitioners to file the present petition before the Supreme Court.

****Issues:****

1. Whether the Court of Appeals had gravely abused its discretion in requiring the petitioners’ trademarks to be actively used in commerce in the Philippines to suffer irreparable injury.
2. Whether the lifting of the injunction violated Section 6 of Rule 58 of the Rules of Court.
3. Whether the CA’s decision to lift the injunction, allowing Fortune Tobacco to continue manufacturing and selling “MARK” cigarettes, constituted a grave abuse of discretion.

****Court's Decision:****

1. ****Requirement of Commercial Use in the Philippines:****

- The Court recognized that while registration defines trademark ownership, the actual use in commerce plays a vital role in claiming infringement. Petitioners did register their trademarks but were not actively using them in the Philippines. The Court emphasized the necessity of actual use in trade and commerce within the Philippines to claim exclusive rights over these trademarks. The presumption of registered trademarks offers prima facie validity but needs supporting evidence of active use to sustain claims.

2. ****Violation of Section 6, Rule 58 of the Rules of Court:****

- Section 6 allows the issuance or dissolution of an injunction based on affidavits or hearings if damages sustained by the plaintiff could be adequately compensated through a bond. Given the petitioners' lack of actual business operations in the Philippines and the significant economic implications for the respondent and the government, the CA's decision to accept a counterbond and dissolve the injunction was within procedural discretion. The Court found no grave abuse in the CA's directive to allow the continuation of commercial activities barring immediate irrecoverable damages.

3. ****Grave Abuse of Discretion:****

- The CA had issued the initial injunction based on petitioners' registrations and the potential confusion and damage to trademark value. However, upon re-evaluation, the Court had to consider the economic factors and the compensable nature of petitioner's claims. The reversal was grounded on a balanced appreciation of the affidavits and economic impact on Fortune Tobacco's operations, thus not arbitrarily dismissive to constitute grave abuse.

****Doctrine:****

- The necessity of actual use in commerce for establishing and maintaining exclusive trademark rights, especially for foreign entities not actively engaged in local trade, was highlighted. This reinforces the principle that trademarks must be operationally intertwined within the commercial sphere they seek protection in, beyond mere registration formalities.

****Class Notes:****

- ****Trademark Infringement Elements:****

1. Ownership of the trademark.
2. Valid registration.
3. Actual commercial use in the relevant market.

4. Likelihood of confusion due to similarity.

- **Rules of Court:**

- **Section 6, Rule 58:** Conditions and grounds for the issuance, modification, or dissolution of injunctions.

- Injunction may be refused or dissolved if:

- Complaint lacks sufficient allegations.

- Affidavits show grounds against the injunction.

- Plaintiff's damage is quantifiable and compensable via bond.

- **International Treaties:**

- Paris Convention Article 2: Protection and equal treatment of industrial property for nationals of union member countries, exempting domicile conditions.

Historical Background:

Endorsed through international treaties, the evolving global trade necessitated consistent jurisprudence on the trademark rights of entities across jurisdictions. Given the growth of international commerce, incorporating doctrines underscoring the necessity of active commercial engagement within claimed markets has been a progressive step in balancing proprietary rights and economic impacts across borders. This case surfaces amidst increasing global attention on intellectual property enforcement, reflecting a shift towards harmonizing international legal standards with domestic implementation strategies.