

SOCIETE DES PRODUITS NESTLE, S.A., PETITIONER, VS. MARTIN T. DY, JR., RESPONDENT.

G.R. No. 172276. August 08, 2010

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

This is a petition[1] for review on certiorari under Rule 45 of the Rules of Court. The petition challenges the 1 September 2005 Decision[2] and 4 April 2006 Resolution[3] of the Court of Appeals in CA-G.R. CV No. 62730, finding respondent Martin T. Dy, Jr. (Dy, Jr.) not liable for trademark infringement. The Court of Appeals reversed the 18 September 1998 Decision[4] of the Regional Trial Court (RTC), Judicial Region 7, Branch 9, Cebu City, in Civil Case No. CEB-19345.

The Facts

Petitioner Societe Des Produits Nestle, S.A. (Nestle) is a foreign corporation organized under the laws of Switzerland. It manufactures food products and beverages. As evidenced by Certificate of Registration No. R-14621[5] issued on 7 April 1969 by the then Bureau of Patents, Trademarks and Technology Transfer, Nestle owns the "NAN" trademark for its line of infant powdered milk products, consisting of PRE-NAN, NAN-H.A., NAN-1, and NAN-2. NAN is classified under Class 6 -- "diatetic preparations for infant feeding."

Nestle distributes and sells its NAN milk products all over the Philippines. It has been investing tremendous amounts of resources to train its sales force and to promote the NAN milk products through advertisements and press releases.

Dy, Jr. owns 5M Enterprises. He imports Sunny Boy powdered milk from Australia and repacks the powdered milk into three sizes of plastic packs bearing the name "NANNY." The packs weigh 80, 180 and 450 grams and are sold for P8.90, P17.50 and P39.90, respectively. NANNY is also classified under Class 6 -- "full cream milk for adults in [sic] all ages." Dy, Jr. distributes and sells the powdered milk in Dumaguete, Negros Oriental, Cagayan de Oro, and parts of Mindanao.

In a letter dated 1 August 1985, Nestle requested Dy, Jr. to refrain from using "NANNY" and to undertake that he would stop infringing the "NAN" trademark. Dy, Jr. did not act on Nestle's request. On 1 March 1990, Nestle filed before the RTC, Judicial Region 7, Branch 31, Dumaguete City, a complaint[6] against Dy, Jr. for infringement. Dy, Jr. filed a motion[7] to dismiss alleging that the complaint did not state a cause of action. In its 4 June 1990 order, the trial court dismissed the complaint. Nestle appealed the 4 June 1990 order[8] to the Court of Appeals. In its 16 February 1993 Resolution, the Court of Appeals set aside the 4 June 1990 order and remanded the case to the trial court for further proceedings.

Pursuant to Supreme Court Administrative Order No. 113-95, Nestle filed with the trial court a motion[9] to

transfer the case to the RTC, Judicial Region 7, Branch 9, Cebu City, which was designated as a special court for intellectual property rights.

The RTC's Ruling

In its 18 September 1998 Decision, the trial court found Dy, Jr. liable for infringement. The trial court held:

If determination of infringement shall only be limited on whether or not the mark used would likely cause confusion or mistake in the minds of the buying public or deceive customers, such in [sic] the most considered view of this forum would be highly unlikely to happen in the instant case. This is because upon comparison of the plaintiff's NAN and defendant's NANNY, the following features would reveal the absence of any deceptive tendency in defendant's NANNY: (1) all NAN products are contained tin cans [sic], while NANNY are contained in plastic packs; (2) the predominant colors used in the labels of NAN products are blue and white, while the predominant colors in the plastic packings of NANNY are blue and green; (3) the labels of NAN products have at the bottom portion an elliptical shaped figure containing inside it a drawing of nestling birds, which is overlapped by the trade-name "Nestle", while the plastic packs of NANNY have a drawing of milking cows lazing on a vast green field, back-dropped with snow covered mountains; (4) the word NAN are [sic] all in large, formal and conservative-like block letters, while the word NANNY are [sic] all in small and irregular style of letters with curved ends; and (5) all NAN products are milk formulas intended for use of [sic] infants, while NANNY is an instant full cream powdered milk intended for use of [sic] adults.

The foregoing has clearly shown that infringement in the instant case cannot be proven with the use of the "test of dominancy" because the deceptive tendency of the unregistered trademark NANNY is not apparent from the essential features of the registered trademark NAN.

However, in *Esso Standard Eastern, Inc. vs. Court of Appeals, et al.* L-29971, Aug. 31, 1982, the Supreme Court took the occasion of discussing what is implied in the definition of "infringement" when it stated: "Implicit in this definition is the concept that the goods must be so related that there is likelihood either of confusion of goods or business. x x x But as to whether trademark infringement exists depends for the most part upon whether or not the goods are so related that the public may be, or is actually, deceived and misled that they came from the same maker or manufacturer. For non-competing goods may be those which, though they are not in actual competition, are so related to each other that it might reasonably be assumed that they originate from one manufacturer. Non-competing goods may also be those which, being entirely unrelated, could not reasonably be assumed to have a common source. In the former case of related goods, confusion of business could arise out of the use of similar marks; in the latter case of non-related goods, it could not."

Furthermore, in said case the Supreme Court as well discussed on when goods may become so related for purposes of infringement when it stated: "Goods are related when they belong to the same class or have same descriptive properties; when they possess the same physical attributes or essential characteristics with reference to their form, composition, texture or quality. They may also be related because they serve the same purpose or are sold in grocery stores. x x x

Considering that defendant's NANNY belongs to the same class as that of plaintiff's NAN because both are food products, the defendant's unregistered trade mark NANNY should be held an infringement to plaintiff's registered trademark NAN because defendant's use of NANNY would imply that it came from the manufacturer of NAN. Furthermore, since the word "nanny" means a "child's nurse," there might result the not so remote probability that defendant's NANNY may be confused with infant formula NAN despite the aparent [sic] disparity between the features of the two products.[10]

Dy, Jr. appealed the 18 September 1998 Decision to the Court of Appeals.

The Court of Appeals' Ruling

In its 1 September 2005 Decision, the Court of Appeals reversed the trial court's 18 September 1998 Decision and found Dy, Jr. not liable for infringement. The Court of Appeals held:

[T]he trial court appeared to have made a finding that there is no colorable imitation of the registered mark "NAN" in Dy's use of "NANNY" for his own milk packs. Yet it did not stop there. It continued on applying the "concept of related goods."

The Supreme Court utilized the "concept of related goods" in the said case of Esso Standard Easter, Inc. versus Court of Appeals, et al. wherein two contending parties used the same trademark "ESSO" for two different goods, i.e. petroleum products and cigarettes. It rules that there is infringement of trademark involving two goods bearing the same mark or label, even if the said goods are non-competing, if and only if they are so related that the public may be, or is actually, deceived that they originate from the one maker or manufacturer. Since petroleum products and cigarettes, in kind and nature, flow through different trade channels, and since the possibility of confusion is unlikely in the general appearances of each mark as a whole, the Court held in this case that they cannot be so related in the context of infringement.

In applying the concept of related goods in the present case, the trial court haphazardly concluded that since plaintiff-appellee's NAN and defendant-appellant's NANNY belong to the same class being food products, the unregistered NANNY should be held an infringement of Nestle's NAN because "the use of NANNY would imply that it came from the manufacturer of NAN." Said court went on to elaborate further: "since the word 'NANNY' means a 'child's nurse,' there might result the not so remote probability that defendant's NANNY may be confused with infant formula NAN despite the aparent (sic) disparity between the features of the two products as discussed above."

The trial court's application of the doctrine laid down by the Supreme Court in the Esso Standard case aforementioned and the cases cited therein is quite misplaced. The goods of the two contending parties in those cases bear similar marks or labels: "Esso" for petroleum products and cigarettes, "Selecta" for biscuits and milk, "X-7" for soap and perfume, lipstick and nail polish. In the instant case, two dissimilar marks are involved -- plaintiff-appellee's "NAN" and defendant-appellant's "NANNY." Obviously, the concept of related goods cannot be utilized in the instant case in the same way that it was used in the Esso Standard case.

In the Esso Standard case, the Supreme Court even cautioned judges that in resolving infringement or trademark cases in the Philippines, particularly in ascertaining whether one trademark is confusingly similar to or is a colorable imitation of another, precedent must be studied in the light of the facts of the particular case. Each case must be decided on its own merits. In the more recent case of Societe Des Produits Nestle S.A. Versus Court of Appeals, the High Court further stressed that due to the peculiarity of the facts of each infringement case, a judicial forum should not readily apply a certain test or standard just because of seeming similarities. The entire panoply of elements constituting the relevant factual landscape should be comprehensively examined.

While it is true that both NAN and NANNY are milk products and that the word "NAN" is contained in the word "NANNY," there are more glaring dissimilarities in the entirety of their trademarks as they appear in their respective labels and also in relation to the goods to which they are attached. The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing in both labels in order that he may draw his conclusion whether one is confusingly similar to the other. Even the trial court found these glaring dissimilarities as above-quoted. We need not add more of these factual dissimilarities.

NAN products, which consist of Pre-NAN, NAN-H-A, NAN-1 and NAN-2, are all infant preparations, while NANNY is a full cream milk for adults in [sic] all ages. NAN milk products are sold in tin cans and hence, far expensive than the full cream milk NANNY sold in three (3) plastic packs containing 80, 180 and 450 grams and worth P8.90, P17.50 and P39.90 per milk pack. The labels of NAN products are of the colors blue and white and have at the bottom portion an elliptical shaped figure containing inside it a drawing of nestling birds,

which is overlapped by the trade-name "Nestle." On the other hand, the plastic packs NANNY have a drawing of milking cows lazing on a vast green field, back-dropped with snow-capped mountains and using the predominant colors of blue and green. The word NAN are [sic] all in large, formal and conservative-like block letters, while the word NANNY are [sic] all in small and irregular style of letters with curved ends. With these material differences apparent in the packaging of both milk products, NANNY full cream milk cannot possibly be an infringement of NAN infant milk.

Moreover, NAN infant milk preparation is more expensive than NANNY instant full cream milk. The cheaper price of NANNY would give, at the very first instance, a considerable warning to the ordinary purchaser on whether he is buying an infant milk or a full cream milk for adults. A cursory examination of the packaging would confirm the striking differences between the products in question.

In view of the foregoing, we find that the mark NANNY is not confusingly similar to NAN. Dy therefore cannot be held liable for infringement.[11]

Nestle filed a motion[12] for reconsideration. In its 4 April 2006 Resolution, the Court of Appeals denied the motion for lack of merit. Hence, the present petition.

Issue

The issue is whether Dy, Jr. is liable for infringement.

The Court's Ruling

The petition is meritorious.

Section 22 of Republic Act (R.A.) No. 166, as amended, states:

Infringement, what constitutes. -- Any person who shall use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or trade-name in connection with the sale, offering for sale, or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services, or identity of such business; or reproduce, counterfeit, copy or colorably imitate any such mark or trade-name and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services, shall be liable to a civil action by the registrant for any or all of the remedies herein provided.

Section 155 of R.A. No. 8293 states:

Remedies; Infringement. -- Any person who shall, without the consent of the owner of the registered mark:

155.1. Use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps necessary to carry out the sale of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

155.2. Reproduce, counterfeit, copy or colorably imitate a registered mark or a dominant feature thereof and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action for infringement by the registrant for the remedies hereinafter set forth: Provided, That the infringement takes place at the moment any

of the acts stated in Subsection 155.1 or this subsection are committed regardless of whether there is actual sale of goods or services using the infringing material.

In *Prosource International, Inc. v. Horphag Research Management SA*,^[13] the Court laid down the elements of infringement under R.A. Nos. 166 and 8293:

In accordance with Section 22 of R.A. No. 166, as well as Sections 2, 2-A, 9-A, and 20 thereof, the following constitute the elements of trademark infringement:

"(a) A trademark actually used in commerce in the Philippines and registered in the principal register of the Philippine Patent Office[;]

(b) [It] is used by another person in connection with the sale, offering for sale, or advertising of any goods, business or services or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services, or identity of such business; or such trademark is reproduced, counterfeited, copied or colorably imitated by another person and such reproduction, counterfeit, copy or colorable imitation is applied to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services as to likely cause confusion or mistake or to deceive purchasers[;]

(c) [T]he trademark is used for identical or similar goods[;] and

(d) [S]uch act is done without the consent of the trademark registrant or assignee."

On the other hand, the elements of infringement under R.A. No. 8293 are as follows:

(1) The trademark being infringed is registered in the Intellectual Property Office; however, in infringement of trade name, the same need not be registered;

(2) The trademark or trade name is reproduced, counterfeited, copied, or colorably imitated by the infringer;

(3) The infringing mark or trade name is used in connection with the sale, offering for sale, or advertising of any goods, business or services; or the infringing mark or trade name is applied to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services;

(4) The use or application of the infringing mark or trade name is likely to cause confusion or mistake or to deceive purchasers or others as to the goods or services themselves or as to the source or origin of such goods or services or the identity of such business; and

(5) It is without the consent of the trademark or trade name owner or the assignee thereof.^[14]

Among the elements, the element of likelihood of confusion is the gravamen of trademark infringement.^[15] There are two types of confusion in trademark infringement: confusion of goods and confusion of business.^[16] In *Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft*,^[17] the Court distinguished the two types of confusion:

Callman notes two types of confusion. The first is the confusion of goods "in which event the ordinarily prudent purchaser would be induced to purchase one product in the belief that he was purchasing the other." In which case, "defendant's goods are then bought as the plaintiff's, and the poorer quality of the former reflects adversely on the plaintiff's reputation." The other is the confusion of business: "Here though the goods of the parties are different, the defendant's product is such as might reasonably be assumed to originate with the plaintiff, and the public would then be deceived either into that belief or into the belief that there is some connection between the plaintiff and defendant which, in fact, does not exist."^[18]

There are two tests to determine likelihood of confusion: the dominancy test and holistic test. The dominancy test focuses on the similarity of the main, prevalent or essential features of the competing trademarks that might cause confusion. Infringement takes place when the competing trademark contains the essential features of another. Imitation or an effort to imitate is unnecessary. The question is whether the use of the marks is likely to cause confusion or deceive purchasers.[19]

The holistic test considers the entirety of the marks, including labels and packaging, in determining confusing similarity. The focus is not only on the predominant words but also on the other features appearing on the labels.[20]

In cases involving trademark infringement, no set of rules can be deduced. Each case must be decided on its own merits. Jurisprudential precedents must be studied in the light of the facts of each particular case. In *McDonald's Corporation v. MacJoy Fastfood Corporation*,[21] the Court held:

In trademark cases, particularly in ascertaining whether one trademark is confusingly similar to another, no set rules can be deduced because each case must be decided on its merits. In such cases, even more than in any other litigation, precedent must be studied in the light of the facts of the particular case. That is the reason why in trademark cases, jurisprudential precedents should be applied only to a case if they are specifically in point.[22]

In the light of the facts of the present case, the Court holds that the dominancy test is applicable. In recent cases with similar factual milieus, the Court has consistently applied the dominancy test. In *Prosource International, Inc.*, the Court applied the dominancy test in holding that "PCO-GENOLS" is confusingly similar to "PYCNOGENOL." The Court held:

The trial and appellate courts applied the Dominancy Test in determining whether there was a confusing similarity between the marks PYCNOGENOL and PCO-GENOL. Applying the test, the trial court found, and the CA affirmed, that:

"Both the word[s] PYCNOGENOL and PCO-GENOLS have the same suffix "GENOL" which on evidence, appears to be merely descriptive and furnish no indication of the origin of the article and hence, open for trademark registration by the plaintiff through combination with another word or phrase such as PYCNOGENOL, Exhibits "A" to "A-3." Furthermore, although the letters "Y" between P and C, "N" between O and C and "S" after L are missing in the [petitioner's] mark PCO-GENOLS, nevertheless, when the two words are pronounced, the sound effects are confusingly similar not to mention that they are both described by their manufacturers as a food supplement and thus, identified as such by their public consumers. And although there were dissimilarities in the trademark due to the type of letters used as well as the size, color and design employed on their individual packages/bottles, still the close relationship of the competing product's name is sounds as they were pronounced, clearly indicates that purchasers could be misled into believing that they are the same and/or originates from a common source and manufacturer."

We find no cogent reason to depart from such conclusion.

This is not the first time the Court takes into account the aural effects of the words and letters contained in the marks in determining the issue of confusing similarity. In *Marvex Commercial Co., Inc. v. Petra Hawpia & Co., et al.*, cited in *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*, the Court held:

"The following random list of confusingly similar sounds in the matter of trademarks, culled from Nims, *Unfair Competition and Trade Marks*, 1947, Vol. 1, will reinforce our view that "SALONPAS" and "LIONPAS" are confusingly similar in sound: "Gold Dust" and ""Gold Drop"; "Jantzen" and "Jass-Sea"; "Silver Flash" and Supper Flash"; "Cascarete" and "Celborite"; "Celluloid" and "Cellonite"; "Chartreuse" and Charseurs"; "Cutex" and "Cuticlean"; "Hebe" and "Meje"; "Kotex" and "Femetex"; "Zuso" and Hoo Hoo."

Leon Amdur, in his book "Trade-Mark Law and Practice," pp. 419-421, cites [sic], as coming within the purview of the idem sonans rule, "Yusea" and "U-C-A," "Steinway Pianos" and "Steinberg Pianos," and "Seven-Up" and "Lemon-Up." In *Co Tiong vs. Director of Patents*, this Court unequivocally said that "Celdura" and "Condura" are confusingly similar in sound; this Court held in *Sapolin Co. vs. Balmaceda*, 67 Phil. 795 that the name "Lusolin" is an infringement of the trademark "Sapolin," as the sound of the two names is almost the same."^[23]

In *McDonald's Corporation v. MacJoy Fastfood Corporation*, the Court applied the dominance test in holding that "MACJOY" is confusingly similar to "MCDONALD'S." The Court held:

While we agree with the CA's detailed enumeration of differences between the two (2) competing trademarks herein involved, we believe that the holistic test is not the one applicable in this case, the dominance test being the one more suitable. In recent cases with a similar factual milieu as here, the Court has consistently used and applied the dominance test in determining confusing similarity or likelihood of confusion between competing trademarks.

x x x x

Applying the dominance test to the instant case, the Court finds that herein petitioner's "MCDONALD'S" and respondent's "MACJOY" marks are confusingly similar with each other that an ordinary purchaser can conclude an association or relation between the marks.

To begin with, both marks use the corporate "M" design logo and the prefixes "Mc" and/or "Mac" as dominant features. x x x

For sure, it is the prefix "Mc," and abbreviation of "Mac," which visually and aurally catches the attention of the consuming public. Verily, the word "MACJOY" attracts attention the same way as did "McDonalds," "MacFries," "McSpaghetti," "McDo," "Big Mac" and the rest of the MCDONALD'S marks which all use the prefixes Mc and/or Mac.

Besides and most importantly, both trademarks are used in the sale of fastfood products. Indisputably, the respondent's trademark application for the "MACJOY & DEVICE" trademark covers goods under Classes 29 and 30 of the International Classification of Goods, namely, fried chicken, chicken barbeque, burgers, fries, spaghetti, etc. Likewise, the petitioner's trademark registration for the MCDONALD'S marks in the Philippines covers goods which are similar if not identical to those covered by the respondent's application.^[24]

In *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*, the Court applied the dominance test in holding that "BIG MAK" is confusingly similar to "BIG MAC." The Court held:

This Court x x x has relied on the dominance test rather than the holistic test. The dominance test considers the dominant features in the competing marks in determining whether they are confusingly similar. Under the dominance test, courts give greater weight to the similarity of the appearance of the product arising from the adoption of the dominant features of the registered mark, disregarding minor differences. Courts will consider more the aural and visual impressions created by the marks in the public mind, giving little weight to factors like prices, quality, sales outlets and market segments.

Thus, in the 1954 case of *Co Tiong Sa v. Director of Patents*, the Court ruled:

x x x It has been consistently held that the question of infringement of a trademark is to be determined by the test of dominance. Similarity in size, form and color, while relevant, is not conclusive. If the competing trademark contains the main or essential or dominant features of another, and confusion and deception is likely to result, infringement takes place. Duplication or imitation is not necessary; nor is it necessary that the infringing label should suggest an effort to imitate. (*G. Heilman Brewing Co. vs. Independent Brewing Co.*, 191 F., 489, 495, citing *Eagle White Lead Co. vs. Pflugh* (CC) 180 Fed. 579). The question at issue in cases of

infringement of trademarks is whether the use of the marks involved would be likely to cause confusion or mistakes in the mind of the public or deceive purchasers. (Auburn Rubber Corporation vs. Honover Rubber Co., 107 F. 2d 588; x x x)

x x x x

The test of dominancy is now explicitly incorporated into law in Section 155.1 of the Intellectual Property Code which defines infringement as the "colorable imitation of a registered mark x x x or a dominant feature thereof."

Applying the dominancy test, the Court finds that respondents' use of the "Big Mak" mark results in likelihood of confusion. First, "Big Mak" sounds exactly the same as "Big Mac." Second, the first word in "Big Mak" is exactly the same as the first word in "Big Mac." Third, the first two letters in "Mak" are the same as the first two letters in "Mac." Fourth, the last letter "Mak" while a "k" sounds the same as "c" when the word "Mak" is pronounced. Fifth, in Filipino, the letter "k" replaces "c" in spelling, thus "Caloocan" is spelled "Kalookan." [25]

In *Societe Des Produits Nestle, S.A v. Court of Appeals*, [26] the Court applied the dominancy test in holding that "FLAVOR MASTER" is confusingly similar to "MASTER ROAST" and "MASTER BLEND." The Court held:

While this Court agrees with the Court of Appeals' detailed enumeration of differences between the respective trademarks of the two coffee products, this Court cannot agree that totality test is the one applicable in this case. Rather, this Court believes that the dominancy test is more suitable to this case in light of its peculiar factual milieu.

Moreover, the totality or holistic test is contrary to the elementary postulate of the law on trademarks and unfair competition that confusing similarity is to be determined on the basis of visual, aural, connotative comparisons and overall impressions engendered by the marks in controversy as they are encountered in the realities of the marketplace. The totality or holistic test only relies on visual comparison between two trademarks whereas the dominancy test relies not only on the visual but also on the aural and connotative comparisons and overall impressions between the two trademarks.

For this reason, this Court agrees with the BPTTT when it applied the test of dominancy and held that:

From the evidence at hand, it is sufficiently established that the word MASTER is the dominant feature of opposer's mark. The word MASTER is printed across the middle portion of the label in bold letters almost twice the size of the printed word ROAST. Further, the word MASTER has always been given emphasis in the TV and radio commercials and other advertisements made in promoting the product. x x x In due time, because of these advertising schemes the mind of the buying public had come to learn to associate the word MASTER with the opposer's goods.

x x x. It is the observation of this Office that much of the dominance which the word MASTER has acquired through Opposer's advertising schemes is carried over when the same is incorporated into respondent-applicant's trademark FLAVOR MASTER. Thus, when one looks at the label bearing the trademark FLAVOR MASTER (exh. 4) one's attention is easily attracted to the word MASTER, rather than to the dissimilarities that exist. Therefore, the possibility of confusion as to the goods which bear the competing marks or as to the origins thereof is not farfetched. [27]

Applying the dominancy test in the present case, the Court finds that "NANNY" is confusingly similar to "NAN." "NAN" is the prevalent feature of Nestle's line of infant powdered milk products. It is written in bold letters and used in all products. The line consists of PRE-NAN, NAN-H.A., NAN-1, and NAN-2. Clearly, "NANNY" contains the prevalent feature "NAN." The first three letters of "NANNY" are exactly the same as the letters of "NAN." When "NAN" and "NANNY" are pronounced, the aural effect is confusingly similar.

In determining the issue of confusing similarity, the Court takes into account the aural effect of the letters

contained in the marks.[28] In *Marvex Commercial Company, Inc. v. Petra Hawpia & Company*,[29] the Court held:

It is our considered view that the trademarks "SALONPAS" and "LIONPAS" are confusingly similar in sound.

Both these words have the same suffix, "PAS", which is used to denote a plaster that adheres to the body with curative powers. "PAS," being merely descriptive, furnishes no indication of the origin of the article and therefore is open for appropriation by anyone (*Ethepa vs. Director of Patents*, L-20635, March 31, 1966) and may properly become the subject of a trademark by combination with another word or phrase.

x x x x

The following random list of confusingly similar sounds in the matter of trademarks, culled from *Nims, Unfair Competition and Trade Marks*, 1947, Vol. 1, will reinforce our view that "SALONPAS" and "LIONPAS" are confusingly similar in sound: "Gold Dust" and "Gold Drop"; "Jantzen" and "Jass-Sea"; "Silver Flash" and "Supper Flash"; "Cascarete" and "Celborite"; "Celluloid" and "Cellonite"; "Chartreuse" and "Charseurs"; "Cutex" and "Cuticlean"; "Hebe" and "Meje"; "Kotex" and "Femetex"; "Zuso" and "Hoo Hoo." Leon Amdur, in his book "Trade-Mark Law and Practice," pp. 419-421, cites [sic], as coming within the purview of the idem sonans rule, "Yusea" and "U-C-A," "Steinway Pianos" and "Steinberg Pianos," and "Seven-Up" and "Lemon-Up." In *Co Tiong vs. Director of Patents*, this Court unequivocally said that "Celdura" and "Condura" are confusingly similar in sound; this Court held in *Sapolin Co. vs. Balmaceda*, 67 Phil. 795 that the name "Lusolin" is an infringement of the trademark "Sapolin," as the sound of the two names is almost the same.[30]

The scope of protection afforded to registered trademark owners is not limited to protection from infringers with identical goods. The scope of protection extends to protection from infringers with related goods, and to market areas that are the normal expansion of business of the registered trademark owners. Section 138 of R.A. No. 8293 states:

Certificates of Registration. -- A certificate of registration of a mark shall be prima facie evidence of validity of the registration, the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate. (Emphasis supplied)

In *Mighty Corporation v. E. & J. Gallo Winery*,[31] the Court held that, "Non-competing goods may be those which, though they are not in actual competition, are so related to each other that it can reasonably be assumed that they originate from one manufacturer, in which case, confusion of business can arise out of the use of similar marks." [32] In that case, the Court enumerated factors in determining whether goods are related: (1) classification of the goods; (2) nature of the goods; (3) descriptive properties, physical attributes or essential characteristics of the goods, with reference to their form, composition, texture or quality; and (4) style of distribution and marketing of the goods, including how the goods are displayed and sold.[33]

NANNY and NAN have the same classification, descriptive properties and physical attributes. Both are classified under Class 6, both are milk products, and both are in powder form. Also, NANNY and NAN are displayed in the same section of stores -- the milk section.

The Court agrees with the lower courts that there are differences between NAN and NANNY: (1) NAN is intended for infants while NANNY is intended for children past their infancy and for adults; and (2) NAN is more expensive than NANNY. However, as the registered owner of the "NAN" mark, Nestle should be free to use its mark on similar products, in different segments of the market, and at different price levels. In *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*, the Court held that the scope of protection afforded to registered trademark owners extends to market areas that are the normal expansion of business:

x x x

Even respondent's use of the "Big Mak" mark on non-hamburger food products cannot excuse their infringement of petitioners' registered mark, otherwise registered marks will lose their protection under the law.

The registered trademark owner may use his mark on the same or similar products, in different segments of the market, and at different price levels depending on variations of the products for specific segments of the market. The Court has recognized that the registered trademark owner enjoys protection in product and market areas that are the normal potential expansion of his business. Thus, the Court has declared:

Modern law recognizes that the protection to which the owner of a trademark is entitled is not limited to guarding his goods or business from actual market competition with identical or similar products of the parties, but extends to all cases in which the use by a junior appropriator of a trade-mark or trade-name is likely to lead to a confusion of source, as where prospective purchasers would be misled into thinking that the complaining party has extended his business into the field (see 148 ALR 56 et sq; 53 Am. Jur. 576) or is in any way connected with the activities of the infringer; or when it forestalls the normal potential expansion of his business (v. 148 ALR, 77, 84; 52 Am. Jur. 576, 577).[34] (Emphasis supplied)

WHEREFORE, we GRANT the petition. We SET ASIDE the 1 September 2005 Decision and 4 April 2006 Resolution of the Court of Appeals in CA-G.R. CV No. 62730 and REINSTATE the 18 September 1998 Decision of the Regional Trial Court, Judicial Region 7, Branch 9, Cebu City, in Civil Case No. CEB-19345.

SO ORDERED.

Nachura, Peralta, Abad, and Mendoza, JJ., concur.

[1] Rollo, pp. 9-40.

[2] Id. at 44-51. Penned by Associate Justice M. Bato, Jr., with Associate Justices Arsenio J. Magpale and Pampio A. Abarintos concurring.

[3] Id. at 53-54.

[4] Id. at 55-62. Penned by Judge Benigno G. Gaviola.

[5] Id. at 96-99.

[6] Id. at 63-65.

[7] Id. at 66-73.

[8] Id. at 74-78.

[9] Id. at 130-133.

[10] Id. at 60-61.

[11] Id. at 48-50.

[12] Id. at 277-291.

[13] G.R. No. 180073, 25 November 2009, 605 SCRA 523.

[14] Id. at 529-530.

[15] Id. at 531.

[16] McDonald's Corporation v. L.C. Big Mak Burger, Inc., 480 Phil. 402, 428 (2004).

[17] 137 Phil. 838. (1969).

[18] Id. at 852.

[19] Prosource International, Inc. v. Horphag Research Management SA, supra note 13 at 531.

[20] Id. at 531-532.

[21] G.R. No. 166115, 2 February 2007, 514 SCRA 95.

[22] Id. at 107.

[23] Supra note 13 at 532-533.

[24] Supra note 21 at 107-109.

[25] Supra note 16 at 433-435.

[26] 480Phil. 307 (2001).

[27] Id. at 324-325.

[28] Prosource International, Inc. v. Horphag Reseach management SA, supra note 13 at 532; McDonald's Corporation v. L.C. Big Mak Burger, Inc. supra note 16 at 435.

[29] 125 Phil. 295 (1996).

[30] Id. at 301-303.

[31] 478 Phil. 615 (2204).

[32] Id. at 661.

[33] Id. at 662-663.

[34] Supra note 16 at 432.

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