

LA INSULAR, TOBACCO AND CIGAR FACTORY, PLAINTIFF AND APPELLANT, VS. B. E. JAO OGE, DEFENDANT AND APPELLEE.*G.R. No. 22709. December 20, 1924*

Ponente: STREET, J.

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This action was instituted on March 4, 1920, in the Court of First Instance of the City of Manila by the La Insular, an incorporated tobacco and cigar factory of Manila, to enjoin the defendant, B. E. Jao Oge, proprietor of the cigarette factory known as La Ciudad, in the same city, from using two labels as wrappers for his cigarettes. The defendant demurred to the complaint and the demurrer was sustained, whereupon the plaintiff elected to stand upon its complaint and a judgment of dismissal was entered. From this decision the cause was brought to this court by the plaintiff, and the judgment of the court below was reversed. The cause was then returned for further proceedings to the lower court, and in due time the defendant answered. When the cause finally came on for hearing upon the pleadings and proof, the trial judge found that the labels used by the defendant (Exhibits B and C) did not resemble the label used by the plaintiff (Exhibit A) closely enough to constitute an infringement of the plaintiff's trade-mark right. He therefore absolved the defendant from the complaint, and the plaintiff again appealed.

The preliminary facts necessary to a proper understanding of the case are fully set out in our opinion upon the former appeal (*La Insular vs. Jao Oge*, 42 Phil., 366), and will not be here repeated, except to indicate the principal points of similarity between the plaintiff's label (Exhibit A) and the label chiefly used by the defendant (Exhibit B).

The plaintiff's label consists of a decorative design whose principal feature consists of two squares printed in colors on a strip of paper of appropriate size to envelope the package of cigarettes upon which the label is pasted. On the first square is represented a matron seated on a raised platform with steps leading up to it upon which there is a rug, all on a background of palm leaves. This figure holds a smoking torch in her right hand and in her left a streamer with the words *La Insular* inscribed thereon. At the left hand side of this figure are the words *Marca de Fabrica*, underneath which is a five pointed star with the initial "E" on one side of it and "D" on the other. Farther down are the words *La Insular, Fabrica de Tabacos, Manila*, and still farther down appear a terrestrial globe, an anchor, a post, a ship with three sails, with a mountain in the background. The sea view and landscape here shown were evidently intended as a reproduction of the scene presented to the eye of an observer looking across Manila Bay towards Mount Mariveles at sunset. On the second square is represented a sign placed diagonally from corner to corner of the square with the word "Hebra" written thereon in large letters. On one side of this figure, are the words "30 Cigarrillos" and on the other side, the words "Entre Fuerte" Between the two squares in large letters are the words "Plaza Binondo"

In the first square of the defendant's label, Exhibit B, is presented a matron seated on an elevation in the same relative position as in the plaintiff's label, bearing an aegis aloft in her left hand, her right resting upon a seal bearing a monogram. The female figure here differs from that on the plaintiff's label in the circumstance that it

represents a Philippine woman instead of a European, but the posture is the same in both labels. The background of this picture presents a view of the Manila Bay looking towards Mariveles at sunset, though it presents the northern slope of the mountain instead of the southern slope and includes the lighthouse at the mouth of the Pasig River, in lieu of the terrestrial globe found in the plaintiff's label. The legend on this label consists of the words: "Kailangan, La Ciudad, Fabrica de Cigarrillos, Manila, I F" while the similar legend on the plaintiff's label consists of the words "La Insular, Fabrica de Tabacos, Manila" The second square of the defendant's label Exhibit B represents a sign placed diagonally from corner to corner of the square with the word "Hebra" written thereon in large letters. Above this figure are the words "Entre Fuerte" on a scroll and below are the words "30 Cigarrillos" also on a scroll. The second label used by the defendant, Exhibit C, follows the same general lines as Exhibit B and requires no separate description.

The colors used in printing the plaintiff's label are three, in number, namely, light green for the background, light brown for the distinctive features of the label, and mauve for so much of the legend as is printed in large letters. The colors used by the defendant in printing his labels are practically the same as those used by the plaintiff, and the only difference to be noted is that the tints and the shading in the plaintiff's label are more delicate than in the defendant's labels.

Upon a careful comparison of the labels above described it is quite evident that the defendant's labels were modelled after that of the plaintiff, with the manifest intention of producing, as was in fact produced, a similarity of appearance which would be misleading to the average purchaser of cigarettes. In particular, the general effect on the eye of the square containing the word "Hebra" in the defendant's labels is practically identical with that produced by the same square in the plaintiff's label; and the circumstance that the word "Hebra" is placed on one diagonal in the plaintiff's label and on another diagonal in the defendant's labels is of no moment, as the mere shifting of the package by a quarter turn causes the same phase to be presented to the eye. The resemblance between the scene depicted on the first space of the plaintiff's label and that depicted on the first space of the defendant's label Exhibit B is very striking, in view of the fact that all of the major features of the first, except the globe, are reproduced in the second, and the outlook towards Mariveles is almost the same.

In our opinion it can be decided, from a mere inspection of the exhibits, that the defendant's labels are a colorable imitation of the plaintiff's label and that the use of said labels by the defendant constitutes unfair competition and an infringement of the plaintiff's trade-mark right. The oral evidence is confirmatory of this inference, for it shows that the cigarette dealers in the territory where the defendant has been creating his market have become accustomed to deliver the defendant's cigarettes to purchasers asking for the "Hebra" brand, meaning the plaintiff's product. The circumstance that the public in the same territory has to a certain extent become aware of the imposition and has learned to discriminate by speaking of defendant's product as "Second Hebra" (Segunda Hebra) does not destroy the legal effects of the wrong.

But it is insisted that the plaintiff's right of action in this case is barred by its delay in the institution of the action; and reliance is placed upon our decision in *La Insular vs. Yu So* (45 Phil., 398), where we held that a delay of twelve years in bringing an action to obtain relief from the infringement of the trade-mark was sufficient to destroy the right to relief. In the case before us we are convinced by the testimony of Juan M. Leoderes and Salvador Munoz, as well as by inferences from the testimony of other witnesses, that the defendant's unlawful use of the label Exhibit B began about the year 1912. It further appears that in the year 1917, a criminal proceeding was begun against the defendant for unlawful competition in the use of the labels now in question, but the defendant was there acquitted. Upon these facts we are of the opinion that the delay in the institution of this proceeding from the year 1912, when the unlawful user was begun, till 1920, when the civil action was commenced, is not fatal to the right, it not appearing with certainty when the plaintiff first acquired knowledge of

the defendant's acts. It is undoubtedly true that inexcusable delay in the institution of the proceedings for the infringement of a trademark or patent will destroy the right of action, upon the authority of many cases decided in courts of the United States; but an examination of these cases shows that the action is held to be barred by laches only when the period of delay is lengthy, as for thirteen years or longer. (*Woodmanse & Hewitt Mfg. Co. vs. Williams*, 68 Fed., 489.) The period that had elapsed in the case of *La Insular vs. Yu So*, supra, was twelve years. In the present case we find the period of unlawful user prior to the institution of this action to have been but eight years; and we are of the opinion that this is not sufficient to destroy the plaintiff's right.

It has been suggested that the defense of laches when interposed to an action for an injunction against unfair competition should be specially pleaded in the answer; but the authorities seem to be uniform to the effect that the defense of laches is available at the hearing without having been pleaded in any form. (*Woodmanse & Hewitt Mfg. Co. vs. Williams*, 68 Fed., 489.) Upon this point, in *Sullivan vs. Portland and Kennebec Railroad Co.* and *Patten* (94 U. S., 806; 24 Law. ed., 324), the Supreme Court of the United States said: "To let in the defense that the claim is stale, and that the bill cannot, therefore, be supported, it is not necessary that a foundation shall be laid by any averment in the answer of the defendants. If the case, as it appears at the hearing, is liable to the objection by reason of the laches of the complainants, the court will, upon that ground, be passive, and refuse relief. * * *"

From what has been said it results that the judgment must be reversed and the defendant will be permanently enjoined from using the labels Exhibits B and C, or any other imitation of the plaintiff's label, Exhibit A, as envelopes for cigarettes sold by him; and the cause will be remanded to the lower court for an accounting as to its profits from the use of the offending labels, in order that damages may be assessed in conformity with section 3 of Act No. 666. It appears, however, from the plaintiff's own proof that the damage caused by the infringement prior to the year 1920 was negligible; and for this reason, as well as in view of the plaintiff's lack of promptitude in asserting its right, the defendant will be required to account for his profits only from the date of the filing of the complaint. So ordered, with costs against the appellee.

Villamor and Romualdez, JJ., concur.

CONCURRING AND DISSENTING OPINION

OSTRAND and JOHNS, JJ.:

We concur in the result of the decision of the court, but cannot subscribe to the theory that the defense of laches need not be pleaded.

It is true that in the equity practice of the federal courts laches is a defense that need not be set up by plea or answer; but this rule does not prevail in the state courts. (10 R. C. L., 407; 16 Cyc, 176, and authorities there cited.) The federal equity practice is in many respects sui generis and its rules can have little or no application in jurisdictions where as here the same procedure is followed in equity as in actions at law.

In principle, the doctrine of laches is closely related to the statutory limitation of actions, and logically the same rule in regard to pleading should be applied to both; if the Statute of Limitations must be pleaded, there seems to be no valid reason why laches ought not to be pleaded in order to be available as a defense.

While there is no fixed time within which a person must assert his claim in order to avoid the defense of laches, the general rule is that no laches can be imputed to him until knowledge of the violation of his rights is brought home to him or until circumstances have been shown from which such knowledge may be presumed. Many

questions of fact may therefore arise in connection with this defense and both justice and convenience demand that the defense be put in issue by the pleadings so as to enable the plaintiff to prepare and present his proofs.

It may be noted that the question we have here discussed was not directly passed upon or voted by the court.

DISSENTING OPINION

MALCOLM, J.:

The record in the instant case, *La Insular vs. B. E. Jao Oge*, No. 22709, and the record in the case previously decided by this court, *La Insular vs. Yu So* ([1923], 45 Phil., 398), are as alike as two peas. Date of the original complaint in the first case, March 4, 1920. Date of the original complaint in the second case, March 4, 1920. Date of the amended complaint in the first case, April 17, 1920. Date of the amended complaint in the second case, April 16, 1920. Allegations of the complaints, identical, including the admission that the defendant in the year 1915 began the use of the labels on packages of cigarettes. Allegations of the prayers in two complaints, exactly the same. Answer to complaint in the first case dated December 21, 1921. Answer to complaint in the second case dated December 19, 1921. Wording of the answer, the same in both cases, there being in neither a specific defense of laches. Judgment in the first case, after being remanded to the lower court, rendered by Judge Concepcion, dismissed the complaint on the ground that the labels used by the defendant did not resemble the label used by the plaintiff. The judgment in the second case rendered by the same judge was identical in phraseology and in result.

The first case comes to this court and is reversed on two grounds, one concerning the similarity between the labels in question, and the second concerning the defense of laches. The second case previously came to this court and the judgment is affirmed on the two grounds of lack of simulation of the plaintiff's mark and of laches. On the issue of fact, if my memory is correct, there are about the same number of differences between the trade-names and labels of the plaintiff and defendant in the two cases. More important still, in the case at bar, the defendant seems to have been permitted to sell his products without question since 1905 up to 1920 before being molested, a period of fifteen years. In the second case, measures to protect the interests of the plaintiff were not taken until after twelve years had elapsed. Both instances impress one as simply being the result of the Chinese being able to undersell a competitor.

It would be most desirable if the court could be consistent in two successive decisions involving the same pleadings, the same facts, and the same legal principles.

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