

**CARL FRANZ ADOLPH OTTO INGENOHL, PLAINTIFF AND APPELLEE,
VS. WALTER E. OLSEN & COMPANY, INC., DEFENDANT AND
APPELLANT.**

G.R. No. 22288. January 12, 1925

Ponente: STATEMENT August 16, 1922, the plaintiff filed a complaint in the Court of First Instance against the defendant in which after formal pleas, he alleges: "III. That on the 5th day of May, 1922, in the Supreme Court of Hongkong, the same being a court of competent jurisdiction and having jurisdiction over both the plaintiff and the defendant in a certain action wherein the plaintiff herein was plaintiff and the defendant here was defendant, a final judgment was rendered in favor of plaintiff and against defendant a duly certified transcript of which said judgment is hereto attached, marked Exhibit A. "IV. That the said judgment has not been reversed or modified and is still in full force and effect. "V. That on the 30th day of June, 1922, costs were duly taxed and allowed in the said Supreme Court of Hongkong in favor of plaintiff and against defendant in the sum of twenty-six thousand two hundred and forty-four and 23/100 dollars (\$26,244.23), Hongkong currency, as appears by the certificate of the registrar of the said Supreme Court of Hongkong, hereto attached and made a part hereof. "VI. That demand has been made by plaintiff upon defendant for the payment of the said sum of twenty-six thousand two hundred and forty-four and 23/100 dollars (\$26,244.23), Hongkong currency, but that defendant has failed and refused and still fails and refuses to pay plaintiff the said sum or any part thereof. "VII. That the equivalent of the said sum of twenty-six thousand two hundred and forty-four and 23/100 dollars (\$26,244.23), Hongkong currency, on the said 30th day of June, 1922, was thirty-one thousand ninety-nine pesos and forty-one centavos (P31,099.41), Philippine currency." Wherefore, he prays judgment for that amount, with legal interest, and for such other and further relief as may seem just and equitable. A duly certified transcript of the judgment of the Hongkong court was attached to the complaint, marked Exhibit A. For amended answer, the defendant denies each and every allegation of the complaint, and, as a separate special defense, alleges that the judgment in question should be considered in connection with the decision of the Supreme Court of Hongkong, a copy of which is attached to and made a part of the answer, marked Exhibit 1. That the decision and judgment of that court were rendered and entered as a result of a clear mistake of law and fact. "3. That previous to the 25th day of January, 1919, A. Mitchell Palmer, the duly appointed, qualified and acting Alien Property Custodian of the United States, under and by virtue of the Act of Congress of the United States approved October 6, 1917, known as the Trading with the Enemy Act as amended, and in accordance with executive orders issued in pursuance thereof, required and caused to be conveyed, transferred, assigned, delivered and paid over to him the property and business then owing and belonging to, or held for, by, or on account of, or on behalf, or for the benefit of the company known as Syndicat Oriente, a joint account association (sociedad de cuentas en participacion), of which the plaintiff was the 'gestor' and which association formed under the laws of Belgium with its registered office in the City of Antwerp, Belgium, and an enemy as defined in said Act, not holding a license granted by the President under said Trading with the Enemy Act, and which the President of the United States, after investigation had determined was so owing, or so belonged, or was so held, and thereafter the said Alien Property Custodian in pursuance of said Act and proclamations and executive orders, advertised that he would sell through his managing director of the Philippine Islands to the highest bidder at public sale, subject to the terms and conditions set forth in the advertisement of sale, the said property and business of the Syndicat Oriente and of the said plaintiff as its 'gestor' on the 27th day of December, 1918, at Manila in the Philippine Islands, and pursuant to said advertisement of sale, and in compliance with all the terms and conditions therein set forth, and after due and public notice given thereof, on the 27th day of December, 1918, duly sold at public sale at Manila, Philippine Islands, the said property and business, with certain exceptions immaterial to this case, mentioned in the deed of conveyance hereinafter referred to, in consideration of the bid therefor by the said defendant

corporation of the sum of P2,350,000, Philippine currency, which was the highest bid of any bidder qualified to bid for and purchase said property and business at said sale, and the said Alien Property Custodian of the United States having thereafter accepted said bid and received from the defendant corporation in cash the amount of said bid, did on the 25th day of January, 1919, under and by virtue of said Act of Congress and said proclamations and executive orders, execute in favor of the defendant corporation a deed of conveyance of said property and business of the said Syndicat Oriente and of the said plaintiff as its 'gestor' a copy of which deed marked Exhibit 2 for identification is hereto attached and made a part of this amended answer and counterclaim. "4. That among the property conveyed and described in said deed so executed by the Alien Property Custodian of the United States in favor of the defendant corporation was the cigar and cigarette factory situated in the City of Manila, Philippine Islands, known as 'El Oriente Fabrica de Tabacos, C. Ingenohl,' and all incidents and appurtenances thereto including the business as a going concern and the goodwill, trade names and trade-marks thereof, and of the said Syndicat Oriente." That at all times said C. Ingenohl mentioned therein was the gestor of the said Syndicat Oriente and plaintiff in this action. That based upon the claim of the plaintiff for himself and as gestor and agent of the Syndicat Oriente, in the year 1921, the plaintiff collected and received from the Alien Property Custodian of the United States, the purchase price of the property mentioned and described in this answer and counterclaim and thereby ratified and confirmed the sale and conveyance of the property to the defendant to all intents and purposes, the same as if the sale had originally been made by plaintiff to the defendant. "7. That at the time of the conveyance of said property to the defendant corporation and for many years previous and subsequent thereto, and up to the time of the wrongful acts of the plaintiff as hereinafter set forth, China, the colony of Hongkong, the Federated Malay States, and the Straits Settlements were the principal markets for the output of the cigars manufactured in the said cigar factory, and the only trade-marks and trade names under which said cigars were sold in those markets by the plaintiff previous to said conveyance, and by the defendant subsequent thereto were 'La Perla del Oriente,' 'El Cometa del Oriente' and 'Imperio del Mundo;' that by the sale of large quantities of the output of said cigar factory in said markets by the plaintiff previous to said conveyance, and by the defendant thereafter under said trade-marks and trade names and by the appropriate registration of said trade-marks and trade names in said countries, the plaintiff previous to said conveyance, and the defendant thereafter as his successor in interest appropriated, acquired and became entitled to the exclusive use of said trade-marks and trade names in said markets to designate the cigar products of said factory." That by virtue of the fact that the plaintiff took and accepted the purchase price for the sale of the property, he thereby ratified and confirmed the peaceable possession and enjoyment and the use of the property, including said trademarks and trade names, the same is if he had personally made the sale. "9. That on or about the 28th day of May, 1919, the said trade-marks and trade names known as 'La Perla del Oriente' and 'El Cometa del Oriente' were duly registered at Shanghai in the name of the defendant corporation for all of China with the exception of the colony of Hongkong, which is British territory and where separate registration proceedings were and are required; that by virtue of said registration and by virtue of the sale under said trade-marks and trade names of the cigars manufactured in said factory by the plaintiff previous to said conveyance and by the defendant as his successor in interest thereafter, the latter acquired the sole and exclusive right to the use of said trade-marks and trade names in all of China." That at the time the plaintiff accepted the proceeds of the sale, he well knew that the Property Custodian intended to and did sell and convey to the defendant, and that the defendant believed that it acquired and did acquire the exclusive right to the use of said trade-marks and trade names in said markets, and that the said trade-marks and trade names had been duly registered at Shanghai for all of China in the name of the corporation, and that at the time he accepted such proceeds, the plaintiff well knew that the defendant ever since the purchase of the property was selling the product of said factory under said trade-marks and trade names in all of said markets. That plaintiff also knew the value of them at the time of the sale was P1,000,000, and that said trade-marks and trade names evidenced P1,000,000 of the purchase price of the property. That after obtaining the proceeds of the sale, the plaintiff wrongfully instituted the said action in the Supreme Court of the colony of Hongkong, resulting in the rendition of the judgment in question. That at the time it was rendered the Hongkong court had before it and under consideration the deed of conveyance executed by the Property Custodian to the defendant and facsimiles of the trade-marks and trade names, and the admission of the plaintiff that he had received the proceeds of the sale from the Property Custodian. That notwithstanding such facts, the Hongkong court decided in effect that the language "wheresoever situate in the

Philippine Islands" was a limitation upon the goodwill and right to the use of said trade-marks and trade names to the Philippine Islands, whereas in truth and in fact, as the plaintiff well knew at the time of said conveyance, almost the entire output of the factory in the City of Manila was exported and sold outside of the Philippine Islands, and that the intention of said conveyance was to convey the right to the use of said trade-marks and trade names outside of the Philippine Islands, and that plaintiff willfully concealed and withheld said facts from the Hongkong court, and induced it to hold in effect that the right to the use of said trade-marks was limited by the conveyance to the Philippine Islands. The trade-marks in question are then specifically described. That the plaintiff in the Hongkong court claimed to be the proprietor of the trade-marks and trade names known as "La Perla del Oriente," "El Cometa del Oriente" and "Imperio del Mundo," in connection with cigars manufactured by him in the factory at Mongkok, Hongkong, known as the Hongkong factory, and which at the time of the conveyance, was a mere branch of the Manila cigar factory. That at the trial in the Hongkong court it appeared that between the years 1882 and 1905, "El Oriente Fabrica de Tabacos Sociedad Anonima," hereinafter referred to as "Sociedad Anonima," carried on a business as manufacturers of cigars and cigarettes in Manila, Philippine Islands, and in connection with the cigars manufactured therein, made use of the trade-marks and trade names, which are in dispute in this action. That on November 28, 1905, the "Sociedad Anonima," being then in liquidation, sold all of its business interests and assets in the Philippine Islands with its goodwill and trade-marks, including those in dispute here, to the plaintiff as a gestor of a joint association consisting of the plaintiff and others, which was known as the Syndicat Oriente, and carried on its business in the Philippine Islands under the style of "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila." That in the year 1908 the Syndicat Oriente opened the Hongkong factory, as a branch or agency, for the manufacture and sale in Hongkong of cigars which were made of the tobacco supplied by "El Oriente Fabrica de Tabacos" in the Philippine Islands, and which bore the trade-marks in dispute in this action. That such trade-marks were registered in the Philippine Islands in the years 1884 and 1887 as the property of the said "Sociedad Anonima," and such registration was renewed in the year 1902. That in the year 1903 they were registered on the Hongkong register of trade-marks as the property of the "Sociedad Anonima." That about April, 1906, the assignment of the said trade-marks to "El Oriente Fabrica de Tabacos" was registered in the Philippine Islands, and in February, 1910, they were assigned on the Hongkong register with the knowledge and authority and by direction of the plaintiff, to the name of said Syndicat Oriente under its name and style of "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila," as proprietor. That on March 13, 1917, the plaintiff renewed the registration of such trade-marks on the Hongkong register for a further period of fourteen years from the 15th of April, 1917, in the same name, to wit: "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila," as proprietor. That such trade-marks and trade names were inseparably connected and identified with the cigars manufactured in the Manila factory, and that the Hongkong factory had no right to the use of them, except as a branch of the Manila factory, and that the use of them by the Hongkong factory after conveyance to the defendant constitutes a false representation and fraud upon the public purchasing such cigars, and upon this defendant in particular. That under the laws of Great Britain, United States and the Philippine Islands, trade-marks and trade names, such as those in dispute, belong to and follow the product of the factory with which they are identified, and the use of them upon the products of any other factory constitutes a fraud upon the public. That under such laws the acceptance by the former owner of the proceeds of the sale amounts to a ratification of the sale to all intents and purposes, the same as if the sale had been made by the owner himself, and that as construed by the laws of Great Britain, United States and the Philippine Islands, the deed, of conveyance was not reasonably susceptible to the interpretation placed upon it by the Hongkong court, to the effect that the goodwill and right to the use of the trade-marks and trade names were limited to the Philippine Islands. That the Hongkong court ignored such facts and rendered its decision contrary to the clear language used in the conveyance. By way of counterclaim, the defendant alleges all of such material facts, and that the action in the Hongkong court was wrongfully instituted by the plaintiff against the defendant. That after the rendition of such judgment and in violation of the terms of the sale and conveyance, the plaintiff, through his solicitors, agents, and representatives, has been and is still wrongfully and unlawfully causing to be inserted in the leading newspapers in China, the Federated Malay States, Straits Settlements, and elsewhere, newspaper articles notifying the public of the rendition of the judgment in which he claims and asserts his exclusive right to the use of the trade-marks and trade names in all of said countries, and threatens to take legal proceedings against any person, firm, or corporation which has in its possession for sale cigars

bearing the said trade-marks and trade names, which are not manufactured by the branch factory at Hongkong, and also by giving notices to the tobacco dealers. That by reason of said notices and the threats, the cigar dealers have cancelled all pending orders and have refused to make any further purchases of cigars without guaranties, protecting them against the threatened legal proceedings of plaintiff. That the goodwill of the cigar business of the defendant and the value of such trade-marks and trade names have been totally destroyed by the plaintiff, and that he has wrongfully and unlawfully deprived the defendant of the use and enjoyment of them, to the defendant's damage in the sum of P1,000.000 for which it prays judgment, with costs. Upon such issues the parties entered into the following agreed statement of facts: "Agreed statement of facts "Without prejudice to the introduction of such oral and documentary evidence as either party may present at the time fixed by the Court for the trial of this case, and saving all just objections and exceptions to the admissibility of such facts, or any of them, as evidence in this case, it is hereby mutually stipulated and agreed by and between the parties, their counsel and attorneys, as follows: "1. That the defendant, Walter E. Olsen & Co., Inc., is a corporation duly organized, existing, and doing business under the laws of the Philippine Islands, having its principal place of business at the City of Manila, and that the said Walter E. Olsen & Co., Inc., is the same Walter E. Olsen & Co., Inc., referred to in the judgment of the Supreme Court of Hongkong sued on herein, a duly certified copy of which said judgment is hereto attached marked Exhibit A, and made a part hereof; "2. That the Supreme Court of Hongkong is a court of record of general jurisdiction, and at the time of the rendition of the judgment sued on herein (Exhibit A) had jurisdiction over the parties to the action in which the said judgment was rendered, and of the subject-matter of the said action; "3. That the defendant Walter E. Olsen & Co., Inc., appeared and was represented by counsel in the Supreme Court of Hongkong in the action in which the said judgment (Exhibit A) was rendered; "4. That the defendant has refused to pay to the plaintiff the amount of the said judgment, to wit, the sum of twenty-six thousand two hundred forty-four and 23/100 dollars (\$26,244.23), Hongkong currency, equivalent to thirty-one thousand ninety-nine pesos and forty-one centavos (P31,099.41), Philippine currency; "5. That Exhibit 1 attached to defendant's amended answer and counterclaim is a true copy of the decision of the Supreme Court of Hongkong, upon which the judgment referred to in the third paragraph of plaintiff's complaint was based; "6. That Exhibit 2 attached to defendant's amended answer and counterclaim is a true copy of the Deed of Transfer executed on the 25th day of January, 1919, by A. Mitchell Palmer, the duly appointed, qualified and acting Alien Property Custodian of the United States in favor of the defendant corporation, and that the recitals contained in said Deed of Transfer were and are true, except that the Syndicat Oriente mentioned therein was formed under the laws of Belgium with its head office at Antwerp, by Articles of Agreement dated November 28, a copy of which marked Exhibit B is hereto attached and made a part hereof. Under the said agreement the plaintiff was the 'Gerant' of the said Syndicat Oriente, and his rights and liabilities as well as those of the other parties to the said agreement to outsiders and inter se are governed by said articles and by the laws of Belgium which are agreed to be substantially the same as the laws of the Philippines with respect to joint accounts (cuentas en participacion) as provided by articles 239-243 of the Philippine Code of Commerce. It is understood however that the defendant will raise no question in this case as to the authority of the plaintiff to maintain said action before the Hongkong court; "7. That the Ingenohl mentioned in said Deed of Transfer as C. Ingenohl, and as Francis Adolfo Ingenohl, is the plaintiff in this action, and was at the time of the seizure and sale of the property mentioned in said Deed of Transfer, and from that time up to and including the time of the receipt by him from the Alien Property Custodian of the proceeds of said sale, continue to be the 'Gerant' of the Syndicat Oriente mentioned in said Deed of Transfer, with full power and the authority to claim and receive the proceeds of said sale from the said Alien Property Custodian of the United States; "8. That as a result of the claim made therefor, the said plaintiff for himself and as 'Gerant' and general representative of the said Syndicat Oriente, on the 13th day of December, 1920, and 28th day of March, 1921, collected and received from the Alien Property Custodian of the United States, the sum of \$1,511,124.50, United States currency, being the equivalent with interest of the purchase price of the property described in said Deed of Transfer and paid to said Alien Property Custodian by the defendant corporation, and the said plaintiff then and there issued to the said Alien Property Custodian of the United States two receipts, copies of which marked Exhibits C and D are hereto attached and made a part hereof; that neither the plaintiff nor the Syndicat Oriente has at any time either orally or in writing ratified, consented to or agreed to the action of the Alien Property Custodian in selling the property described in the said Deed of Transfer, other than as may

be deducted from the action of the said plaintiff in making claim for and receiving the proceeds of the sale of said property, and the plaintiff reserves the right to contend and does contend that such action on his part did not and does not constitute a ratification of said sale; "9. That at the time of the conveyance of said property by the Alien Property Custodian of the United States to the defendant corporation and for many years previous and subsequent thereto, and up to the time of the rendition by said Supreme Court of Hongkong of the judgment (Exhibit A), China, the colony of Hongkong, the Federated Malay States, and the Straits Settlements, were among the markets in which the output of the cigars manufactured in the cigar factory known previous to its conveyance to the defendant corporation as 'El Oriente Fabrica de Tabacos,' and that among the trade-marks and trade names under which such cigars were sold in those markets by the plaintiff previous to said conveyance and by the defendant subsequent thereto were 'La Perla del Oriente,' 'El Cometa del Oriente' and Imperio del Mundo;" "10. That at the time of rendering the decision and entering the judgment (Exhibit A), the said Supreme Court of Hongkong had before it and under consideration said Deed of Transfer executed by the Alien Property Custodian in favor of the defendant corporation and facsimiles of the trade-marks and trade names under which the output of both the Manila cigar factory and the Hongkong factory hereinafter mentioned had been sold in Hongkong and the other markets mentioned, and had also before it and under consideration the admission of the plaintiff that he had received the proceeds of said sale by the Alien Property Custodian to the defendant corporation as evidenced by said Deed of Transfer. That said action in Hongkong was instituted on the 9th day of October, 1919; "11. That the facsimile of one of the trade-marks or labels presented as evidence to the said Supreme Court of Hongkong depicted among other things the head and shoulders of a Filipina woman in a yellow camisa. The picture is surrounded with green leaves and pink flowers. Above is a scroll with the words 'La Perla del Oriente' printed on it and underneath is another scroll with the words 'El Oriente Fabrica de Tabacos, Sociedad Anonima, Manila.' That a facsimile of said trade-mark of label marked Exhibit E is hereto attached and made a part hereof; "12. That subsequent to the transfer of said trade-marks and trade names by the said 'Sociedad Anonima' to the said plaintiff Ingenohl as hereinafter set forth, the words on the scroll at the foot of said label mentioned in the preceding paragraph were changed to 'El Oriente Fabrica de Tabacos, Manila,' as shown by the facsimile hereto attached, marked Exhibit E and made a part hereof; "13. That the facsimile of another trade-mark or label likewise presented as evidence to the said Supreme Court of Hongkong in part depicted a Filipina woman dressed in a red skirt and loose yellow camisa, holding in the left hand by its cover an open cigar box full of cigars, her right hand resting on a Spanish coat of arms. Above are printed the words 'La Perla del Oriente.' The Spanish coat of arms is the Royal Coat of Arms of Spain. Underneath the said arms are the obverse and reverse of three medals. On one of the medals it is stated on the reverse to have been awarded to 'El Oriente Fabrica de Tabacos, Manila.' The buildings and the back ground are the towers of the Dominican Church (Walled City, Manila) and the high column is the Magallanes Monument, Manila. That a facsimile of said trade-mark or label marked Exhibit G is hereto attached and made a part hereof; "14. Another facsimile of a trade-mark and trade name also presented as evidence to the said Supreme Court of Hongkong depicts the old Bridge of Spain across the Pasig River at Manila, showing in the back ground the Old Stone Wall of the Walled City, Manila, and the Dominican Church, Magallanes Monument, and Intendencia Building and the church towers of the Walled City of Manila and above several stars and a comet, on the tail of which appear the words 'El Cometa del Oriente.' That a copy of said trade-mark or label marked Exhibit H is hereto attached and made a part hereof; "15. That it further appeared upon the trial of said action in the said Supreme Court of Hongkong, and it is stipulated to be true, that between the years 1882 and 1905, 'El Oriente Fabrica de Tabacos Sociedad Anonima' (hereinafter referred to as the 'Sociedad Anonima') carried on business as manufacturers of cigars and cigarettes at Manila, Philippine Islands, and made use in connection with the sale of its output throughout the Far East of Trade the marks which are in dispute in this action. That the head office of the said 'Sociedad Anonima' was at Antwerp, Belgium; "16. That on or about the 21st day of April, 1906, the said 'Sociedad Anonima,' being then in liquidation, transferred all of its business interests and assets together with the goodwill thereof and trade-marks and trade names of said 'Sociedad Anonima' wherever in use (including the trade-marks and trade names in dispute in this action) , to the plaintiff. That said transfer was effected by means of an instrument, in writing, a copy of which is hereto attached marked Exhibit J. That plaintiff, as 'Gerant' of said Syndicat Oriente which had been organized in the meantime for that purpose, carried on business in the Philippine Islands and throughout the Far East under the style of 'El Oriente Fabrica

de Tabacos, C. Ingenohl, Manila' (hereinafter referred to as 'El Oriente Fabrica de Tabacos'); "17. That in the year 1908 the plaintiff, as 'Gerant' of said Syndicat Oriente, opened the said Hongkong factory for the manufacture and sale of cigars which were composed, in part, of tobacco supplied by 'El Oriente Fabrica de Tabacos' in the Philippine Islands, and, in part, of tobacco wrapper imported from Java. That subsequent to the establishment of the said Hongkong factory its output was sold throughout the Far East (except in the Philippine Islands) concurrently with the output of the Manila factory under the trade-marks and trade names in question, except that on one of the outside labels of each box or package containing the output of the said Hongkong factory there appeared the words 'El Oriente Fabrica de Tabacos Hongkong, Sucursal de la Fabrica en Manila.' That a facsimile of one of said covering labels marked Exhibit 1 is hereto attached and made a part hereof; "18. That the only factory belonging to the said 'Sociedad Anonima' of Antwerp as the Manila factory, and the only factory belonging to the plaintiff personally or as 'Gerant' of the Syndicat Oriente was the said Manila factory up until the time of the establishment of the said Hongkong factory, and thereafter the only factories owned by the plaintiff or the said Syndicat Oriente were the said Manila and Hongkong factories; "19. That the said trade-marks which are in dispute in this action were registered in the Philippine Islands in the years 1884-1887 as the property of the said 'Sociedad Anonima' and registration thereof in the Philippine Islands of said property was renewed in the year 1902; "20. That the said trade-marks were subsequently in the year 1903 registered on the Hongkong Register of Trade-Marks as the property of the said 'Sociedad Anonima;' "21. That on or about April, 1906, the assignment of the said trade-marks to 'El Oriente Fabrica de Tabacos' was registered in the Philippine Islands and in February, 1910, said trade-marks were assigned on the Hongkong register with the knowledge and authority and by direction of the plaintiff to the name of the said Syndicat under its said style of 'El Oriente Fabrica de Tabacos, C. Ingenohl, Manila' as the proprietor of the said trade-marks; "22. That for many years prior to the sale by the Alien Property Custodian of the said trade-marks and trade names, the same were registered in various countries as follows: "In France, Australia, New Zealand, Shanghai, and Hongkong in the name of 'El Oriente Fabrica de Tabacos, C. Ingenohl, Manila,' seven registrations in Belgium, six of which are in the names of 'El Oriente Fabrica de Tabacos, Antwerp,' represented by its manager C. Ingenohl. The seventh registration is of 'Imperio del Mundo, C. Ingenohl, Manila;' "In the English registrations the name is 'Carl Ingenohl, Managing Director of and on behalf of El Oriente Fabrica de Tabacos, Sociedad Anonima, Antwerp, (Belgium and Manila, Philippine Islands;' "There is but one American registration and that is of 'El Cometa del Oriente,' 'Carl Ingenohl,' giving his address at Antwerp and also conducting business under the trade name of 'El Oriente Fabrica de Tabacos at 124 San Pedro Street, Manila, Philippine Islands;' "The registration for Java and Sumatra reads 'El Oriente Fabrica de Tabacos, C. Ingenohl;' "The German registration is 'El Oriente Fabrica de Tabacos, Sociedad Anonima, Emil Schoett,' and one subsequent registration with the name of C. Ingenohl substituted for Schoett. But counsel for the defendant objects to the consideration of such registration as wholly immaterial and for the further reason that the defendant as purchaser of the factory and business known as 'El Oriente Fabrica de Tabacos, C. Ingenohl, Manila,' succeeded to all of the latter's rights under said registration; "23. That the said plaintiff on the 13th day of March, 1917, renewed the registration of the said trade-marks on the Hongkong register for a further period of fourteen years from the 15th of April, 1917, in the name of 'El Oriente Fabrica de Tabacos, C. Ingenohl, Manila,' Proprietor; "24. That from the time of the establishment of said factory in Manila by the plaintiff, until the present time, approximately 95 per cent of the output thereof has been exported; "25. That on or about the 28th day of May, 1919, the said trade-marks and trade names known as 'a Perla del Oriente' and 'El Cometa del Oriente' were registered at Shanghai in the name of the defendant corporation for all of China, with the exception of the colony of Hongkong which is British territory and where separate registration proceedings were and are required. The plaintiff had no knowledge of the registration of the said trade-marks at Shanghai until requested by the defendant to enter into this stipulation of facts, and the plaintiff does not concede the validity of the said registration nor waive his right to take any action with respect thereto which he may deem suitable or proper; "The said trade-marks and trade names have been registered in the name of said Syndicat Oriente under its said style of 'El Oriente Fabrica de Tabacos, C. Ingenohl, Manila' at the Shanghai Customhouse since January, 1907; "26. That the registrations referred to in the last preceding paragraph by both the plaintiff and defendant were made in the same manner; "27. That the plaintiff at the time of the acceptance from the Alien Property Custodian of the proceeds of the sale of said property knew that the defendant corporation had been, ever since the purchase of said property, selling the product of said

factory under said trade-marks and trade names in all of said markets hereinbefore mentioned; "28. The proceeds obtained by the Alien Property Custodian from the sale made by him as aforesaid were received by the plaintiff after the commencement of the action resulting in the judgment sued on herein, but prior to the rendition of the said judgment; "29. That the jurisdiction of the said Supreme Court of Hongkong was and is limited to the colony of Hongkong; "30. That ever since the rendition of said judgment by the said Supreme Court of Hongkong, the plaintiff through its solicitors, agents, and representatives has been and still is causing to be inserted in the leading newspapers of China, the Federated Malay States, and the Straits Settlements articles notifying the public of the rendition of said judgment, asserting the plaintiff's exclusive right to the use of said trade-marks and trade names in said countries, and threatening to take legal proceedings against any person, firm, or corporation having in their possession for sale, cigars bearing the said trade-marks and trade names which are not manufactured by the plaintiff in said Hongkong factory, and also causing notices of the same character to be given to the dealers in said countries in the cigars manufactured by defendant in said factory at Manila and sold in said countries under said trade-marks and trade names; "31. That all of the articles published in newspapers of the various countries mentioned and the notices given to the dealers in defendant's cigars were in substantially the same form; that Exhibit 3 of defendant's amended answer is a copy of a notice which the plaintiff caused to be published in the Singapore Free Press on July 11, 1922, and that Exhibit 4 of the same answer is a true copy of a notice which the plaintiff caused to be published in the North China Daily News at Shanghai on July 3, 1922, and Exhibit 5 of the same answer is a true copy of a personal notice which the plaintiff caused to be given to one of the dealers in defendant's cigars dated August 22, 1922. "The foregoing admissions of fact are made on the part of plaintiff with the following reservations: "1. That the plaintiff objects to the admission in evidence and consideration by the court of the facts set forth in paragraphs 6 to 31, inclusive, on the following grounds: "(a) That this Honorable Court has no jurisdiction to revise or review the judgment (Exhibit A) of the Supreme Court of Hongkong; "(b) That no evidence should be received in support of the defendant's answer and counterclaim, for the reason that the same do not state facts sufficient to constitute counterclaim or defense; "(c) That the facts set forth in the said paragraphs 6 to 31, inclusive, are incompetent, irrelevant and immaterial as evidence in this case. "2. That the admissions of facts set forth in the said paragraphs 6 to 31, inclusive, are made for the purposes of this case only, and are not to be used against the plaintiff or defendant for any other purpose or on any other occasion." Based thereon and the other evidence in the case, the lower court rendered judgment for the plaintiff for the full amount of his claim, with interest at the rate of 6 per cent per annum from August 16, 1922, and costs, from which the defendant appeals, making the following assignments of error: "I. The trial court erred in failing to find that the decision of the Supreme Court of Hongkong and the judgment which are the basis of plaintiff's complaint in this action were rendered and entered as a result of a clear mistake of law and of fact. "II. The trial court erred in rendering judgment in favor of the plaintiff and against the defendant corporation for the amount claimed in the complaint. "III. The trial court erred in failing to find and to take into consideration that the Alien Property Custodian of the United States in selling the Manila Cigar Factory with its goodwill, trade-marks and trade names, acted as the trustee of the plaintiff, and that the latter by applying for and accepting from the said Alien Property Custodian the proceeds of such sale, ratified the same and thereby estopped himself from denying the defendant's right to the use of said trade-marks and trade names on the exported output of said cigar factory. "IV. The trial court erred in failing to find and take into consideration that the business of the Manila Cigar Factory was almost exclusively an export business, and that the transfer of the goodwill thereof necessarily carried with it the transfer of said export business and of the trade-marks and trade names which could not be disconnected therefrom. "V. The trial court erred in finding and holding that the intention of the Alien Property Custodian as evidenced by his deed of transfer to the defendant corporation of January 25, 1919, was to limit the conveyance to the property and rights of the Syndicat Oriente in the Philippine Islands and in concluding from such finding and holding that the defendant corporation was not entitled to recover under its counterclaim. "VI. The trial court erred in denying defendant's counterclaim." JOHNS, J.

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STATEMENT

August 16, 1922, the plaintiff filed a complaint in the Court of First Instance against the defendant in which after formal pleas, he alleges:

"III. That on the 5th day of May, 1922, in the Supreme Court of Hongkong, the same being a court of competent jurisdiction and having jurisdiction over both the plaintiff and the defendant in a certain action wherein the plaintiff herein was plaintiff and the defendant here was defendant, a final judgment was rendered in favor of plaintiff and against defendant a duly certified transcript of which said judgment is hereto attached, marked Exhibit A.

"IV. That the said judgment has not been reversed or modified and is still in full force and effect.

"V. That on the 30th day of June, 1922, costs were duly taxed and allowed in the said Supreme Court of Hongkong in favor of plaintiff and against defendant in the sum of twenty-six thousand two hundred and forty-four and 23/100 dollars (\$26,244.23), Hongkong currency, as appears by the certificate of the registrar of the said Supreme Court of Hongkong, hereto attached and made a part hereof.

"VI. That demand has been made by plaintiff upon defendant for the payment of the said sum of twenty-six thousand two hundred and forty-four and 23/100 dollars (\$26,244.23), Hongkong currency, but that defendant has failed and refused and still fails and refuses to pay plaintiff the said sum or any part thereof.

"VII. That the equivalent of the said sum of twenty-six thousand two hundred and forty-four and 23/100 dollars (\$26,244.23), Hongkong currency, on the said 30th day of June, 1922, was thirty-one thousand ninety-nine pesos and forty-one centavos (P31,099.41), Philippine currency."

Wherefore, he prays judgment for that amount, with legal interest, and for such other and further relief as may seem just and equitable.

A duly certified transcript of the judgment of the Hongkong court was attached to the complaint, marked Exhibit A.

For amended answer, the defendant denies each and every allegation of the complaint, and, as a separate special defense, alleges that the judgment in question should be considered in connection with the decision of the Supreme Court of Hongkong, a copy of which is attached to and made a part of the answer, marked Exhibit 1. That the decision and judgment of that court were rendered and entered as a result of a clear mistake of law and fact.

"3. That previous to the 25th day of January, 1919, A. Mitchell Palmer, the duly appointed, qualified and acting Alien Property Custodian of the United States, under and by virtue of the Act of Congress of the United States approved October 6, 1917, known as the Trading with the Enemy Act as amended, and in accordance with executive orders issued in pursuance thereof, required and caused to be conveyed, transferred, assigned, delivered and paid over to him the property and business then owing and belonging to, or held for, by, or on account of, or on behalf, or for the benefit of the company known as Syndicat Oriente, a joint account association (sociedad de cuentas en participacion), of which the plaintiff was the 'gestor' and which association formed under the laws of Belgium with its registered office in the City of Antwerp, Belgium, and an enemy as defined in said Act, not holding a license granted by the President under said Trading with the Enemy Act, and which the President of the United States, after investigation had determined was so owing, or so belonged, or was so held, and thereafter the said Alien Property Custodian in pursuance of said Act and proclamations and executive orders, advertised that he would sell through his managing director of the Philippine Islands to the highest bidder at public sale, subject to the terms and conditions set forth in the advertisement of sale, the said property and business of the Syndicat Oriente and of the said plaintiff as its 'gestor' on the 27th day of December, 1918, at Manila in the Philippine Islands, and pursuant to said advertisement of sale, and in

compliance with all the terms and conditions therein set forth, and after due and public notice given thereof, on the 27th day of December, 1918, duly sold at public sale at Manila, Philippine Islands, the said property and business, with certain exceptions immaterial to this case, mentioned in the deed of conveyance hereinafter referred to, in consideration of the bid therefor by the said defendant corporation of the sum of P2,350,000, Philippine currency, which was the highest bid of any bidder qualified to bid for and purchase said property and business at said sale, and the said Alien Property Custodian of the United States having thereafter accepted said bid and received from the defendant corporation in cash the amount of said bid, did on the 25th day of January, 1919, under and by virtue of said Act of Congress and said proclamations and executive orders, execute in favor of the defendant corporation a deed of conveyance of said property and business of the said Syndicat Oriente and of the said plaintiff as its 'gestor' a copy of which deed marked Exhibit 2 for identification is hereto attached and made a part of this amended answer and counterclaim.

"4. That among the property conveyed and described in said deed so executed by the Alien Property Custodian of the United States in favor of the defendant corporation was the cigar and cigarette factory situated in the City of Manila, Philippine Islands, known as 'El Oriente Fabrica de Tabacos, C. Ingenohl,' and all incidents and appurtenances thereto including the business as a going concern and the goodwill, trade names and trade-marks thereof, and of the said Syndicat Oriente."

That at all times said C. Ingenohl mentioned therein was the gestor of the said Syndicat Oriente and plaintiff in this action.

That based upon the claim of the plaintiff for himself and as gestor and agent of the Syndicat Oriente, in the year 1921, the plaintiff collected and received from the Alien Property Custodian of the United States, the purchase price of the property mentioned and described in this answer and counterclaim and thereby ratified and confirmed the sale and conveyance of the property to the defendant to all intents and purposes, the same as if the sale had originally been made by plaintiff to the defendant.

"7. That at the time of the conveyance of said property to the defendant corporation and for many years previous and subsequent thereto, and up to the time of the wrongful acts of the plaintiff as hereinafter set forth, China, the colony of Hongkong, the Federated Malay States, and the Straits Settlements were the principal markets for the output of the cigars manufactured in the said cigar factory, and the only trade-marks and trade names under which said cigars were sold in those markets by the plaintiff previous to said conveyance, and by the defendant subsequent thereto were 'La Perla del Oriente,' 'El Cometa del Oriente' and 'Imperio del Mundo;' that by the sale of large quantities of the output of said cigar factory in said markets by the plaintiff previous to said conveyance, and by the defendant thereafter under said trade-marks and trade names and by the appropriate registration of said trade-marks and trade names in said countries, the plaintiff previous to said conveyance, and the defendant thereafter as his successor in interest appropriated, acquired and became entitled to the exclusive use of said trade-marks and trade names in said markets to designate the cigar products of said factory."

That by virtue of the fact that the plaintiff took and accepted the purchase price for the sale of the property, he thereby ratified and confirmed the peaceable possession and enjoyment and the use of the property, including said trademarks and trade names, the same is if he had personally made the sale.

"9. That on or about the 28th day of May, 1919, the said trade-marks and trade names known as 'La Perla del Oriente' and 'El Cometa del Oriente' were duly registered at Shanghai in the name of the defendant corporation for all of China with the exception of the colony of Hongkong, which is British territory and where separate registration proceedings were and are required; that by virtue of said registration and by virtue of the sale under said trade-marks and trade names of the cigars manufactured in said factory by the plaintiff previous to said conveyance and by the defendant as his successor in interest thereafter, the latter acquired the sole and exclusive right to the use of said trade-marks and trade names in all of China."

That at the time the plaintiff accepted the proceeds of the sale, he well knew that the Property Custodian intended to and did sell and convey to the defendant, and that the defendant believed that it acquired and did acquire the exclusive right to the use of said trade-marks and trade names in said markets, and that the said trade-marks and trade names had been duly registered at Shanghai for all of China in the name of the corporation, and that at the time he accepted such proceeds, the plaintiff well knew that the defendant ever since the purchase of the property was selling the product of said factory under said trade-marks and trade names in all of said markets. That plaintiff also knew the value of them at the time of the sale was P1,000,000, and that said trade-marks and trade names evidenced P1,000,000 of the purchase price of the property. That after obtaining the proceeds of the sale, the plaintiff wrongfully instituted the said action in the Supreme Court of the colony of Hongkong, resulting in the rendition of the judgment in question. That at the time it was rendered the Hongkong court had before it and under consideration the deed of conveyance executed by the Property Custodian to the defendant and facsimiles of the trade-marks and trade names, and the admission of the plaintiff that he had received the proceeds of the sale from the Property Custodian. That notwithstanding such facts, the Hongkong court decided in effect that the language "wheresoever situate in the Philippine Islands" was a limitation upon the goodwill and right to the use of said trade-marks and trade names to the Philippine Islands, whereas in truth and in fact, as the plaintiff well knew at the time of said conveyance, almost the entire output of the factory in the City of Manila was exported and sold outside of the Philippine Islands, and that the intention of said conveyance was to convey the right to the use of said trade-marks and trade names outside of the Philippine Islands, and that plaintiff willfully concealed and withheld said facts from the Hongkong court, and induced it to hold in effect that the right to the use of said trade-marks was limited by the conveyance to the Philippine Islands. The trade-marks in question are then specifically described.

That the plaintiff in the Hongkong court claimed to be the proprietor of the trade-marks and trade names known as "La Perla del Oriente," "El Cometa del Oriente" and "Imperio del Mundo," in connection with cigars manufactured by him in the factory at Mongkok, Hongkong, known as the Hongkong factory, and which at the time of the conveyance, was a mere branch of the Manila cigar factory.

That at the trial in the Hongkong court it appeared that between the years 1882 and 1905, "El Oriente Fabrica de Tabacos Sociedad Anonima," hereinafter referred to as "Sociedad Anonima," carried on a business as manufacturers of cigars and cigarettes in Manila, Philippine Islands, and in connection with the cigars manufactured therein, made use of the trade-marks and trade names, which are in dispute in this action. That on November 28, 1905, the "Sociedad Anonima," being then in liquidation, sold all of its business interests and assets in the Philippine Islands with its goodwill and trade-marks, including those in dispute here, to the plaintiff as a gestor of a joint association consisting of the plaintiff and others, which was known as the Syndicat Oriente, and carried on its business in the Philippine Islands under the style of "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila." That in the year 1908 the Syndicat Oriente opened the Hongkong factory, as a branch or agency, for the manufacture and sale in Hongkong of cigars which were made of the tobacco supplied by "El Oriente Fabrica de Tabacos" in the Philippine Islands, and which bore the trade-marks in dispute in this action. That such trade-marks were registered in the Philippine Islands in the years 1884 and 1887 as the property of the said "Sociedad Anonima," and such registration was renewed in the year 1902. That in the year 1903 they were registered on the Hongkong register of trade-marks as the property of the "Sociedad Anonima." That about April, 1906, the assignment of the said trade-marks to "El Oriente Fabrica de Tabacos" was registered in the Philippine Islands, and in February, 1910, they were assigned on the Hongkong register with the knowledge and authority and by direction of the plaintiff, to the name of said Syndicat Oriente under its name and style of "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila," as proprietor. That on March 13, 1917, the plaintiff renewed the registration of such trade-marks on the Hongkong register for a further period of fourteen years from the 15th of

April, 1917, in the same name, to wit: "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila," as proprietor. That such trade-marks and trade names were inseparably connected and identified with the cigars manufactured in the Manila factory, and that the Hongkong factory had no right to the use of them, except as a branch of the Manila factory, and that the use of them by the Hongkong factory after conveyance to the defendant constitutes a false representation and fraud upon the public purchasing such cigars, and upon this defendant in particular. That under the laws of Great Britain, United States and the Philippine Islands, trade-marks and trade names, such as those in dispute, belong to and follow the product of the factory with which they are identified, and the use of them upon the products of any other factory constitutes a fraud upon the public. That under such laws the acceptance by the former owner of the proceeds of the sale amounts to a ratification of the sale to all intents and purposes, the same as if the sale had been made by the owner himself, and that as construed by the laws of Great Britain, United States and the Philippine Islands, the deed, of conveyance was not reasonably susceptible to the interpretation placed upon it by the Hongkong court, to the effect that the goodwill and right to the use of the trade-marks and trade names were limited to the Philippine Islands.

That the Hongkong court ignored such facts and rendered its decision contrary to the clear language used in the conveyance.

By way of counterclaim, the defendant alleges all of such material facts, and that the action in the Hongkong court was wrongfully instituted by the plaintiff against the defendant. That after the rendition of such judgment and in violation of the terms of the sale and conveyance, the plaintiff, through his solicitors, agents, and representatives, has been and is still wrongfully and unlawfully causing to be inserted in the leading newspapers in China, the Federated Malay States, Straits Settlements, and elsewhere, newspaper articles notifying the public of the rendition of the judgment in which he claims and asserts his exclusive right to the use of the trade-marks and trade names in all of said countries, and threatens to take legal proceedings against any person, firm, or corporation which has in its possession for sale cigars bearing the said trade-marks and trade names, which are not manufactured by the branch factory at Hongkong, and also by giving notices to the tobacco dealers. That by reason of said notices and the threats, the cigar dealers have cancelled all pending orders and have refused to make any further purchases of cigars without guaranties, protecting them against the threatened legal proceedings of plaintiff. That the goodwill of the cigar business of the defendant and the value of such trade-marks and trade names have been totally destroyed by the plaintiff, and that he has wrongfully and unlawfully deprived the defendant of the use and enjoyment of them, to the defendant's damage in the sum of P1,000.000 for which it prays judgment, with costs.

Upon such issues the parties entered into the following agreed statement of facts:

"Agreed statement of facts

"Without prejudice to the introduction of such oral and documentary evidence as either party may present at the time fixed by the Court for the trial of this case, and saving all just objections and exceptions to the admissibility of such facts, or any of them, as evidence in this case, it is hereby mutually stipulated and agreed by and between the parties, their counsel and attorneys, as follows:

"1. That the defendant, Walter E. Olsen & Co., Inc., is a corporation duly organized, existing, and doing business under the laws of the Philippine Islands, having its principal place of business at the City of Manila, and that the said Walter E. Olsen & Co., Inc., is the same Walter E. Olsen & Co., Inc., referred to in the judgment of the Supreme Court of Hongkong sued on herein, a duly certified copy of which said judgment is hereto attached marked Exhibit A, and made a part hereof;

"2. That the Supreme Court of Hongkong is a court of record of general jurisdiction, and at the time of the rendition of the judgment sued on herein (Exhibit A) had jurisdiction over the parties to the action in which the

said judgment was rendered, and of the subject-matter of the said action;

"3. That the defendant Walter E. Olsen & Co., Inc., appeared and was represented by counsel in the Supreme Court of Hongkong in the action in which the said judgment (Exhibit A) was rendered;

"4. That the defendant has refused to pay to the plaintiff the amount of the said judgment, to wit, the sum of twenty-six thousand two hundred forty-four and 23/100 dollars (\$26,244.23), Hongkong currency, equivalent to thirty-one thousand ninety-nine pesos and forty-one centavos (P31,099.41), Philippine currency;

"5. That Exhibit 1 attached to defendant's amended answer and counterclaim is a true copy of the decision of the Supreme Court of Hongkong, upon which the judgment referred to in the third paragraph of plaintiff's complaint was based;

"6. That Exhibit 2 attached to defendant's amended answer and counterclaim is a true copy of the Deed of Transfer executed on the 25th day of January, 1919, by A. Mitchell Palmer, the duly appointed, qualified and acting Alien Property Custodian of the United States in favor of the defendant corporation, and that the recitals contained in said Deed of Transfer were and are true, except that the Syndicat Oriente mentioned therein was formed under the laws of Belgium with its head office at Antwerp, by Articles of Agreement dated November 28, a copy of which marked Exhibit B is hereto attached and made a part hereof. Under the said agreement the plaintiff was the 'Gerant' of the said Syndicat Oriente, and his rights and liabilities as well as those of the other parties to the said agreement to outsiders and inter se are governed by said articles and by the laws of Belgium which are agreed to be substantially the same as the laws of the Philippines with respect to joint accounts (cuentas en participacion) as provided by articles 239-243 of the Philippine Code of Commerce. It is understood however that the defendant will raise no question in this case as to the authority of the plaintiff to maintain said action before the Hongkong court;

"7. That the Ingenohl mentioned in said Deed of Transfer as C. Ingenohl, and as Francis Adolfo Ingenohl, is the plaintiff in this action, and was at the time of the seizure and sale of the property mentioned in said Deed of Transfer, and from that time up to and including the time of the receipt by him from the Alien Property Custodian of the proceeds of said sale, continue to be the 'Gerant' of the Syndicat Oriente mentioned in said Deed of Transfer, with full power and the authority to claim and receive the proceeds of said sale from the said Alien Property Custodian of the United States;

"8. That as a result of the claim made therefor, the said plaintiff for himself and as 'Gerant' and general representative of the said Syndicat Oriente, on the 13th day of December, 1920, and 28th day of March, 1921, collected and received from the Alien Property Custodian of the United States, the sum of \$1,511,124.50, United States currency, being the equivalent with interest of the purchase price of the property described in said Deed of Transfer and paid to said Alien Property Custodian by the defendant corporation, and the said plaintiff then and there issued to the said Alien Property Custodian of the United States two receipts, copies of which marked Exhibits C and D are hereto attached and made a part hereof; that neither the plaintiff nor the Syndicat Oriente has at any time either orally or in writing ratified, consented to or agreed to the action of the Alien Property Custodian in selling the property described in the said Deed of Transfer, other than as may be deducted from the action of the said plaintiff in making claim for and receiving the proceeds of the sale of said property, and the plaintiff reserves the right to contend and does contend that such action on his part did not and does not constitute a ratification of said sale;

"9. That at the time of the conveyance of said property by the Alien Property Custodian of the United States to the defendant corporation and for many years previous and subsequent thereto, and up to the time of the rendition by said Supreme Court of Hongkong of the judgment (Exhibit A), China, the colony of Hongkong, the Federated Malay States, and the Straits Settlements, were among the markets in which the output of the cigars manufactured in the cigar factory known previous to its conveyance to the defendant corporation as 'El Oriente Fabrica de Tabacos,' and that among the trade-marks and trade names under which such cigars were sold in those markets by the plaintiff previous to said conveyance and by the defendant subsequent thereto

were 'La Perla del Oriente,' 'El Cometa del Oriente' and Imperio del Mundo;'

"10. That at the time of rendering the decision and entering the judgment (Exhibit A), the said Supreme Court of Hongkong had before it and under consideration said Deed of Transfer executed by the Alien Property Custodian in favor of the defendant corporation and facsimiles of the trade-marks and trade names under which the output of both the Manila cigar factory and the Hongkong factory hereinafter mentioned had been sold in Hongkong and the other markets mentioned, and had also before it and under consideration the admission of the plaintiff that he had received the proceeds of said sale by the Alien Property Custodian to the defendant corporation as evidenced by said Deed of Transfer. That said action in Hongkong was instituted on the 9th day of October, 1919;

"11. That the facsimile of one of the trade-marks or labels presented as evidence to the said Supreme Court of Hongkong depicted among other things the head and shoulders of a Filipina woman in a yellow camisa. The picture is surrounded with green leaves and pink flowers. Above is a scroll with the words 'La Perla del Oriente' printed on it and underneath is another scroll with the words 'El Oriente Fabrica de Tabacos, Sociedad Anonima, Manila.' That a facsimile of said trade-mark of label marked Exhibit E is hereto attached and made a part hereof;

"12. That subsequent to the transfer of said trade-marks and trade names by the said 'Sociedad Anonima' to the said plaintiff Ingenohl as hereinafter set forth, the words on the scroll at the foot of said label mentioned in the preceding paragraph were changed to 'El Oriente Fabrica de Tabacos, Manila,' as shown by the facsimile hereto attached, marked Exhibit E and made a part hereof;

"13. That the facsimile of another trade-mark or label likewise presented as evidence to the said Supreme Court of Hongkong in part depicted a Filipina woman dressed in a red skirt and loose yellow camisa, holding in the left hand by its cover an open cigar box full of cigars, her right hand resting on a Spanish coat of arms. Above are printed the words 'La Perla del Oriente.' The Spanish coat of arms is the Royal Coat of Arms of Spain. Underneath the said arms are the obverse and reverse of three medals. On one of the medals it is stated on the reverse to have been awarded to 'El Oriente Fabrica de Tabacos, Manila.' The buildings and the back ground are the towers of the Dominican Church (Walled City, Manila) and the high column is the Magallanes Monument, Manila. That a facsimile of said trade-mark or label marked Exhibit G is hereto attached and made a part hereof;

"14. Another facsimile of a trade-mark and trade name also presented as evidence to the said Supreme Court of Hongkong depicts the old Bridge of Spain across the Pasig River at Manila, showing in the back ground the Old Stone Wall of the Walled City, Manila, and the Dominican Church, Magallanes Monument, and Intendencia Building and the church towers of the Walled City of Manila and above several stars and a comet, on the tail of which appear the words 'El Cometa del Oriente.' That a copy of said trade-mark or label marked Exhibit H is hereto attached and made a part hereof;

"15. That it further appeared upon the trial of said action in the said Supreme Court of Hongkong, and it is stipulated to be true, that between the years 1882 and 1905, 'El Oriente Fabrica de Tabacos Sociedad Anonima' (hereinafter referred to as the 'Sociedad Anonima') carried on business as manufacturers of cigars and cigarettes at Manila, Philippine Islands, and made use in connection with the sale of its output throughout the Far East of Trade the marks which are in dispute in this action. That the head office of the said 'Sociedad Anonima' was at Antwerp, Belgium;

"16. That on or about the 21st day of April, 1906, the said 'Sociedad Anonima,' being then in liquidation, transferred all of its business interests and assets together with the goodwill thereof and trade-marks and trade names of said 'Sociedad Anonima' wherever in use (including the trade-marks and trade names in dispute in this action) , to the plaintiff. That said transfer was effected by means of an instrument, in writing, a copy of which is hereto attached marked Exhibit J. That plaintiff, as 'Gerant' of said Syndicat Oriente which had been organized in the meantime for that purpose, carried on business in the Philippine Islands and throughout the

Far East under the style of 'El Oriente Fabrica de Tabacos, C. Ingenohl, Manila' (hereinafter referred to as 'El Oriente Fabrica de Tabacos');

"17. That in the year 1908 the plaintiff, as 'Gerant' of said Syndicat Oriente, opened the said Hongkong factory for the manufacture and sale of cigars which were composed, in part, of tobacco supplied by 'El Oriente Fabrica de Tabacos' in the Philippine Islands, and, in part, of tobacco wrapper imported from Java. That subsequent to the establishment of the said Hongkong factory its output was sold throughout the Far East (except in the Philippine Islands) concurrently with the output of the Manila factory under the trade-marks and trade names in question, except that on one of the outside labels of each box or package containing the output of the said Hongkong factory there appeared the words 'El Oriente Fabrica de Tabacos Hongkong, Sucursal de la Fabrica en Manila.' That a facsimile of one of said covering labels marked Exhibit 1 is hereto attached and made a part hereof;

"18. That the only factory belonging to the said 'Sociedad Anonima' of Antwerp as the Manila factory, and the only factory belonging to the plaintiff personally or as 'Gerant' of the Syndicat Oriente was the said Manila factory up until the time of the establishment of the said Hongkong factory, and thereafter the only factories owned by the plaintiff or the said Syndicat Oriente were the said Manila and Hongkong factories;

"19. That the said trade-marks which are in dispute in this action were registered in the Philippine Islands in the years 1884-1887 as the property of the said 'Sociedad Anonima' and registration thereof in the Philippine Islands of said property was renewed in the year 1902;

"20. That the said trade-marks were subsequently in the year 1903 registered on the Hongkong Register of Trade-Marks as the property of the said 'Sociedad Anonima;'

"21. That on or about April, 1906, the assignment of the said trade-marks to 'El Oriente Fabrica de Tabacos' was registered in the Philippine Islands and in February, 1910, said trade-marks were assigned on the Hongkong register with the knowledge and authority and by direction of the plaintiff to the name of the said Syndicat under its said style of 'El Oriente Fabrica de Tabacos, C. Ingenohl, Manila' as the proprietor of the said trade-marks;

"22. That for many years prior to the sale by the Alien Property Custodian of the said trade-marks and trade names, the same were registered in various countries as follows:

"In France, Australia, New Zealand, Shanghai, and Hongkong in the name of 'El Oriente Fabrica de Tabacos, C. Ingenohl, Manila,' seven registrations in Belgium, six of which are in the names of 'El Oriente Fabrica de Tabacos, Antwerp,' represented by its manager C. Ingenohl. The seventh registration is of 'Imperio del Mundo, C. Ingenohl, Manila;'

"In the English registrations the name is 'Carl Ingenohl, Managing Director of and on behalf of El Oriente Fabrica de Tabacos, Sociedad Anonima, Antwerp, (Belgium and Manila, Philippine Islands;'

"There is but one American registration and that is of 'El Cometa del Oriente,' 'Carl Ingenohl,' giving his address at Antwerp and also conducting business under the trade name of 'El Oriente Fabrica de Tabacos at 124 San Pedro Street, Manila, Philippine Islands;'

"The registration for Java and Sumatra reads 'El Oriente Fabrica de Tabacos, C. Ingenohl;'

"The German registration is 'El Oriente Fabrica de Tabacos, Sociedad Anonima, Emil Schoett,' and one subsequent registration with the name of C. Ingenohl substituted for Schoett. But counsel for the defendant objects to the consideration of such registration as wholly immaterial and for the further reason that the defendant as purchaser of the factory and business known as 'El Oriente Fabrica de Tabacos, C. Ingenohl, Manila,' succeeded to all of the latter's rights under said registration;

"23. That the said plaintiff on the 13th day of March, 1917, renewed the registration of the said trade-marks on

the Hongkong register for a further period of fourteen years from the 15th of April, 1917, in the name of 'El Oriente Fabrica de Tabacos, C. Ingenohl, Manila,' Proprietor;

"24. That from the time of the establishment of said factory in Manila by the plaintiff, until the present time, approximately 95 per cent of the output thereof has been exported;

"25. That on or about the 28th day of May, 1919, the said trade-marks and trade names known as 'a Perla del Oriente' and 'El Cometa del Oriente' were registered at Shanghai in the name of the defendant corporation for all of China, with the exception of the colony of Hongkong which is British territory and where separate registration proceedings were and are required. The plaintiff had no knowledge of the registration of the said trade-marks at Shanghai until requested by the defendant to enter into this stipulation of facts, and the plaintiff does not concede the validity of the said registration nor waive his right to take any action with respect thereto which he may deem suitable or proper;

"The said trade-marks and trade names have been registered in the name of said Syndicat Oriente under its said style of 'El Oriente Fabrica de Tabacos, C. Ingenohl, Manila' at the Shanghai Customhouse since January, 1907;

"26. That the registrations referred to in the last preceding paragraph by both the plaintiff and defendant were made in the same manner;

"27. That the plaintiff at the time of the acceptance from the Alien Property Custodian of the proceeds of the sale of said property knew that the defendant corporation had been, ever since the purchase of said property, selling the product of said factory under said trade-marks and trade names in all of said markets hereinbefore mentioned;

"28. The proceeds obtained by the Alien Property Custodian from the sale made by him as aforesaid were received by the plaintiff after the commencement of the action resulting in the judgment sued on herein, but prior to the rendition of the said judgment;

"29. That the jurisdiction of the said Supreme Court of Hongkong was and is limited to the colony of Hongkong;

"30. That ever since the rendition of said judgment by the said Supreme Court of Hongkong, the plaintiff through its solicitors, agents, and representatives has been and still is causing to be inserted in the leading newspapers of China, the Federated Malay States, and the Straits Settlements articles notifying the public of the rendition of said judgment, asserting the plaintiff's exclusive right to the use of said trade-marks and trade names in said countries, and threatening to take legal proceedings against any person, firm, or corporation having in their possession for sale, cigars bearing the said trade-marks and trade names which are not manufactured by the plaintiff in said Hongkong factory, and also causing notices of the same character to be given to the dealers in said countries in the cigars manufactured by defendant in said factory at Manila and sold in said countries under said trade-marks and trade names;

"31. That all of the articles published in newspapers of the various countries mentioned and the notices given to the dealers in defendant's cigars were in substantially the same form; that Exhibit 3 of defendant's amended answer is a copy of a notice which the plaintiff caused to be published in the Singapore Free Press on July 11, 1922, and that Exhibit 4 of the same answer is a true copy of a notice which the plaintiff caused to be published in the North China Daily News at Shanghai on July 3, 1922, and Exhibit 5 of the same answer is a true copy of a personal notice which the plaintiff caused to be given to one of the dealers in defendant's cigars dated August 22, 1922.

"The foregoing admissions of fact are made on the part of plaintiff with the following reservations:

"1. That the plaintiff objects to the admission in evidence and consideration by the court of the facts set forth in

paragraphs 6 to 31, inclusive, on the following grounds:

"(a) That this Honorable Court has no jurisdiction to revise or review the judgment (Exhibit A) of the Supreme Court of Hongkong;

"(b) That no evidence should be received in support of the defendant's answer and counterclaim, for the reason that the same do not state facts sufficient to constitute counterclaim or defense;

"(c) That the facts set forth in the said paragraphs 6 to 31, inclusive, are incompetent, irrelevant and immaterial as evidence in this case.

"2. That the admissions of facts set forth in the said paragraphs 6 to 31, inclusive, are made for the purposes of this case only, and are not to be used against the plaintiff or defendant for any other purpose or on any other occasion."

Based thereon and the other evidence in the case, the lower court rendered judgment for the plaintiff for the full amount of his claim, with interest at the rate of 6 per cent per annum from August 16, 1922, and costs, from which the defendant appeals, making the following assignments of error:

"I. The trial court erred in failing to find that the decision of the Supreme Court of Hongkong and the judgment which are the basis of plaintiff's complaint in this action were rendered and entered as a result of a clear mistake of law and of fact.

"II. The trial court erred in rendering judgment in favor of the plaintiff and against the defendant corporation for the amount claimed in the complaint.

"III. The trial court erred in failing to find and to take into consideration that the Alien Property Custodian of the United States in selling the Manila Cigar Factory with its goodwill, trade-marks and trade names, acted as the trustee of the plaintiff, and that the latter by applying for and accepting from the said Alien Property Custodian the proceeds of such sale, ratified the same and thereby estopped himself from denying the defendant's right to the use of said trade-marks and trade names on the exported output of said cigar factory.

"IV. The trial court erred in failing to find and take into consideration that the business of the Manila Cigar Factory was almost exclusively an export business, and that the transfer of the goodwill thereof necessarily carried with it the transfer of said export business and of the trade-marks and trade names which could not be disconnected therefrom.

"V. The trial court erred in finding and holding that the intention of the Alien Property Custodian as evidenced by his deed of transfer to the defendant corporation of January 25, 1919, was to limit the conveyance to the property and rights of the Syndicat Oriente in the Philippine Islands and in concluding from such finding and holding that the defendant corporation was not entitled to recover under its counterclaim.

"VI. The trial court erred in denying defendant's counterclaim."

JOHNS, J.:

The important questions on this appeal are, first, the construction which should be placed upon the conveyance of the United States Alien Property Custodian to the defendant; second, the legal force and effect of the judgment which was rendered by the Hongkong court; and, third, whether or not the defendant has sustained any damages for which it can recover in this action.

The conveyance in question was made on the 25th of January, 1919, and, among other things, recites:

"Alien Property Custodian of the United States, acting under authority of the Trading with the Enemy Act, as amended, and the proclamations and executive orders issued in pursuance thereof, does hereby grant, bargain,

sell and convey to the said Walter E. Olsen & Company, its successors and assigns, all the following described property and business:

"All and singular the property, real and personal, rights, claims, titles, interests, effects and assets of every kind and description whatsoever (except only as specifically reserved and excepted hereinafter), wheresoever situate in the Philippine Islands, and all incidents and appurtenances thereto, including the business as going concern and the goodwill, trade names and trade-marks thereof, of Syndicat Oriente, a company formed under the laws of Belgium with its registered office in Antwerp, Belgium, and heretofore doing business in the Philippine Islands under the name 'El Oriente, Fabrica de Tabacos, C. Ingenohl; etc.' " Then follows a long description of certain lands in the Philippine Islands, after which, the conveyance then recites:

"2. The factories and other buildings located upon the above described real estate and all furniture, fixtures, machines, tools, equipment, launches and barges, materials, supplies, labels, brands, tobacco, cigars, raw stock, stock partly or wholly manufactured, therein or belonging to said business.

"3. All accounts receivable or other credits and all contract rights belonging to said business, except the account owing by the Orient Tobacco Manufactory of Hongkong. "4. Any interest in the foregoing which may belong to Carlos Francisco Adolfo Otto Ingenohl.

"The undersigned Alien Property Custodian expressly excepts and reserves from this sale all Liberty Bonds of the United States and the above account of the Orient Tobacco Manufactory of Hongkong owned by said business.

"Neither the United States nor the Alien Property Custodian nor any representative or agent or agency thereof shall be held or admitted to make any representation or guaranty, express or implied, concerning, or in any way respecting the above property or business."

It is contended by the plaintiff that the words "wheresoever situate in the Philippine Islands" are words of limitation, and that the future use of the trade-marks and trade names by the defendant should be confined and limited to the Philippine Islands.

It appears that the property in question was seized and taken over by the United States under the terms and provisions of the Trading with the Enemy Act, and that it was sold and conveyed to the defendant under such provisions at the agreed purchase price of P2,350,000, and that the Syndicat Oriente was a company organized under the laws of Belgium with its registered office in Antwerp, and that it was an enemy of the United States, as defined in said Act, not holding a license granted by the President under said Trading with the Enemy Act, "which the President after investigation has determined was so owing, or so belonged, or was so held."

At the sale the defendant was the highest and best bidder and paid the amount of its bid, in consideration of which the deed in question was executed.

For the purpose of this opinion, we must assume that as a war measure, the Government of the United States had a legal right to seize and sell the property, and that the conveyance which it made was valid. That fact is not and cannot be questioned. It follows that the property sold was owned and held by an alien enemy.

The primary purpose of the proceeding was to seize, sell and convey any and all of the property owned and held by the company or Ingenohl within the jurisdiction of the United States, as a war measure, upon the ground that they were alien enemies of the United States. While ostensibly the corporation in question was organized under the laws of Belgium, yet in truth and in fact it was a one-man corporation in which Ingenohl, who was a citizen of Germany, owned nearly all of the stock, and to all intents and purposes was the corporation itself. The conveyance to the defendant must be construed in the light of the existing and surrounding circumstances, and the purpose and intent for which it was made.

Although there are no covenants or warranties in the conveyance, the primary purpose of the whole proceedings on which it was founded was to wipe Ingenohl and his company out of existence and put them out of business in so far as the United States had the power to do so. For such reasons, it should be the policy of the law to sustain rather than defeat the primary purpose of the proceedings. In other words, the conveyance should be construed so as to give full force and effect to the nature and purpose of the proceedings upon which it is founded. It was not the purpose of the United States to seize and take hold of a portion of plaintiff's property or that of his company within its jurisdiction. It was the purpose of the United States to seize all of their property, real, personal, or mixed within its jurisdiction. The conveyance in question must be construed as intended to convey to the defendant all property which either Ingenohl or his company had within the jurisdiction of the United States. Any other construction would be strained and unnatural and defeat the very purpose for which the proceedings were initiated.

The remaining question then is, what property did the plaintiff or his company have within the jurisdiction of the United States, and what property did the United States seize and convey to the defendant.

The deed to the defendant recites that it conveyed all and singular property of every kind, nature and description wheresoever situate in the Philippine Islands, and all incidents and appurtenances thereto, including the business as a going concern and the goodwill, trade-marks and trade names of the company doing business in the Philippine Islands under the name of "El Oriente Fabrica de Tabacos, C. Ingenohl."

It is vigorously contended that the words "trade-marks and trade names," as used therein, should be confined and limited to their use in the Philippine Islands. That when the defendant bought the property, it did not purchase the right to the use of the trade names or trade-marks of the company outside of the Philippine Islands. The meaning of such words should be construed in connection with what follows:

"All accounts receivable or other credits and all contract rights belonging to said business, except the account owing by the Orient Tobacco Manufactory of Hongkong."

The deed further conveys an express reservation:

"The above account of the Orient Tobacco Manufactory of Hongkong owned by said business."

It will be noted that nothing whatever is said about trade names or trade-marks in such reservations. If it was not the purpose and intent of the conveyance to sell and convey any and all of the trade names and trade-marks of the company and to the use thereof wheresoever situate, it would have been a very easy thing to have made an express reservation of them of the same tenor as the reservations, "except the account owing by the Orient Tobacco Manufactory of Hongkong" and "the above account of the Orient Tobacco Manufactory of Hongkong owned by said business." Nothing whatever is said about trade-marks or trade names in either one of them. Yet, at the time the deed was made a number of trade-marks were registered in other and different countries outside of Hongkong, and the products of the Manila factory were sold in those foreign countries under such registered trade names and trade-marks.

Again, it is stipulated that the trade-marks which are in dispute were registered in the Philippine Islands in the years 1884 and 1887, as the property of the "Sociedad Anonima," and that such registration was renewed in the year 1902. That in the year 1903, said trade-marks were also registered on the Hongkong register of trade-marks as the property of the said "Sociedad Anonima." That in April, 1906, the assignment of said trade-marks to "El Oriente Fabrica de Tabacos" was registered in the Philippine Islands, and in February, 1910, the same trade-marks were assigned on the Hongkong register with the knowledge and authority and by direction of the plaintiff in the name of said Syndicat under the style of "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila," as proprietor of said trade-marks. That for many years prior to the sale of the property, the trade-marks and trade names in

question were registered in France, Australia, New Zealand, Shanghai and Hongkong in the name of "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila," seven registrations in Belgium, six of which are in the names of "El Oriente Fabrica de Tabacos, Antwerp," represented by its manager C. Ingenohl, the seventh registration of which is of "Imperio del Mundo, C. Ingenohl, Manila."

In the English registrations, the name is "Carl Ingenohl, Managing Director of and on behalf of El Oriente Fabrica de Tabacos, Sociedad Anonima, Antwerp, Belgium and Manila, Philippine Islands."

The registration for Java and Sumatra reads: "El Oriente Fabrica de Tabacos, C. Ingenohl."

The German registration is "El Oriente Fabrica de Tabacos, Sociedad Anonima, Emil Schoett," and a later one was the name of C. Ingenohl substituted.

That on March 13, 1917, the plaintiff renewed the registration of the trade-marks on the Hongkong register for a further period of fourteen years from the 15th of April, 1917, in the name of "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila," proprietor.

It is further stipulated:

"That from the time of the establishment of said factory in Manila by the plaintiff, until the present time, approximately 95 per cent of the output thereof has been exported."

It also appears that the Manila factory was established some time prior to 1884, and that all of the trade-marks in question are typical of some thing, person or event, and that all of them have some peculiar and distinct feature typical of the Philippine Islands. It also appears that all of said trade-marks had their origin and were in use in the factory in the Philippine Islands long before any factory was established in Hongkong, and that the products of the Manila factory with such trade-marks on them were sold throughout the Orient, and even in Hongkong, long before the Hongkong factory was established. That all of such trade-marks were used in, connected with, and were a part of, the original business of the company in the Philippine Islands. That the trade-marks registered in Hongkong were the identical trade-marks, both in form and substance, which for a number of years had been previously in use and registered by the Manila factory in the Philippine Islands. In other words, it clearly appears that all of the trade-marks in question were created, had their origin, growth and development in the business of the Manila factory, and were identified, connected with, and a part of its business. That any registration of such trade-marks in any foreign country was based and founded upon original trade-marks which had their origin and primary use in the Manila factory, and which for many years had been previously used and registered as such trade-marks in the Philippine Islands. It must follow that all of the trade-marks in question were connected with, belonged to, and were a part of, the business of the company as a going concern in the Philippine Islands.

Upon the question of the territorial limitation of a trade-mark, Ruling Case Law, volume 26, pages 839-840, says:

"12. Territorial limitation.—The right of property in a trade-mark is not limited in its enjoyment by territorial bounds, but may be asserted and maintained wherever the common law affords remedies for wrongs, subject only to such statutory regulations as may be properly made concerning the use and enjoyment of other property. It is a general rule that a trade-mark granted in a foreign country to an alien friend will be protected against infringement. But the doctrine that property in a trade-mark is not limited in its enjoyment by territorial bounds, but may be asserted and protected wherever the law affords a remedy for wrongs, is true only in a limited sense. Into whatever markets the use of a trade-mark has extended, or its meaning has become known, there the manufacturer or trader whose trade is pirated by an infringing use will be entitled to protection and redress. This does not mean that the proprietor of a trade-mark, good in the markets where it has been employed, can monopolize markets that his trade has never reached. The mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article. * * * *"

We hold that the trade-marks and trade names in question were a part of the company's business in the Philippine Islands, and that the defendant acquired title to the use and enjoyment of them by its deed of conveyance, not only in the Philippine Islands, but in all foreign countries in the same manner and to the same extent that they were used by the company and Ingenohl prior to the time that their property was seized by the United States. That the right and title to all of such trade-marks and to their use passed by the conveyance made to the defendant.

The stipulation of facts shows that from the time the Manila factory was established by the plaintiff until the present, approximately 95 per cent of the gross output of the factory has been exported. To now give the plaintiff the use and benefit of 95 per cent of the trade-marks and trade names formerly owned by himself and his company, would be a gross fraud and would defeat the very purpose for which their property was seized and sold. That would be especially true, as in this case, where the plaintiff has received and accepted the net proceeds of the sale which the United States made to the defendant.

The case of *Koppel Industrial Car & Equipment Co. vs. Orenstein & Koppel Aktiengesellschaft*, vol. 289, Fed., advance sheets No. 3, p. 446, decides that:

"Where the Alien Property Custodian sold the American business and goodwill of a going concern, including its trade-marks and trade names, which company was the outgrowth of a German corporation which was organized as an American subsidiary corporation, and which was sold under section 12 of the Trading with the Enemy Act, as enemy owned property, to a new corporation;

"Held, that the new corporation was entitled to injunctive relief restraining the German corporation or its agents from endeavoring to recapture the business so sold by entering the field after the war, using the same or similar trade names and representing themselves to be the successors to the first American concern.

"Held, further, that under section 12 of the Trading with the Enemy Act there vested in the Alien Property Custodian all the powers of a common-law trustee in respect of all property, and a conveyance by him of this German owned property as a going concern, which included the goodwill, registered and unregistered trade-marks, carried with it an implied covenant against the former owners entering the field in interference with the trade names and goodwill so conveyed."

The legal effect of this very recent decision is to hold that in conveyances made by him, the Alien Property Custodian has all the powers of a common-law trustee, and that a conveyance of a business as a going concern, including the goodwill and trade-marks, carries with it an implied covenant against the former owner entering the field of the former business or interfering with the trade-marks and the goodwill conveyed.

In the instant case, the plaintiff, after accepting the proceeds of the sale, has not only become an active competitor of the purchaser of the business, but is claiming and exercising the right of an absolute owner to the use and benefit of 95 per cent of all the business evidenced by the trade-marks and trade names.

It is a matter of common knowledge that trade-marks and trade names are very often the most valuable assets of any business.

We are construing a deed of conveyance from the United States to the defendant. The primary purpose of the whole proceeding was to seize and convey all of the property of the plaintiff or his company within the jurisdiction of the United States, including trade names and trade-marks as those of an alien enemy. To now give the defendant the use and benefit of only 5 per cent of such trade names and trade-marks, and to permit the plaintiff to have and retain the other 95 per cent to his own use and benefit after he has ratified and confirmed the sale, would impugn the honor and good name of the United States in the whole proceeding and defeat the very purpose for which it seized and sold the property of an alien enemy.

Under the established facts, both plaintiff and his company were alien enemies, and as a war measure all of their property within its jurisdiction was seized and held by the United States under the Trading with the Enemy Act. As stated, the primary purpose of that proceeding, because they were alien enemies, was to wipe them out of existence and put them out of business. As a condition precedent to its purchase, the defendant had to establish the fact that it was an American citizen and loyal to the United States.

The reservations made in the deed of conveyance are "except the account owing by the Orient Tobacco Manufactory of Hongkong" and "the above account of the Orient Tobacco Manufactory of Hongkong owned by said business," and they are the only reservations made.

It is very apparent that the purpose and intent of the United States was to sell and convey all other property of Ingenohl or his company within its jurisdiction.

The legal force and effect of plaintiff's contention is to claim and assert that the United States did not seize or take over the most valuable part of his assets and those of the company within its jurisdiction, and that it did not sell it to the defendant. In other words, the most valuable part of their assets was not seized or taken over by the United States. This position is not tenable. The very fact that the above quoted reservations were made in the deed of conveyance, and that no other reservations were made, clearly implies that it was the purpose and intent of the United States to seize and take over all of the business and assets of the plaintiff and his company, except "the amount owing by the Orient Tobacco Manufactory of Hongkong" and "the above account of the Orient Tobacco Manufactory of Hongkong owned by said business." Any other construction would be strained and unnatural, and would clearly imply the neglect of official duty on the part of the United States Government. The trade-marks in question were the creature of, and had their inception in, the Manila factory, and were incidental to, connected with, and are a part of, the business of that factory, and it is very apparent from the nature of the whole proceedings and the deed itself that it was the purpose and intent of the United States to convey all of the business of "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila" as a going concern and that of the plaintiff, together with the right and title to the trade-marks in question and to their use and enjoyment, except only as to the reservations which are expressly made in the deed for "the account owing by the Orient Tobacco Manufactory of Hongkong" and "the above account of the Orient Tobacco Manufactory of Hongkong owned by said business."

For such reasons, the first question should be decided against the plaintiff and in favor of the defendant. As to the second question, the legal force and effect of the judgment of the Hongkong court. It is stipulated that it is a court of general jurisdiction. That the defendant appeared, filed, answered and contested the action, and that as a result of the trial, that court rendered the following judgment: First, that the plaintiff is the proprietor of the trade-marks and trade names, the subject-matter of this action, and is entitled to the use of them in connection with his business as a cigar manufacturer. Second, that the defendant be restrained from selling or exposing for sale in boxes or packages bearing thereon the said trade-marks and trade names, and from using any labels or stamps or advertisements in imitation thereof, designed to represent that the cigars sold by the defendant are the cigars manufactured and sold by the plaintiff under the trade-marks and trade names in question. Third, that an account be taken and that based thereon, the defendant should pay to the plaintiff the amount of damages which he has sustained. Fourth, that the defendant deliver up upon oath or destroy all articles and things in its possession or under its control which offend against this injunction, and that plaintiff recover from the defendant his costs of the action upon the claim or counterclaim of defendant, including attorney's fees, which are hereby taxed and allowed in the sum of \$26,244.23, as appeared by the registrar's certificate.

It appears that under the law of the Hongkong court, judgment for attorney's fees is allowed to the prevailing party against the defendant in this kind of a case as an incident to the action. In other words, if the judgment on the merits is sustained, it would carry with it the judgment for the \$26,244.23 as a valid and legal part of it.

The instant case is an action to procure and enforce a judgment in the Philippine Islands for a like amount founded upon the judgment and proceedings in the Hongkong court. That judgment having been rendered by a court of competent jurisdiction which had jurisdiction of the parties and the subject-matter of the action, it is vigorously contended by the appellee that he is entitled as a matter of right and of comity under the Law of Nations, to enforce it in the Philippine Islands, citing and relying upon the case of *Hilton vs. Guyot* (159 U. S., 113; 40 Law. ed., 95), in which, among other things, the court says:

"In view of all the authorities upon the subject, and of the trend of judicial opinion in this country and in England following the lead of Kent and Story, we are satisfied that where there has been opportunity for a full and fair trial abroad before a court of competent jurisdiction, conducting the trial upon regular proceedings, after due citation or voluntary appearance of the defendant, and under a system of jurisprudence likely to secure an impartial administration of justice between the citizens of its own country and those of other countries, and there is nothing to show either prejudice in the court or in the system of laws under which it was sitting, or fraud in procuring the judgment, or any other special reason why the comity of this nation should not allow it full effect, the merits of the case should not, in an action brought in this country upon the judgment, be tried afresh, as on a new trial or an appeal, upon the mere assertion of the party that the judgment was erroneous in law or in fact. * * *"

That is a leading case of the highest court in the land, and the opinion is exhaustive on the question involved, and we have read it with care.

Among other things, the syllabus says:

"1. International law, including questions concerning the rights of persons within the dominion of one nation by reason of acts done within the dominion of another, is part of our law, and should be ascertained and administered by the courts as often as such questions are duly submitted to their determination.

"2. Where there is no written law upon the subject, such as treaty or statute, questions of international law must be determined by judicial decisions, the works of jurists, and the acts and usages of civilized nations.

"3. Comity of nations is the recognition which one nation allows within its territory to the legislative, executive, or judicial acts of another nation, having due regard to international duty and convenience, and to the rights of its own citizens or others who are under the protection of its laws.

* * * * *

"6. A foreign judgment for money in favor of a citizen of the foreign country against a citizen of this country, rendered by a competent court having jurisdiction of the cause and of the parties, upon due allegations and proofs and opportunity to defend according to the course of a civilized jurisprudence, whose record is clear and formal, is prima facie evidence, at least, in a suit upon it in this country, and is conclusive on the merits, unless impeached on special ground, or shown by international law or the comity of this country not entitled to full faith and credit."

All of which are sustained in the opinion and must be accepted by this court as the law.

It will be noted that in section 2, (syllabus) it is said:

"Where there is no written law upon the subject, such as treaty or statute."

It is not claimed that there is any treaty, but section 311 of the Code of Civil Procedure is as follows:

"Effect of other foreign judgment.—The effect of a judgment of any other tribunal of a foreign country, having jurisdiction to pronounce the judgment, is as follows:

"1. In case of a judgment against a specific thing, the judgment is conclusive upon the title to the thing;

"2. In case of a judgment against a person, the judgment is presumptive evidence of a right as between the parties and their successors in interest by a subsequent title; but the judgment may be repelled by evidence of a want of jurisdiction, want of notice to the party, collusion, fraud, or clear mistake of law or fact."

It is conceded that the Hongkong court had jurisdiction and that the defendant appeared in the action and contested the case on its merits. Hence, there was no collusion. Neither is it claimed that there was any fraud, but it is vigorously contended that the Hongkong judgment was a clear mistake of both law and fact.

We have read and reread with care the exhaustive opinion rendered by the Hongkong court, which had before it all of the evidence now before this court, except as to the proof of the defendant in the instant action on its counterclaim for damages. The Hongkong court was construing the deed of conveyance made to the defendant founded upon the proceedings which the United States took as a war measure against the plaintiff and his company, as alien enemies, under its Trading with the Enemy Act. For the purposes of this opinion, all of such proceedings must be construed as legal and valid, the scope and nature of which is very apparent from the record. The plaintiff and his company were alien enemies of the United States, and it was for such reason that their property was seized and sold to the defendant for P2,350,000, which amount was paid as the purchase price.

The record shows that the original business of the company in the Philippine Islands was established as early as 1883, and that in connection with and as a part of its business the company had used and adopted the trade-marks in question and had them registered in the Philippine Islands as early as 1883. All of those trade-marks appear upon their face to be confined to and peculiar of persons or things in the Philippine Islands. On the strength of their use, adoption and registration in the Philippine Islands, in succeeding years, they were registered in many foreign countries in which a large amount of business was done by the company in cigars, cigarettes, and tobacco manufactured in the Philippine Islands, all of which were evidenced by such trade-marks.

The stipulated facts show that 95 per cent of all of its business was export, and that all of its products were designated and labeled with the trade-marks and trade names in question. That in later years a branch factory of the business was established in Hongkong. At the sale by the United States of the business, the defendant paid P2,350,000 in good faith, and took over the property and assets of the company, including its trade-marks and trade names and its business as a going concern, except "the account owing by the Orient Tobacco Manufactory of Hongkong" and "the above account of the Orient Tobacco Manufactory of Hongkong owned by said business." After the sale, the plaintiff took and accepted the net proceeds and put them in his pocket and is now using them in connection with the Hongkong factory not only as a competitor of the defendant, but claiming to be the absolute owner and to have the exclusive right to the use and benefit of the trade-marks and trade names in question.

With all due respect to the Hongkong court, its judgment is a clear mistake of both law and fact. Exclusive of the provisions of section 311 of the Code of Civil Procedure, it is very doubtful whether it could be sustained upon the ground of comity or the Law of Nations.

The proceedings were initiated during the world war, and as a war measure, by the Government of the United States, an ally of Great Britain, of whose judiciary the Hongkong court is a branch. Under such conditions and the law of comity and of Nations, there are many and strong reasons why the Hongkong court should have upheld and sustained the proceedings of the United States in the seizure and sale of the property of an alien enemy. It overlooked the fundamental fact of the primary purpose and intent with which the seizure was made and the property sold, and that it was all done as a war measure by an ally of Great Britain. The legal force and effect of that decision is to defeat and destroy the very purpose for which the United States seized and sold the property, took and accepted defendant's money.

As between allied nations and under the law of comity, their mutual policy should be to sustain and enforce the spirit and intention with which the seizure and sale of any property of an alien enemy was made rather than to minimize, destroy or defeat them.

If the decision of the Hongkong court is the law, in legal effect the defendant paid P2,350,000 for the right and privilege of doing 5 per cent of the business which was formerly done by the company, and the plaintiff and his company have received and accepted \$1,511,124.50, the full amount of the purchase price of all of the property, and now have and own the exclusive right to the remaining 95 per cent of all of the business which the company owned and operated at the time of the seizure and sale. In its final analysis, that is the logical result of the Hongkong decision.

We frankly concede that the authorities cited in that opinion are good law, but they are not in point, for the simple reason that they are founded upon other and different facts. The purpose and intent of the whole transaction is apparent upon the face of the deed of conveyance, the stipulated facts and the nature of the proceedings. It was to seize and take over the property of an alien enemy as a war measure, and to hold it in the nature of a trust or as a trustee for it or him, and in the event of a sale of the property, as in this case, to hold the proceeds in trust.

Be that as it may, this court is bound by section 311 of the Code of Civil Procedure. In so far as we are advised, the question here is one of first impression, and no other country has a like statute. That law was enacted by the Legislature of the Philippine Islands, and as to the Philippine Islands, it is the law of the land. In the absence of that statute, no matter how wrongful the judgment of the Hongkong court may be, there would be strong reasons for holding that it should be enforced by this court.

Such is the legal force of the well considered decision in *Godard vs. Gray*, English Ruling Cases, volume 5, p. 726, where it is held:

"It is no bar to an action, on a judgment in personam of a foreign court having jurisdiction over the parties and cause, that the foreign tribunal has put a construction erroneous, according to English law, on an English contract."

And in the case of *Schibsby vs. Westenholz*, in the same volume, p. 734, it is further held:

"A judgment of a foreign court, obtained in default of appearance against a defendant, cannot be enforced in an English Court, where the defendant, at the time the suit commenced, was not a subject of nor resident in the country in which the judgment was obtained: for there existed nothing imposing on the defendant any duty to obey the judgment."

The distinction is very clear. But in the instant case, the defendant not only appeared in the Hongkong court, but there contested the case on its merits.

But here we have a statute which clearly defines the specific conditions upon which a foreign judgment can be enforced in the Philippine Islands, and we have a decision of the United States Supreme Court which holds that "where there is no written law upon the subject, such as treaty or statute, questions of international law must be determined by judicial decisions, the works of jurists, and the acts and usages of civilized nations." The converse of that proposition is also true that where you do have a treaty or statute, to "enforce a foreign judgment, it must come under and within the specific provisions of the treaty or statute.

The judgment which is here sought to be enforced is clearly a mistake of both law and fact, and was rendered in direct conflict with that comity between nations, which should exist among those which were allies in the world war.

Upon the second question, we do not hesitate to say that the judgment rendered in the Hongkong court was a clear mistake of both law and fact, and that it ought not to be enforced in the Philippine Islands.

Upon the third question, as to the damages claimed by the defendant, it is alleged that after obtaining the proceeds from the sale, the plaintiff in violation of the conveyance to the defendant, which he had ratified, wrongfully instituted an action in the Supreme Court of the colony of Hongkong against the defendant in which he claimed to be the sole owner of the trade-marks in question, which up to that time had been a mere branch of the Manila factory, and that he secured from that court the decision in question. That although the judgment of the Hongkong court has no extraterritorial effect, the plaintiff in violation of the terms of such sale and conveyance, ever since the rendition of said judgment, through his agents and solicitors, has been and is still wrongfully causing to be inserted in the leading newspapers of China, the Federated Malay States, the Straits Settlements and elsewhere, "articles notifying the public of the rendition of said judgment, asserting the plaintiff's exclusive right to the use of said trade-marks and trade names in said countries and threatening to take legal proceedings against any person, firm, or corporation having in their possession for sale cigars bearing the said trade-marks or trade names, which are not manufactured by the said branch factory at Hongkong, and also causing notices of the same character to be given to the dealers in said countries in the cigars manufactured by the defendant in said cigar factory at Manila and sold in said countries under said trade-marks and trade names." That by reason of the threats made and the articles published, all the dealers in the cigars of the defendant labeled with the trade-marks in question were intimidated and deterred from further dealing in defendant's cigars and that they cancelled all pending orders, have refused to make further purchases of defendant's cigars without guaranties for their protection, and that the goodwill of the business and the value of the trade-marks in question had been totally destroyed, and the defendant has been wrongfully deprived of the use and enjoyment and the goodwill of its business to its damages in the sum of P1,000,000.

It is not claimed or alleged that the plaintiff in any manner injured or interfered with defendant's business prior to the rendition of the Hongkong judgment. The articles published in the newspapers are attached to and made a part of defendant's counterclaim for damages. When analyzed they are nothing more than a statement to the effect that the judgment had been rendered by the Hongkong court and the nature and extent of the judgment, and that it was the purpose and intent of the plaintiff to claim the use and benefit of it and to enforce it. After the judgment was rendered, he had a legal right to do that.

The law is well stated in Hopkins, on trade-marks, page 374:

"It is the general rule that a notice warning the public or specific dealers or users of a suit for patent infringement is not actionable unless it appears that the notices were not given in good faith, or that they were entirely without foundation in the scope of the defendant's patent. The determination of the question of bona fides in the making of such threats is obviously of great difficulty at times. 'The question whether the patent owner is acting in good faith in advertising his claims to the manufacturer's customers by circulars or letters can seldom be determined from the contents of the communication alone, and, like all questions of intent, must generally be determined by the extrinsic facts.' * * *"

In *Clip Bar Manufacturing Co. vs. Steel Protected Concrete Co.* (209 Fed., 874), the court said:

"Notices of claims of infringement given by the owner of a patent to customers of a manufacturer of a similar article, or even threats of suit, if in good faith, are within its rights and not actionable as acts of unfair competition."

Facts: "The plaintiff moves for a preliminary injunction to restrain the defendant from making representations to the plaintiff's customers that defendant's patent No. 727,233 declared invalid in a suit brought by the defendant against the Central Improvement & Contracting Company in the Circuit Court for the Eastern District of

Louisiana (155 Fed., 279), affirmed by the Circuit Court of Appeals in 158 Fed., 1021; 85, C. C. A., 7, is valid, or being infringed by the plaintiff or its customers, and from threatening orally or in writing the plaintiff's customers with threats of litigation for infringement of its patent.

* * * * *

"It nowhere appears on the record that the notices given to the plaintiff's customers were not in good faith or that they were false or malicious or for the purpose of destroying the business of the plaintiff. To the contrary, the defendant, so far as appears, believing its claims to be valid, has proceeded to bring suit in this district to establish infringement. Under these circumstances, it must be held for the purposes of the present motion that the defendant is acting within its rights." (209 Fed., 874.)

In *United Electric Co. vs. Creamery Package Manufacturing Co.* (203 Fed., 53), the court said:

"It is within the right of the owner of a patent, notwithstanding the pendency of suits against the manufacturers of alleged infringing articles, to notify users of such articles of its claims, and its intention to protect its rights by suits against users, provided such notices contain no misstatements of fact and are sent in good faith, and not for the purpose of unnecessarily injuring defendant's business * * *

"As a second basis for the recovery of damage, the plaintiff contends that the defendant circulated among the agents, users, purchasers and prospective purchaser of the churns of the plaintiffs, located in different states, reports and statements that the combined churns and butter workers sold by plaintiff were infringements of the Desbrow patents owned and controlled by the defendant and that they threatened to bring suits against the users of the plaintiffs churn. That the owner of a patent may notify infringers of his claims and warn them that unless they desist, suits will be brought to protect him in his legal rights, is sustained by numerous decisions.

"The only limitation on the right to issue such warning is the requirement of good faith. There is nothing in the warnings given in this case to show that the letters or notices were false, malicious, offensive, or opprobrious, or that they were used for the willful purpose of inflicting injury."

Applying the law to the facts, the plaintiff did nothing more than to advise the cigar dealers of the force and effect of the Hongkong judgment, and that defendant was therein enjoined from selling cigars bearing the trade-marks in question. That was a statement of an actual fact. It is true that the defendant may have been damaged as a result of such notices and publications. If so, it was a damage without injury, for which it has no legal redress.

After a careful consideration, it is the judgment of this court, first, that the words "wheresoever situate in the Philippine Islands" are not words of limitation in the deed of conveyance to the defendant company or the business as a going concern, the goodwill, the trade names or trade-marks of the Syndicat Oriente or the plaintiff; second, that the defendant is the exclusive owner of the business of the plaintiff and his company as a going concern, and has the absolute title and right to all of the trade-marks in question and to their exclusive use and enjoyment not only in the Philippine Islands, but in all other countries where they are duly registered, save and except as to the reservations only of "the account owing by the Orient Tobacco Manufactory of Hongkong" and "the above account of the Orient Tobacco Manufactory of Hongkong owned by said business," which were made in its deed of conveyance; third, that the judgment of the Hongkong court is a clear mistake of both law and fact, and for such reason should not be enforced in the Philippine Islands; fourth, that the defendant is not entitled to recover any damages on its counterclaim; and, fifth, that the judgment of the lower court should be reversed, and that neither party to recover costs in the lower court or on this appeal. So ordered.

Villamor, Ostrand, and Romualdez, JJ., concur.

Johnson, J., took no part in the consideration of this case.

Street, J., concurring and dissenting: I concur except in the disposition made of the cross-complaint, in respect to

which I am of the opinion that the defendant is entitled to damages.

DISSENTING

MALCOLM AND AVANCEÑA, JJ.:

The plaintiff was successful in the Court of First Instance of Manila in enforcing so much of a judgment rendered by the Supreme Court of Hongkong as allowed him costs, in a case in which the plaintiff herein was plaintiff and the defendant herein was defendant. On appeal, the prevailing view in the court denies to the defendant-appellant the right to recover on its counterclaim, but sets aside the judgment of the trial court for the principal reason that the judgment of the Supreme Court of Hongkong, which is the basis of plaintiff's complaint, was entered as a result of a clear mistake of both law and fact. We agree with the disposition of the appeal as it affects the counterclaim but disagree as it affects the judgment secured by the plaintiff in the lower court.

We shall stoutly maintain in this dissent that the Supreme Court of Hongkong was right in its judgment, but that, even if that judgment be conceded to be wrong, no such clear mistake of law or fact was committed as justifies the Supreme Court of the Philippine Islands in, in effect, retrying the case and reversing the Supreme Court of Hongkong. If for no other reason than judicial courtesy and international comity, we should, as far as feasible, try to put ourselves in the position of the distinguished Judge who handed down the decision in Hongkong and should try, as we think is proper, to interpret his viewpoint. That will be our purpose. We begin with a statement of the case.

Carl Franz Adolf Otto Ingenohl, the present plaintiff, is a resident of Hongkong. In the Supreme Court of Hongkong, he instituted suit to enjoin the use by Walter E. Olsen & Company, Inc., within the colony of Hongkong, of certain trade-marks which the defendant claimed to have acquired by purchase from the United States Alien Property Custodian, and to secure damages. The defendant, by counterclaim, asked for an injunction and damages. A trial extending over a considerable period of time was had, evidence was produced by the parties, and learned counsel were heard. On May 5, 1922, the Supreme Court of Hongkong, having acquired jurisdiction over both the plaintiff and the defendant, rendered judgment in favor of plaintiff and against defendant.

The decision of his Honor, W. Rees Davies, after stating in a fair and comprehensive manner the respective views of the parties and the facts, came to the conclusion that the case was covered by the authority of the *Chartreuse Case*, *Rey vs. Lecouturier* ([1908] 2 Ch., 715; [1910] A. C., 862). According to the court "To apply the decision to this case the trade-marks in question had been registered many years before in Hongkong, the cigars admittedly had for a long time acquired a reputation in the Hongkong market, and the assignment by the Custodian of the assets in the Manila firm cannot have any extraterritorial effect so as to affect the rights of the party concerned in Hongkong whoever that party may be." The court, further, reached the conclusion that the articles of the "Syndicat Oriente" should "be construed according to Belgian Law." It was therefore adjudged that the plaintiff was the sole proprietor of the trade-marks and trade names, the subject matter of the action, and was entitled to the exclusive use of the said trade-marks and trade names in connection with his business as a cigar manufacturer; that the defendant and others acting under his direction and instructions, be restrained from selling cigars in boxes bearing the said trade-marks and trade names; that an accounting be had, and that the plaintiff recover against the first defendant his costs of action. No appeal from the judgment of the Hongkong Supreme Court was taken by defendant.

Costs were taxed in the Supreme Court of Hongkong in favor of the plaintiff and against the defendant in the sum

of \$26,224.23, Hongkong currency. It was to recover the equivalent of this sum, computed at P31,099.41, Philippine currency, that action was begun in the Court of First Instance by Ingenohl against Olsen and Company.

Walter E. Olsen & Company, Inc., is a Philippine corporation, having its principal place of business in the City of Manila, Philippine Islands. It was the defendant as above indicated in Hongkong. It again became defendant when this suit was instituted in the Philippine courts. Defendant then presented an answer and a counterclaim. It alleged that the decision of the Supreme Court of Hongkong was the result of a clear mistake of law and fact. It relied upon the sale to the defendant at public auction, by the United States Alien Property Custodian of property belonging to the plaintiff, in consideration of the sum of P2,350,000, including the cigar and cigarette factory, situated in the City of Manila, Philippine Islands, known as "El Oriente Fabrica de Tabacos, C. Ingenohl;" following the sale, the plaintiff for himself and as gestor and representative of the "Syndicat Oriente" collected the purchase price of the property from the Alien Property Custodian. Allegations were also made intended to prove damages in the amount of P1,000,000.

The plaintiff filed a demurrer to the special defense and counterclaim of the defendant on the grounds that the court had no jurisdiction of the subject matter of the action, and that the defense and counterclaim did not state facts sufficient to constitute a defense or counterclaim. The parties entered into an agreed statement of facts. Judge Imperial in his decision speaking of the Hongkong judgment remarked:

"From a careful examination of the decision rendered by the Chief Justice of the Supreme Court of the Hongkong colony, it will be observed that in adjudicating the case and rendering judgment in favor of the then and now plaintiff, a minute examination was made not only of the laws applicable to the case, but also of the evidence and the facts supporting the complaint. It will likewise be noted that the principal ground of the judgment consisted in the interpretation that was given to the contract of sale executed by the Alien Property Custodian in favor of the defendant Walter E. Olsen & Co., Inc., it having been established that judging from the very terms of the deed of transfer, the aforesaid defendant had not acquired any title to, nor the right to use, the trade-marks and trade names that were being used by the plaintiff in the City of Hongkong, that the rights acquired by the defendant had to do with the properties situated in the Philippine Islands and not in the colony of Hongkong, and that, lastly, the contract of sale was not to be given an extraterritorial effect." Then after examining the bill of sale, the trial judge continued:

"In the phraseology of said deed there is nothing tending to show that it was the intention of the Alien Property Custodian to sell other rights or properties situated outside of the Philippine Islands or within the Hongkong colony. For this reason the decision and judgment rendered by the Supreme Court of said city were in accordance with law and the facts proven. For this same reason the defense set up by the defendant appears untenable and must be overruled." By the judgment, the defendant was ordered to pay the plaintiff the sum of P31,099.41, with legal interest and costs. The counterclaim of the defendant was dismissed.

On appeal, the major issue is as framed in appellant's first assignment of error. To quote: "The trial court erred in failing to find that the decision of the Supreme Court of Hongkong and the judgment which are the basis of plaintiff's complaint in this action were rendered and entered as a result of a clear mistake of law and of fact." We turn first to the facts mostly stipulated and concerning which there is little dispute.

Plaintiff Ingenohl was born in Germany but is a naturalized Belgian subject. In 1882, he, in conjunction with others, founded in Antwerp, Belgium, a company under the style of "El Oriente Fabrica de Tabacos Societe Anonyme." Ingenohl was the "Administrator Directuer" of the society. This company continued until 1905 when it went into voluntary liquidation. On November 28 of that year, an "Association in participation governed by the laws of Belgium under the denomination of Syndicat Oriente" was formed. The head office of the association was to be at Antwerp, Belgium. In 1906, the "Societe Anonyme" transferred all of its business interests and assets, together with the goodwill and the trade-marks and trade names, to Ingenohl.

The "Societe Anonyme," in 1882, opened a branch factory in Manila under the same name. It continued until 1905-1906 when, as above stated, it was taken over by Ingenohl, and called "El Oriente Fabrica de Tabacos, C. Ingenohl." In 1908 and 1909, Ingenohl, as "Gerant" of the "Syndicat Oriente," opened a cigar factory in Hongkong under the name of "The Orient Tobacco Manufactory." The output of the factory was composed in part of tobacco supplied by "El Oriente Fabrica de Tabacos" in the Philippines, and in part of tobacco wrapper imported from Java. This business was carried on in Hongkong until the present.

The trade-marks which are in dispute were registered in the Philippine Islands in the years 1884-1887 as the property of the "Societe Anonyme." Registration was renewed in the Philippines in 1902. The trade-marks were likewise registered in the Hongkong Registry of Trade-Marks as the property of the "Societe Anonyme." In 1906, the assignment of the trade-marks to "El Oriente Fabrica de Tabacos" was registered in the Philippine Islands. In 1910, the assignment of the trade-marks was registered in Hongkong under the style of "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila." As to this, the Registrar of Trade-Marks at Hongkong testified, during the hearing in Hongkong, that the description was regarded as the name under which Ingenohl was trading, and that Ingenohl had registered other marks in the name "Orient Tobacco Manufactory, C. Ingenohl, Mong Kok in the Colony of Hongkong." In 1917, Ingenohl renewed registration of the trade-marks in Hongkong for a period of fourteen years for "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila."

The trade-marks and trade names were registered in France, Australia, New Zealand, Shanghai, and Hongkong in the name of "El Oriente Fabrica de Tabacos, C. Ingenohl, Manila." Six registrations in Belgium were in the name of "El Oriente Fabrica de Tabacos, Antwerp" and the seventh registration was in the name of "Imperio del Mundo, C. Ingenohl, Manila." In England, the registrations were in the name of "Carl Ingenohl, Managing Director of and on behalf of El Oriente Fabrica de Tabacos, Sociedad Anonima, Antwerp, Belgium, and Manila, Philippine Islands." The registration for Java and Sumatra was in the name of "El Oriente Fabrica de Tabacos, C. Ingenohl." The registration for Germany was in the name of "El Oriente Fabrica de Tabacos, Sociedad Anonima, Emil Schoett." The sole American registration was that of "El Cometa del Oriente," "Carl Ingenohl" giving his address as Antwerp and also as conducting business under the trade name of "El Oriente Fabrica de Tabacos at 125 San Pedro Street, Manila, Philippine Islands."

Subsequent to the establishment of the Hongkong factory, its output was sold throughout the Far East, except in the Philippine Islands, concurrently with the output of the Manila factory under the trade-marks and trade names in question. Approximately 95 per cent of the output of the Manila factory was exported.

Such in general was the situation until the time of the Great War. Then in 1919, the United States Alien Property Custodian accomplished a sale to Walter E. Olsen & Co., Inc., "for the benefit of the company known as Syndicat Oriente, a company formed under the laws of Belgium with its registered office at Antwerp, Belgium." The sale was of "all * * * the property * * * of every kind and description whatsoever (except only as specifically reserved and excepted hereinafter), wheresoever situate in the Philippine Islands, and all incidents and appurtenances thereto, including the business as a going concern, and the goodwill, trade names and trade-marks thereof of Syndicat Oriente, a company formed under the laws of Belgium, with its registered office in Antwerp, Belgium, and heretofore doing business in the Philippine Islands under the name of 'El Oriente Fabrica de Tabacos, C. Ingenohl. ' Also of "all accounts receivable or other credits and all contract rights belonging to said business, except the account owing by the Orient Tobacco Manufactory of Hongkong." But "The undersigned Alien Property Custodian expressly excepts and reserves from this sale all Liberty Bonds of the United States and the above account of the Orient Tobacco Manufactory of Hongkong owned by said business."

These facts and others put in issue the question of whether the Hongkong business was a separate concern, or a branch of the Antwerp business, or a branch of the Manila business. They also put in issue the question of whether

the sale by the Alien Property Custodian was to have extraterritorial effect. As to the first general issue, the Hongkong Supreme Court expressed no definite opinion; as to the second general issue, the Hongkong Supreme Court held that the assignment "cannot affect any rights to the trade-marks in question in Hongkong."

We come now to the law, international and local, on which like the facts, there can be little divergence of opinion. The modern English and American doctrines are adopted for statement.

Effect is given to foreign judgments as a matter of comity and reciprocity. But aside from international courtesy, a better and more practical reason giving greater force and dignity to the records of foreign courts is that, where parties have once litigated fairly a dispute in the courts of a foreign country which gives effect to like judgments of the domestic courts, the same question ought not to be tried anew by the local courts. Parties are bound by the judgment of the foreign tribunal of competent jurisdiction, and questions of fact or law settled by the foreign tribunal should not be reexamined, unless it can be shown that the proceedings were tainted with fraud.

The source of comity as a basis of recognition of foreign judgments is identity of position and similarity of institutions. In those countries where the civil law prevails, much less of international comity has been exhibited. In the United States and Great Britain, the law as to enforcing foreign judgments is practically the same. The point last made is of some importance since the judgment sought to be enforced comes from a court within the British Empire, and is offered for the plaintiff in a suit in courts under the jurisdiction of the United States.

A foreign judgment upon a matter within the jurisdiction of the court rendering it, and in which the court had jurisdiction of the parties, will be regarded as conclusive between the parties in the courts of the United States, where there has been a trial upon the merits in the foreign court, under a system of jurisprudence likely to secure an impartial administration of justice, and there is no showing of prejudice on the part of the court or fraud in procuring the judgment, and no special reason why the comity of this nation should not allow it full credit. Such in effect were the decisions of the United States Supreme Court in the related cases of *Hilton vs. Guyot* ([1895], 159 U. S., 113), and *Kitchie vs. McMullen* ([1895], 159 U. S., 235). In the first cited case, it was held that a judgment for a sum of money rendered by a court of a foreign country, having jurisdiction of the cause and of the parties, in a suit brought by one of its citizens against one of ours, is *prima facie* only, and not conclusive of the merits of the claim, in an action brought here upon the judgment, if by the law of the foreign country, as in France, judgments of our own courts are not recognized as conclusive. In the second case, it was held that a judgment rendered by a court having jurisdiction of the cause and of the parties, upon regular proceedings and due notice or appearance, and not procured by fraud, in a foreign country, by the law of which, as in England and Canada, a judgment of one of our own courts, under like circumstances, is held conclusive of the merits, is conclusive, as between the parties, in an action brought upon it in this country, as to all matters pleaded and which might have been tried in the foreign country. (See further *Warren vs. Warren* [1917], 73 Fla., 764; *Dunstan vs. Higgins* [1893], 20 L. R. A., 668.)

In England, as stated, the law is like ours, or, more accurately stated, our law is like theirs, since greatly influenced in all its history by the jurisprudence of the mother country. The two English cases occupying the same relative position as *Hilton vs. Guyot*, *supra*, and *Ritchie vs. McMullen*, *supra*, are *Godard vs. Gray* ([1870], 5 Eng. Ruling Cases, 726), and *Schibsby vs. Westenholz* ([1870], 5 Eng. Ruling Cases, 734). English law treats as binding, and the English courts will enforce, the judgment of a foreign court having jurisdiction over the cause of action and over the person to be bound by the judgment. Such a foreign judgment is as conclusive upon the parties thereto as a domestic judgment.

The grounds of impeachment of a foreign judgment are want of jurisdiction, fraud, abuse of process, want of finality, and statute of limitations. As to errors of law and fact as a ground of impeachment, in England at least,

the defendant in a suit on the judgment of a foreign tribunal having jurisdiction over him and the cause, is not permitted to set up as a defense that the judgment proceeded on a mistake as to English law or had come to an erroneous conclusion as to the facts. Thus in *Godard vs. Gray*, supra, the plaintiffs, who were Frenchmen, brought suit in France against the defendants, who were Englishmen, on a charter party made in England which contained a clause providing as a penalty for its nonperformance, the estimated amount of the freight. The French court awarded as damages the estimated amount of the freight. It was not brought to the notice of the French court that, according to the interpretation of the English law, a penal clause of this sort was idle and inoperative, and the court made a mistake as to the construction of the English contract, and, in consequence, judgment was given for an amount different from that for which it would have given if the court had been correctly informed of the English construction. The question raised was whether this was a bar to the action brought in England to enforce the judgment, and the court was of the opinion that it was not. The rule announced was that it is no bar to an action in personam in a foreign court having jurisdiction over the parties and cause that the foreign tribunal has put a construction erroneous according to English law on an English contract. (See also 23 Cyc., 1610, citing *Godard vs. Gray*, supra; *Scott vs. Pilkington*, 2 Best & S., 11; *Newton vs. Hunt* [1908], 112 N. Y. S., 573.)

Digressing at this point, before proceeding with a further description of the law, it is incontestable that should the Hongkong judgment be tested by the prevailing rules relative to the effect of judgments of foreign courts, it would be found to be conclusive. Putting the thought in another way, should the Hongkong judgment be weighed in the balance as the United States Supreme Court would weigh it, following its own precedents, the Hongkong judgment would undoubtedly be given full effect. For the Hongkong judgment comes from a court having jurisdiction of the subject matter and the parties. For there has been a trial upon the merits in the Hongkong court under a system of jurisprudence likely to secure an impartial administration of justice. For there is no showing of prejudice on the part of the Hongkong court or fraud in procuring the judgment. For there is no special reason why American courts should not allow that judgment full credit. And if the highest court in England was to consider a like judgment of some foreign court, as the United States, it would give the judgment effect even though it was erroneous in a matter of law or fact, and even though the foreign court proceeded upon a mistaken application of the English law to an English contract.

It is quite within the realm of possibility, that the majority in the court would willingly concede the correctness of the altogether too lengthy a statement of the facts and the law which has here been attempted, in order that it may serve as a fit background to our opinion. But having conceded that much, the majority would insist that the case is governed not by general principle but by specific statutory law. Concurring with the majority for the moment so as to be just as eminently fair as they are, we come to consider the local Philippine law and its applicability to the questions which confront the court.

Section 309 of our Code of Civil Procedure relates to the effect of a judicial record of a court in the United States. Codal section 310 relates to the effect of a judicial record of a court of admiralty for a foreign country. Codal section 311 relates to the effect of other foreign judgments. It reads: "The effect of a judgment of any other tribunal of a foreign country, having jurisdiction to pronounce the judgment, is as follows:

"1. In case of a judgment against a specific thing, the judgment is conclusive upon the title to the thing." The appellee argues with some plausibility that the case comes within the purview of the above quoted paragraph, and that the paragraph applies to a judgment rendered in connection with a controversy over any "specific thing," to wit, certain trade-marks. Not stopping to discuss this debatable point, we go forward to the second paragraph of section 311 relied upon by the appellant and the majority, reading as follows:

"2. In case of a judgment against a person, the judgment is presumptive evidence of a right as between the parties and their successors in interest by a subsequent title; but the judgment may be repelled by evidence of a want of jurisdiction, want of notice to the party, collusion, fraud, or clear mistake of law or fact."

With the premise that the Hongkong judgment was in personam and under the further premise that paragraph 2 of section 311 of the Code of Civil Procedure covers the question at issue, let us analyze the contents of said paragraph. Admittedly, the judgment of the Hongkong court is presumptive evidence of a right. That judgment is not sought to be repelled by evidence of a want of jurisdiction. Nor repelled by evidence of want of notice to the parties. Nor repelled by evidence of collusion. Nor repelled by evidence of fraud. On the contrary, all this is admitted. It is simply vigorously asserted that there was a "clear mistake of law or fact" in the foreign judgment sued on, and that therefore the Philippine courts should refuse to enforce the foreign judgment.

Section 311 of the Philippine Code of Civil Procedure was derived from section 1915 of the California Code of Civil Procedure which, in turn, was derived from the California Act of March 11, 1872. A careful search has failed to disclose any other similar statutory provision in the United States or any interpretative decisions arising in the California courts or elsewhere. The California provision may, however, have been inspired by the commentaries of Mr. Justice Story and Chancellor Kent. If so, the word "mistake" was used "in the stricter sense of misapprehension or oversight," and is equivalent to what in *Burnham vs. Webster* * * * Mr. Justice Woodbury spoke of as "some objection to the judgment's reaching the merits, and tending to prove that they had not been acted on;" "some accident or mistake," or "that the court did not decide at all on the merits." These passages taken from the decision of the United States Supreme Court in *Hilton vs. Guyot*, supra, are copied with the suggestion that they are "hardly consistent with the statement of Chief Justice Marshall" in his decision in the case of *Elmendorf vs. Taylor* ([1825], 10 Wheat, 152). The court then proceeds to emphasize that the mistake must appear on the face of the record. Under the conditions named, says the court, "the merits of the case should not, in an action brought in this court upon the judgment, be tried afresh, as on a new trial or on appeal, upon the mere assertion of the party that the judgment was erroneous in law or in fact."

Coordinating more closely the facts and the law, both general and specific, certain pertinent observations are in order. Possibly, the most apparent thought with reference to the Hongkong judgment is that no appeal was attempted to be taken by the losing party. Instead, the defendant indirectly seeks to appeal to the Philippine courts to reopen and retry the case. In England at least, it has been irrevocably settled that the home tribunal cannot act as a court of appeal from the foreign tribunal. In *Bank of Australasia vs. Nias* ([1851], 16 Q. B., 717, 734), Lord Campbell, in delivering judgment, distinctly put the decision upon the ground that the defendant might have appealed to the Judicial Committee of the Privy Council, and thus have procured a review of the colonial judgment. In *Trafford vs. Blanc* ([1887], 36 Ch. D., 600), it was said: "* * * The principle on which *Bank of Australasia vs. Nias* was decided appears to be that the courts of this country do not sit to hear appeals from foreign tribunals, and that if the judgment of a foreign court is erroneous, the regular mode provided by every system of jurisprudence of procuring it to be examined and reversed, ought to be followed. Neither do the courts of this country sit to rehear causes which have been tried abroad. * * *" A trial anew to reexamine the facts and the law as to a foreign judgment when the losing party has not exhausted all his remedies abroad and when the judgment is in reality *res adjudicata*, should be avoided. This rule is of particular application where all the evidence is not before us, where the witnesses were not under observation on the stand, where the effort of the court here is not concentrated on issues of fact or law, but is given up to a critical analysis of a foreign judgment, and where all that is in view is a judgment for costs.

The next thought which comes to mind is that if the Hongkong judgment had been rendered by a Court of First Instance in the Philippine Islands, the Supreme Court of the Philippine Islands would proceed to decide the appeal guided by the well-known principle that in order to reverse the decision it must be plainly and manifestly against the weight of the evidence. Here, there is ample evidence to support the findings of Mr. Justice Davies. It would be doubtful if, sitting as a court of appeal, this judgment would be modified or reversed.

Indeed, we would go farther and would hold that the judgment of the Hongkong court is correct in fact and law. The judgment is "presumptive evidence of a right." The case was "decided on the merits." There was no "misapprehension or oversight" as to the facts or the law. There is no "clear mistake of law or fact" appearing on the face of the record.

In the first place, the bill of sale executed by the United States Alien Property Custodian was only of property "wherever situate in the Philippine Islands" of a company "heretofore doing business in the Philippine Islands." It expressly excepted and reserved the "account owing by the Orient Tobacco Manufactory of Hongkong."

The intent of the parties to the conveyance is made clear by the language of the instrument. The limited operation of the conveyance is clearly expressed by its language. The phraseology of the deed was used advisedly, since the Alien Property Custodian had no desire to do what it would be futile to attempt—to convey property outside the Philippine Islands and the United States. There is in the instrument an entire absence of reference to trade-marks in foreign countries. In a case relied upon by the majority, where a similar provision of a deed was under observation, the court emphasized that the purchaser took by conveyance "the exclusive right to carry on the business in the United States," and was entitled to protection against unfair competition. (*Koppel Industrial Car & Equipment Co. vs. Orenstein & Koppel Aktiengesellschaft* [1923], 289 Fed., 446. See also *Bourjois & Co. vs. Katzel* [1923], 260 U. S., 689.)

In the next place, it is apparent that the "Syndicat Oriente" was a Belgian corporation, with its head office at Antwerp. As such Belgian corporation, it was permitted to transact business in the Philippine Islands as a foreign corporation. Although the Hongkong court did not find it necessary to so decide, this Belgian corporation undoubtedly had two branches, one in Hongkong, and one in the Philippine Islands, but both with connections with the home office. All that the United States Government attempted to sell was the Philippine business of the Belgian corporation. It did not care to do more for Great Britain and Belgium were allies of the United States in the Great War. Great Britain could have taken over the "Orient Tobacco Manufactory" of Hongkong if it had so desired, and the Belgian Government could have taken over the "Syndicat Oriente" in Belgium if it had so desired. With the seizure by either Great Britain or Belgium, would have passed the trade-marks of the respective companies.

As to the alleged mistake of law committed by the Hongkong court, it will be recalled that the *Chartreuse* case was given application. Now, this may have been error and again it may not. Lord Macnaghten in that case reached the conclusion "that the sale by the liquidator of the property bought by the appellant company has not carried with it the English trade-marks." And the United States Supreme Court in the case of *Baglin vs. Cusenier Co.* ([1911], 221 U. S., 580), likewise quoting approvingly from the *Chartreuse* case, among other things, decided: "* * * The French law cannot be conceded to have any extraterritorial effect to detach the trade-marks in this country from the product of the Monks, which they are still manufacturing."

But why stop here. Why not go the full length of the majority decision and admit that there may have been a "mistake of law or fact" in the Hongkong judgment. Even then, the modifying word "clear" should not be forgotten. It is only a "clear" mistake which suffices to warrant our courts in interfering with a foreign judgment. The legislative precaution suggests that this right of revision should be exercised only for most cogent and conclusive reasons. A trial judge of long experience and two members of this court, in effect concurring with the views of the Hongkong magistrate, at least weaken the argument relative to a "clear" mistake of law or fact.

Let us now suppose that this court had ruled in favor of appellant on its counterclaim, as indeed one member would have us do. The defendant would then be forced to have recourse to the Hongkong courts for the enforcement of any judgment it might recover against the plaintiff. The Philippine courts having failed in

reciprocal regard for a judgment rendered in Hongkong, the Hongkong court in turn would be justified in reopening and retrying the case, with the probable result that its former views would be maintained and the Philippine judgment nullified.

For many years, the fullest reciprocity has prevailed between England and the United States with respect to allowing full and conclusive effect to the judgments of each by the other. This reciprocity should be maintained between integral parts of the British Empire and the United States in such close proximity as are the ports of Manila and Hongkong. But this reciprocity will be blotted out entirely if any jurisdiction in either the British Empire or the United States, with jealous regard for its own dignity, breaks away from the practice which reason and comity have long sanctioned.

It may well be doubted if the Government of the United States ever intended that the Philippine Commission, acting under war powers, should enact legislation at variance with the foreign policies and relations of the United States. It is questionable, if it is not beyond the power of the local legislature, to provide peculiar legislation so entirely out of harmony with international comity. If forced to take the stand, we would debate long before holding that this provision in Philippine law is valid and constitutional.

It is a most serious responsibility which this court assumes when it ventures to set at naught the full effect of reciprocity between two great states of the world, gravely acknowledged in both, and fulfilled everywhere else in the two countries with the most scrupulous regard for the rights of the other.

The proportions of this dissent are appalling. Our excuse must be the gravity of the question at bar and the earnestness of our convictions. This opinion has been drafted separate and apart in the main from the majority decision, as the vehicle for the expression of our individual views. We hope that we have made it clear that under any and every aspect of the case, the Hongkong judgment should be given force and effect.

Our vote is for the affirmance of the judgment of the lower court.

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