

**“LA:. INSULAR” CIGAR AND CIGARETTE FACTORY, INC.,
PLAINTIFF AND APPELLANT, VS. B. E. JAO OGE, PROPRIETOR OF
CIGARETTE FACTORY “LA CIUDAD,” DEFENDANT AND
APPELLEE.**

G. R. No. 16588. November 19, 1921

Ponente: STREET, J.

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STREET, J.:

The plaintiff in this case conducts a tobacco factory in the city of Manila for the manufacture of cigars and cigarettes; and it is the owner of a registered trade-mark, which it places upon the wrappers of its cigarettes and by which the plaintiff's product is generally recognized throughout the Philippine Islands and elsewhere. This trade-mark consists of a decorative design printed in colors on a strip of paper of appropriate size to envelope the packages of cigarettes to which it is pasted. A specimen of said design is exhibited with the complaint and appears in the records upon appeal as Exhibit A.

In the complaint itself the same design is described as follows:

"On the first square is represented a matron seated on a raised platform with steps leading up to it upon which there is a rug, all on a background of palm leaves. This figure holds a smoking torch in her right hand and in her left a streamer with the words 'La Insular' inscribed thereon. At the left hand side of this figure are the words 'Marca de Fabrica' underneath which is a five pointed star with the initial 'E' on one side of it and 'D' on the other. Further down are the words 'La Insular Fabrica de Tabacos Manila,' and still further down appear a terrestrial globe, an anchor, a post, a ship with three sails, with a mountain in the background.

"On the second square is represented a sign placed diagonally from corner to corner of the square with the word 'Hebra' written thereon in large letters. On one side of this figure, are the words '30 Cgiarrillos' and on the other side, the words 'Entre Fuerte.' Between the two squares in large letters are the words 'Plaza Binondo.' "

The complaint, after setting forth the ownership of this trade-mark and the continuous use of the same for nearly forty years by the plaintiff and its predecessors in interest, alleges that in the year 1915 the defendant, B. E. Jao Oge, proprietor of the cigarette factory "La Ciudad," in the city of Manila, began to use two different labels on packages of cigarettes offered for sale by him which are infringing imitations of the plaintiff's mark. Specimens of these alleged imitations are exhibited with the complaint and appear in the record as Exhibits B and C; but no attempt at verbal description of said imitations is made in the complaint.

Paragraphs VII and IX of the complaint are textually as follows:

"VII. That the said defendant through the use of said infringing labels (which closely imitate the label and mark of plaintiff as aforesaid) in selling his cigarettes has given and is giving the cigarettes offered for sale by him the appearance of the cigarettes manufactured and offered for sale by plaintiff and its predecessors in interest in such a way as to influence purchasers to believe that the cigarettes offered for sale by defendant are those of the plaintiff and that such appearance has so influenced and is now influencing purchasers.

* * * * *

"IX. That the defendant imitates plaintiff's mark for the purpose of deceiving the public and of defrauding plaintiff of its legitimate trade, and that the public has been and is being deceived, and this plaintiff has been and is being defrauded thereby in loss of sales to its damage in the sum of twenty thousand pesos (P20,000)." *

* *

In the petitory clause the plaintiff prays that the defendant be perpetually enjoined from the further use of the alleged obnoxious labels in the sale of cigarettes; that he be required to render a true and complete account of his profits upon all cigarettes bearing such labels sold or otherwise disposed of by him; that judgment be entered in favor of the plaintiff and against the defendant for treble the amount thereof, which the plaintiff avers will amount to P20,000; and finally that the plaintiff be granted any other appropriate remedy.

To this complaint the defendant interposed a general demurrer on the ground that the facts stated did not constitute a cause of action. This demurrer was sustained by the trial judge, to which action the plaintiff excepted; and he having elected not to amend further, judgment was entered dismissing the complaint. From this judgment the plaintiff appealed.

In our opinion this complaint is sufficient, and the order sustaining the demurrer must be reversed.

Infringement of trade-mark, illegal use of trade-name, and unfair competition are related torts and are commonly treated together by authors of legal treatises. It is generally recognized that the generic tort is unfair competition, of which the other two may be considered special forms. The most fully developed branch of the subject is of course that which relates to the law of trade-marks; for the reason that trade-mark right was recognized and protected by the courts long before relief was granted against the illegitimate use of trade-names and unfair competition in general, and moreover the legislatures of the different countries where commerce has thriven have made provision for the registration of trade-marks and the protection of the rights thereby secured. The common element in all of these wrongs consists of the false representation to the public, by means of words, names, pictures, or symbols, that the goods or business of one man are the goods or business of another.

Owing to the close affinity existing between these wrongs, it was but natural that the Philippine Commission, upon introducing into this country the doctrines generally prevailing in the United States upon the subject, should have incorporated into a single complete measure the provisions relating to trade-marks, trade-names, and unfair competition, as was accomplished by Act No. 666.

Upon examining the provisions of this law it will be found that substantially the same remedies are conceded to the person injured whether the wrong done in a particular case consists of infringement of trade-mark, illegal use of trade-name, or unfair competition in business,— which remedies consist of an award of damages, or double damages, and a perpetual injunction against the continuance of the injury. The same statute, in addition to giving the injured person the civil remedies above-mentioned, also provides for the prosecution of the offending party in a criminal action and annexes to each offense its appropriate penalty, which is somewhat heavier in the case of infringement of a trade-mark or trade-name than in case of unfair competition.

If the question be asked what distinguishes infringement of trade-mark from unfair competition, no entirely satisfactory answer can be readily given, though certain points are so clear as not to admit of doubt. For instance, in the first place, the infringement of a trade-mark supposes that the injured party has a trade-mark, that is, that he is using upon his goods a name, emblem, sign, or device of the character defined in section 1 of Act No. 666 and that he has complied with the conditions which are deemed essential by law for the creation of the trade-mark right. Under section 4 of the Act continued user of a trade-mark, under the conditions there mentioned, is sufficient, whether the trade-mark has been registered or not.

In the second place, it is necessary to the infringement of a trade-mark that the offending party should have used such trade-mark in selling goods of a similar kind to those sold by the owner of the trade-mark. The statute plainly says that the action for the infringement of a trade-mark lies in favor of the injured person against any one who sells goods of a similar kind "bearing such trade-mark." This language seems to suppose that the mark thus used by the infringer is a counterfeit, or spurious imitation, of the genuine trade-mark. This interpretation, if adopted, would make the remedy available in very few cases, since most traders desirous of filching the trade of others in this way will use colorable imitations, or suggestive reproductions of the trade-mark which they intend to appropriate rather than exact counterfeits.

However, the question of the exact scope of the action for the infringement of trade-mark is in this jurisdiction at least more academic than practical, because if a litigant's right is doubtful under that section of Act No. 666 which deals specially with the infringement of trade-marks (sec. 3), he has only to claim the benefit of the section dealing with unfair competition (sec. 7), which gives precisely the remedies that he would have obtained under the other provision ; and under this section it is immaterial what form the deceptive practices of the infringer take.

Another point about which there can be no difference of opinion is that the mere fact that a merchant owns a trademark, which he uses in selling goods of a certain kind, does not in any wise discapacitate him from maintaining an action for unfair competition in respect to the sale of similar goods by a competitor; and of course one who fails to establish the exclusive property right which is necessary to the validity of a trade-mark may yet in an appropriate case obtain relief on the ground of unfair competition. But even this point also is more academic than practical in this jurisdiction because the same use of an emblem, sign, or device that would be a necessary prerequisite to the action for unfair competition also suffices under section 4 to confer the actual trade-mark right.

A difference between the action for infringement of trademark and the action for unfair competition has been pointed out with respect to the relation which fraudulent intent on the part of the person to be held liable has to the right of action in those two wrongs. Thus, we find that in cases of infringement of trade-marks the law primarily takes no account of the actual intent on the part of the infringer to mislead the public and defraud the owner of the trademark; nevertheless this factor, if present, may be taken, in the discretion of the court, as a ground for the assessment of double damages (sec. 3). On the other hand, in cases of unfair competition proper, actual intent to deceive the public and defraud the person injured is declared to be essential to the maintenance of the action; but it is immediately added that "such intent may be inferred from similarity of the appearance of the goods as packed or offered for sale to those of the complaining party." (Sec. 7.) These words lack but little, if anything, of putting the action for unfair competition in cases of simulated wrappers, upon the same practical footing as the action for infringement of trade-mark even on the point of proof of intent to defraud.

It is thus seen that the action for infringement of trademark and the action for unfair competition are interlaced with each other in such manner that it is not always easy to point out exactly where one ends and the other begins. But refinements on this point will usually be found unnecessary, since the three wrongs recognized in the statute—infringement of trade-marks, infringement of trade-names, and unfair competition—together comprise all actionable injuries which one person may inflict upon another as the result of the unfair use of names, marks, and other trade-devices.

Passing to the question of the sufficiency of the complaint, it may be observed that the plaintiff in any action is admonished in section 89 of our Code of Civil Procedure to set forth the facts constituting his supposed grievance in ordinary and concise language. He is not required to indicate the particular provision of law upon which he relies for relief; and if he does so and is mistaken, this will not preclude him from obtaining relief under a different conception of the case, provided always that the facts stated and proved justify such relief.

In the case before us the plaintiff's attorney suggests that the complaint states a good cause of action for unfair competition under section 7 of Act No. 666. Upon analyzing that provision it will be found that the essential elements of unfair competition are, first, that the person complained of shall have given to his goods the general appearance of the goods of the complaining party, 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 the complaining party; and, secondly, that the person complained of should have clothed the goods with such appearance for the purpose of deceiving the public and defrauding the complaining party of his legitimate trade.

In our opinion the complaint before us exhibits both of those elements with all necessary precision. Upon the point of the appearance of the defendant's packages, we have the allegation that the label which the defendant is using on his packages of cigarettes closely imitates the label and mark of the plaintiff, and the further allegation that the defendant is giving his cigarettes the appearance of the cigarettes manufactured and offered for sale by the plaintiff. In addition to this, for purposes of visual inspection, a copy of the plaintiff's trade-mark is exhibited along with copies of the two different labels used by the defendant. Both of them, we may say in passing, are in many respects strikingly similar to the plaintiff's trademark. When we take into account the closing words of section 7 of Act No. 666, to the effect that the intent to deceive the public and defraud a competitor may be inferred from similarity in the appearance of the goods as packed or offered for sale, it is too clear for argument that the allegations of the complaint, taken in connection with the exhibits, show actionable imitation on the part of the defendant. In this connection it is to be remembered that the demurrer must be taken to admit the character of the two marks used by him in the sense least favorable to himself.

In determining the sufficiency of this complaint upon demurrer, the court is not required definitively to adjudicate that the marks used by the defendant are sufficient per se to make out a case against him. In addition to the proof supplied by those marks, we have the admission of the demurrer that those marks closely imitate the mark of the plaintiff, and that the packages of cigarettes of the defendant have by means thereof been given the appearance of the plaintiff's packages for the purpose of deceiving the public and defrauding the plaintiff. Of course if the marks of the defendant, which are exhibited with the complaint, had been so far different from the mark of the plaintiff as totally to refute the pretense of fraudulent imitation, it would have been safe for the trial court to sustain the demurrer. In such case the real evidence supplied by the exhibits would have shown that the charge of objectionable imitation was baseless. But as long as there is anything about the defendant's marks that could reasonably be considered objectionable, the plaintiff is entitled, upon demurrer, to the benefit of the inference.

In this connection a rule has been laid down by the American courts to the effect that where a demurrer is interposed to a complaint of the kind now before us, the demurrer should not be sustained unless the dissimilarity between the mark used by the plaintiff and that used by the defendant is so manifest as to leave no doubt in the mind of the court that unfair competition has not been practiced. In other words, in order to justify the sustaining of the demurrer, it must be apparent that there is no resemblance which could in any event be declared objectionable. (*Leidersdorf vs. Second Ward Savings Bank*, 50 Wis., 406.)

In a case to restrain the infringement of a trade-mark called "Old Joe," long used by the plaintiff on bottles of whiskey, the Supreme Court of Florida said:

"We are of opinion that the allegations of the bill show that the appellants have rights in the exclusive use of the trade-mark of their brand of whiskey called 'Old Joe,' described in the bill, and we are unable to say, in the face of the admission by the demurrer of those allegations, that a bare inspection of the exhibits affords sufficient proof to do away with the effect of those admitted allegations. The bill, among other things, alleges that complainants had established a right to use the devices upon the bottles containing the 'Old Joe' whiskey as

a trade-mark, that the brand of the defendant resembled that of complainants in size of package, shape, color and appearance, and that the defendant is actually selling his brand of 'Old Geo. Whiskey' as and for the whiskey of complainants, and that these acts of defendant constitute an unfair and fraudulent competition in business. These allegations are admitted by the demurrer. If it be true, as thus admitted, that there is such a resemblance as to enable the defendant to actually sell his brand of whiskey for that of complainants, we do not think it can be said the bill is without equity." (Bluthenthal and Bickart vs. Mohlmann, 49 Fla., 275, 279.)

We also quote, as instructive upon more than one point, the following language used by one of the Circuit Courts of Appeal of the United States, in a case where a demurrer to a complaint in a case not unlike that now before us had been erroneously sustained by the district judge.

Said the appellate court :

"The appellee insists at the outset that the bill of complaint states a cause of suit for the infringement of a trademark only, and not at all for unfair competition in trade. In this we think counsel is in error. A suit for unfair competition may be maintained where there is no lawful trade-mark involved, which consists essentially in palming the goods of one manufacturer or vendor off for the goods of another. This is a fraud not only upon the manufacturer whose goods are assimilated and replaced in the market, but upon the general public as well, which does not get what it supposes it is bargaining for. For the fraud thus perpetrated, the individual or the manufacturer, as the case may be, has his or its cause of suit to prevent the recurrence of the imposition, and for such damages as may have been sustained on account of it. [Citing authorities.] A fortiori a suit may be maintained for unfair competition when the infringement of a trade-mark is resorted to as a means of accomplishing the purpose. As is said in the books, Trade-mark infringement is but one form of unfair competition.' (Hopkins on Trade-Marks, 44.) In such a case it is altogether appropriate that the party claiming to be injured should conjoin allegations of infringement with averments of unfair competition. Indeed, he could not well state his case otherwise. There can be no objection, therefore, to joining the two causes of suit in one complaint, and it is true also that he might succeed in one cause alone and fail in the other. By fair intendment the complaint in the present cause combines both elements of fraud, infringement, and unfair competition in trade." (G. Heileman Brewing Co. vs. Independent Brewing Co., 112 C. C. A., 133.)

From something said in the opinion of the court below we infer that his Honor, the trial judge, may have supposed that the complaint now before us is defective by reason of the fact that it does not contain a written description of the marks used by the defendant and a detailed verbal exposition of the points of resemblance to be noted between them and the plaintiff's trade-mark. This cannot be considered necessary where the offending marks, submitted for the purposes of actual comparison, tell the whole story to the eye. These exhibits are as much a part of the complaint as the verbal allegations contained in it; and while admittedly exhibits cannot wholly take the place of necessary allegations, when the latter are wanting (Canete vs. Wislizenus and Serna, 36 Phil., 428) these exhibits nevertheless supplement the allegations contained in this complaint and supply material for interpreting them.

In conclusion we have only to add, in justice to the trial judge, that his Honor was obviously misled by the discussion contained in Mr. Justice Moreland's opinion in *Compania Gral. de Tabacos vs. Alhambra Cigar, etc. Co.* (33 Phil., 485). In that case this court held that a manufacturer of tobacco who had long been accustomed to use the expression "La Flor de la Isabela" upon packages of cigarettes of a certain quality could not maintain an action to enjoin a competitor—the Alhambra Company—from using the words "Alhambra Isabelas" on similar packages sold by it, the term "Isabela" being the name of the province where the tobacco used by both factories in making cigarettes of this quality had been grown. So far as the point there actually decided is concerned, the position of the court is in our opinion sound. Unfortunately, however, the opinion written in that case by Mr. Justice Moreland followed lines of reasoning which did not conform to the ideas of other members of this court, with the result that two of the six Justices taking part in the decision limited their concurrence to the dispositive part of the opinion, while one member dissented altogether. It will thus be seen that this Tribunal refused to

assume responsibility for what was said in that opinion, and most of it probably reflects the individual views of its author. In the later case of *Clarke vs. Manila Candy Co.* (36 Phil., 100), decided while Mr. Justice Moreland was still a member of this body, the views expressed by him in *Compania Gral. de Tabacos vs. Alhambra Cigar, etc. Co.*, supra, were in effect rejected by the court, with Mr. Justice Moreland dissenting. The opinion referred to must therefore be considered as devoid of authority except upon the point actually decided.

From what has been said it is obvious that the demurrer interposed to the complaint is not well founded. The judgment must therefore be reversed, and the cause will be remanded to the court of origin for further proceedings in conformity with this opinion, without special finding as to costs of this instance. So ordered.

Johnson, Araullo, Avancena, and Villamor, JJ., concur.

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