

Arce Sons and Company vs. Selecta Biscuit Company, Inc., et al.

Title:

Arce Sons and Company vs. Selecta Biscuit Company, Inc., 110 Phil. 858; 59 OG 2861 (1963)

Facts:

1. **Initial Events**:

- In 1933, Ramon Arce began using “Selecta” as a trade name and trade-mark in his milk business in Novaliches, Rizal.
- Over the years, the “Selecta” trade-mark was used extensively for milk, ice cream, bakery products, and other dairy products, gaining a solid market reputation.

2. **Business Expansion**:

- Ramon Arce expanded his business to include a store at Lepanto Street, Manila, where additional products were sold.
- During and post-World War II, the business flourished with added ventures in restaurant and bakery products, consistently using “Selecta.”

3. **Transfer of Business**:

- In 1950, in a formal transfer, all rights to the “Selecta” name and business were leased to Ramon Arce’s children, who formed Arce Sons and Company.

4. **Respondent’s Actions**:

- On March 2, 1955, Selecta Biscuit Company, Inc. was incorporated, choosing “Selecta” as the company name.
- It started operations in June 1955, and by September filed a petition to register “Selecta” as a trademark for bakery products.

5. **Patent Office Proceedings and Litigation**:

- Upon learning of the application, Arce Sons and Company filed an opposition, citing prior and exclusive use of “Selecta.”
- The opposition included allegations of unfair competition and potential confusion over the origin of products.
- The Philippine Patent Office initially declined the application but upon reconsideration allowed its publication for opposition.
- The opposition proceeded while Arce Sons & Co. filed an unfair competition case against Selecta Biscuit in Court of First Instance (CFI) of Manila.

6. **Decisions and Appeals**:

- CFI of Manila ruled in favor of Arce Sons, finding unfair competition and granting an injunction and damages.
- Selecta Biscuit appealed this decision to the Court of Appeals as CA-G.R. No. 24017-R.
- Simultaneously, the Director of Patents dismissed the opposition from Arce Sons, which prompted Arce to file for a review in the Supreme Court.

7. **Supreme Court Consolidation**:

- The Supreme Court recognized the similarity in issues and consolidated the two cases (G.R. No. L-14761 and G.R. No. L-17981) for joint decision to avoid conflicting judgments.

Issues:

1. Whether the “Selecta” trade-mark had acquired a secondary meaning associating it exclusively with Arce Sons and Company.
2. Whether Selecta Biscuit Company’s use of “Selecta” constituted unfair competition.
3. Whether the Director of Patents erred in allowing the registration of “Selecta” to Selecta Biscuit Company, Inc.

Court’s Decision:

1. **Secondary Meaning**:

- The Court determined that “Selecta” had indeed acquired a secondary meaning due to long and extensive use by Arce Sons and Company (and predecessor Ramon Arce) from 1933, identifying their products distinctively.
- This secondary meaning warranted exclusive association and protection under the Trade-mark Law.

2. **Unfair Competition**:

- The Court affirmed the CFI’s decision that Selecta Biscuit Company’s use of “Selecta” created market confusion and was an act of passing off its products as those of Arce Sons.
- Significant factors included the similar nature of the products and the confusing similarity of the branding and packaging styles.

3. **Director of Patents’ Error**:

- The Court found the Director of Patents erred in rejecting Arce Sons’ opposition. It overturned the decision, preventing Selecta Biscuit from registering “Selecta” as a trade-mark.

Doctrine:

1. **Secondary Meaning**:

- A word or phrase originally non-distinctive can, through prolonged and exclusive use in commerce, acquire a secondary meaning that warrants exclusive association and protection.

2. **Trade-mark Protection**:

- A trade-mark serves to identify the origin of the product and grants the holder the right to prevent others from using confusingly similar marks that could deceive or confuse consumers.

Class Notes:

1. **Elements of Trade-mark Infringement**:

- Use of a similar mark.
- Likelihood of confusion.
- Existence of prior use and established secondary meaning.

2. **Principles in Trade-mark Cases**:

- **Republic Act No. 166**:
- Section 38 - Definition of trade-mark and its distinguishing function.
- Sections 2-A and 23 - Protection of trade-mark as a property right and entitlement to damages for infringement.
- **Doctrine of Secondary Meaning**: Exclusive use over an extended period can make a common term indicative of a specific producer's products.

Historical Background:

The case exemplifies the post-war expansion period of Filipino businesses and how entities sought legal protection for their trade marks amidst growing commercial competition. It reflects the evolving understanding and application of trade-mark laws in the Philippines, bridging pre-war practices to structured post-war legal frameworks.