

**E. SPINNER & COMPANY, PLAINTIFF AND APPELLANT, VS.
NEUSS HESSLEIN CORPORATION, DEFENDANT AND APPELLEE.***G. R. No. 31380. January 13, 1930*

Ponente: STREET, J.

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This action was instituted in the Court of First Instance of Manila on November 23, 1926, by E. Spinner & Co., of Manchester, England, for the purpose of restraining the defendant, the Neuss Hesslein Corporation, Organized under the laws of the Philippine Islands, from using the word "Wigan," as applied to khaki textiles sold by the defendant in the Philippine Islands, and to recover damages for violation of the plaintiff's trademark right in the word "Wigan" and for alleged unfair competition committed by the defendant in the use of the same. Upon hearing the cause the trial court absolved the defendant from the complaint, with costs against the plaintiff, and the plaintiff appealed.

There is little or no dispute upon the determinative facts of the case which are substantially these: E. Spinner & Co. is a copartnership with head offices in Manchester, England, and Bombay, India, being represented in the Philippine Islands by Wise & Co., a domestic corporation with principal office in the City of Manila; while the defendant is a corporation organized in December, 1922, under the laws of the Philippine Islands, with its principal office in the City of Manila. The defendant is a subsidiary of Neuss Hesslein & Co., Inc., of New York City, U. S. A., for whom it acts as selling agent in the Philippine Islands. The plaintiff, E. Spinner & Co., has long been engaged in the manufacture and sale of textile fabrics, including khaki cloth, with distributing business connections in different parts of the world. Soon, after the American occupation of the Philippine Islands, or about 1900, the plaintiff began exporting its khaki into the Philippine Islands through local firms, notable Holliday, Wise & Co. (now Wise & Co.), Smith, Bell & Co., Ltd., and others. Because of the superior qualities of its good, such as the fastness of its color, the consistency of its texture, and its proven durability, the plaintiff's khaki made favorable impression in the Philippine market, enjoying a popular favor and preference which resulted in a lucrative trade. Among the brands of khaki enjoying such favor was the grade indicated by the manufacturer as "Wigan." A higher grade was marketed by the plaintiff under the brand "Stockport;" while still other grades were put upon the market under the brands "Jackton" and "Ashford."

All of these different grades of khaki were marketed by the plaintiff under a common trademark, which was first registered in the Bureau of Patents, Copyrights, and Trade-Marks of the Philippine Government in the year 1905. This trademark consists of a large label representing the profiles of two elephant heads placed close to each other in the upper middle center of the label and looking in opposite directions, with trunks extending respectively to the right and left. This device has for its rectangular border a garland of leaves while over the point of union between the two heads appear several flags. Inside the space formed by the trunks of the elephants and the garland of leaves appears a label consisting of the following words:

LEEMANN & GATTY'S**ORIGINAL****PATENTED FAST****KHAKI DRILL.**

Agents: Messrs. E. Spinner & Co.,

Manchester & Bombay Quality:..... Yds.

REGISTERED

No. 50,275.

This label was pasted on the outside of each bolt of khaki sold by the plaintiff, the different grades being indicated by the words " Wigan," " Stockport," etc., inserted with stencil in the blank space following the word "Quality." The trade-mark proper, as thus used, was a general mark covering various brands. This practice was followed for more than twenty years, but the plaintiff learned in 1924 that the defendant, the Neuss Hesslein Corporation, was selling a brand of khaki in the Philippine Islands with the word "Wigan" stenciled on the bolts below the defendant's own trade-mark. As thus employed by the defendant, the word " Wigan" purports to show the color of the defendant's khaki, but the proof shows that the word was thus used by the defendant upon khaki of different shades. After discovering this fact, the plaintiff, in April, 1925, caused its trade-mark, consisting of the two elephant heads, to be again registered in the Bureau of Commerce and Industry, as per certificate No. 4807. In its essential features, this trade-mark is identical with the trade-mark registered by the plaintiff in 1905, but in the latter trade-mark the word " Wigan" is inserted after the word "Quality." The purpose of this registration was of course to incorporate the word " Wigan" as an integral part of the registered trade-mark.

As already stated, the defendant, the Neuss Hesslein Corporation, was organized in the Philippine Islands in December, 1922, as a subsidiary of Neuss Hesslein & Co., Inc., of New York; and beginning with 1923, the defendant has been marketing khaki in the Philippine Islands for the New York house. But before the organization of the defendant the New York house had, for several years, been selling its khaki in the Philippine Islands, under two different brands. These were known respectively as the "Five Soldiers" and the "Four Soldiers," the last named being also known as the "Wide Awake" brand. The "Five Soldiers" trade-mark was registered in the Bureau of Commerce and Industry in 1916, and the "Four Soldiers" trade-mark in February, 1923. These two grades of khaki are marketed at a much lower price than plaintiff's "Wigan," since it appears that the plaintiff's "Wigan" is sold in the Philippine market by Wise & Co. for 71 centavos per yard, and by other firms at 70 centavos a yard, while defendant's "Five Soldiers" sells at from 54 centavos to 55 centavos, and its "Four Soldiers" from 35 centavos to 40 centavos a yard.

After the defendant corporation had assumed the agency in the Philippine Islands for the products of the New York house, the manager of the defendant, at the request of Chinese customers, began to give orders to the New York house for the printing of the word "Wigan" conspicuously upon the bolts of khaki intended for sale in the Philippine Islands; and in the latter part of 1923 or in the early part of the year 1924, the defendant's khaki began to be marketed here with the word " Wigan" thereon. It appears that the words " Wigan," " Stockport," "Jackton," and "Ashford," adopted by the plaintiff to indicate different qualities of khaki, are the names of manufacturing towns of minor importance in England; but the brand of khaki with which the defendant associates the name " Wigan" does not appear to be manufactured in the town of Wigan. It also appears that the term " Wigan" is used

in commercial parlance as the name of a canvass-like cotton fabric used to stiffen parts of garments. But it is clear that in adopting the word " Wigan" to indicate a brand of khaki, the plaintiff did not use the word " Wigan" either in its geographical sense or in the trade sense of a material for stiffening. The use made by the plaintiff of the term " Wigan" is therefore arbitrary and artificial, in that it departs from any previously accepted sense.

It will be noted that the plaintiff uses the word " Wigan" to indicate quality, while the defendant purports to use the term to indicate color, though the defendant's practice in this usage is somewhat loose. There is some proof in the record tending to show that American dealers are accustomed to use the word " Wigan" to indicate a color or certain shades of color of khaki cloth. But it is evident that the plaintiff first adopted the word " Wigan" in connection with khaki cloth, and this was done for the purpose of indicating quality. In this sense the word " Wigan" has accompanied the plaintiff's khaki for years in the different markets of the world, and the term has become associated in the minds of merchants who deal in this. material with the standard of quality maintained by the plaintiff in the " Wigan" brand.

This action involves a question of trade-mark right and a further question of unfair competition, and the problem is to determine whether, upon the facts above stated, the defendant corporation has a right to use the word " Wigan" on khaki sold by it in the Philippine Islands. The law governing trade-mark rights as well as unfair competition in this jurisdiction is found in Act No. 666 of the Philippine Commission, which is a reduction to statutory form of the jurisprudence developed by the courts of England and the United States in connection with the subjects mentioned; and to the summary of substantive law expressed in the statute are added the provisions relative to the registration of trade-marks. Act No. 666 has been from time to time amended, but none of the amendatory provisions adopted prior to the beginning of this lawsuit have any bearing on the problem before us.

Though the law concerning infringement of trade-marks and that concerning unfair competition have a common conception at their root, which is that one person shall not be permitted to misrepresent that his goods or his business are the goods or the business of another, the law concerning unfair competition is broader and more inclusive. On the other hand, the law concerning the infringement of trade- mark is of more limited range, but within its narrower range recognizes a more exclusive right derived from the adoption and registration of the trade-mark by the person whose goods or business are first associated therewith. One who has identified a peculiar symbol or mark with his goods thereby acquires a property right in such symbol or mark, and if another infringes the trade-mark he thereby invades this property right. Unfair competition cannot be placed on the plane of invasion of property right. The tort is strictly one of fraud. It results that the law of trade- marks is specialized subject distinct from the law of unfair competition, though,, as stated above, the two subjects are entwined with each other and are dealt with together in Act No. 666. Inasmuch as the principles applicable to trade-marks were precisely defined at an earlier date than the principles applicable to unfair competition, it is not surprising that confusion should be found in the earlier decisions between the legal doctrines relating to the two subjects. Of late years; however, the term "trade-mark" has been restricted to its proper technical meaning and the term "unfair competition" is used to include wrongful acts of competition not involving any violation of trade-mark right proper. As the tort of unfair competition is broader than the wrong involved in the infringement of a trade- mark, one who fails to establish the exclusive property right which is essential to the validity of a trade-mark, may yet frequently obtain relief on the ground of his competitor's unfairness or fraud. Any conduct may be said to constitute unfair competition if the effect is to pass off on the public the goods of one man as the goods of another. It is not necessary that any particular means should be used to this end. The most usual devices are the simulation of labels and the reproduction of the form, color and general appearance of the package used by the pioneer manufacturer or dealer. But unfair competition is not limited to these forms. The general principle underlying the law of unfair competition is that a competitor in business cannot be permitted to do acts which have deceived, or are reasonably designed to deceive, the public into buying his goods as those of another.

As stated in section 7 of Act No. 666, a person is guilty of unfair competition who "in selling his goods shall give them the general appearance of goods of another manufacturer or dealer, either in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance, which would be likely to influence purchasers to believe that the goods offered are those of a manufacturer or dealer other than the actual manufacturer or dealer etc. This language is very broad; and as applied to the case before us it is evident that, in using the word "Wigan" on the khaki cloth sold by it, the defendant has appropriated a word likely to lead purchasers to believe that the goods sold by the defendant are those of the plaintiff. The representation that the khaki sold by the defendant is of the kind known to the trade as "Wigan" directly tends to deceive the purchaser and, therefore, constitutes unfair competition as against the plaintiff.

It is no doubt true that the adoption of the word "Wigan" by the defendant does not deceive merchants or tailors buying from the defendant. But the person most to be considered in this connection is the consumer, and when the word "Wigan" is found upon a bolt of khaki, the ultimate buyer, or consumer, would naturally be led to suppose that the goods sold under this name is the goods sold by the plaintiff. In the case before us it is revealed that the word "Wigan" was first stamped upon the khaki sold by the defendant at the suggestion or request of a Chinese customer, presumably a tailor or merchant, and the purpose behind the suggestion undoubtedly was that, if this term were found stamped upon the khaki thus sold it could be represented to the ultimate purchaser that the khaki thus sold was the plaintiff's "Wigan." In this connection it should be noted that, in the action to enjoin unfair competition, the fraudulent intention on the part of the defendant may be inferred from the similarity of the goods offered for sale by him to the goods of the plaintiff (Act No. 666, sec. 7, end). In the case before us the use of the word "Wigan," stamped by the defendant upon the bolts of khaki sold by it, sufficiently discloses an intention to mislead the consumer. Moreover, as was observed by the Court of Appeals of the Third Circuit in *Barton vs. Rex-Oil Co.*, (40 A. L. R., 424), it makes no difference that dealers in the article are not deceived. They are informed and usually know what they are buying. The law concerns itself with the casual purchaser who knows the commodity only by its name. In obtaining what he asks for he is entitled to protection against unfair dealing. (Citing *National Biscuit Co. vs. Baker*, 95 Fed., 135; *Eli Lilly & Co. vs. Wm. R. Warner & Co.*, 275 Fed., 752; *William R. Warner & Co. vs. Eli Lilly & Co.*, 265 U. S., 526.)

With respect to the question of infringement of trade-mark right, it is clear that the appropriation by the defendant of the word "Wigan" for use in the sale of its khaki did not constitute a violation of trade-mark prior to April, 1925, when the word "Wigan" was first incorporated in the plaintiff's registered trade-mark; but after that date it was certainly illegal for the defendant to use the word "Wigan" stamped upon the khaki sold by it; and this act was an infringement of trade-mark right. It is true that the plaintiff's trade-mark proper consisted of a pictorial representation of the heads of two elephants, embellished by leaves, and the word "Wigan" was only a part of said trade-mark. Nevertheless, the misappropriation of this word by the competitor was a violation of the plaintiff's right. It has been held in the Supreme Court of the United States that the use of only one of the words constituting a trade-mark may be sufficient to constitute an infringement, and it is not necessary to this end that all of the words comprising the trade-mark should be appropriated (*Saxlehner vs. Eisner & Mendelson Co.*, 179 U. S., 20; 45 Law. ed., 60).

In section 2 of Act No. 666 it is declared that a designation or part of a designation which relates only to the name, quality, or description of the merchandise, or geographical place of its production or origin, cannot be made the subject of a trade-mark; and it seems to be supposed by the defendant that this provision disables the plaintiff from complaining of the use made of the word "Wigan" by the defendant. But it will be noted that the word "Wigan" as applied to quality, is not an English word in common use for describing quality. The word "Wigan" is here used in an entirely artificial sense and its association with quality had its origin exclusively in the use which the plaintiff has made of it. The designation of name, quality, or description, as used in the statute, has reference

to linguistic terms in common use. In words of this character no particular manufacturer can acquire an exclusive property right. Again, it will be noted that, although "Wigan," being the name of a town, was an original geographical term, it is not used upon the plaintiff's khaki to indicate the geographical place of production of the product. Even geographical terms can be used in an arbitrary and artificial sense, and when so used by one manufacturer the improper appropriation of the same term by another may be enjoined as an invasion of trade-mark right. Of course, if the defendant were manufacturing its khaki in the town of "Wigan," it would be entitled to use that name to indicate the place of manufacture of its goods. But such is not the case here. From what has been said it follows that the plaintiff is entitled to an injunction for the purpose of restraining the defendant from using the word "Wigan" upon the bolts of khaki sold by it, whether the wrongful act of the defendant be considered as an act of unfair competition or as an infringement of the trade-mark registered by the plaintiff in April, 1925. But the plaintiff further seeks to recover damages in the estimated amount of P15,000 for the injury sustained by the plaintiff. As in *Forbes, Munn & Co. vs. Ang San To* (43 Phil., 724), the provision in the complaint referring to damages should, we think, be interpreted as a prayer for an assessment of the compensation to which the plaintiff might be entitled for the damage done to its business. The proof, however, shows that the plaintiff's business has shown a healthy growth during the period covered by the wrongful acts which are the subject of this action, and it is not proved that any assessable damage has been inflicted upon the plaintiff by the wrongful acts of the defendant, though the infringement of legal right is clear. We are therefore of the opinion that no damages should be awarded to the plaintiff. It will be noted that Act No. 666 gives the plaintiff a right to elect between the recovery of damages for the harm done to the plaintiff's business and the enforcement of an accounting against the defendant for the profits which may be shown to have accrued to it by reason of the sales made in violation of the plaintiff's right. But these two remedies are different and, where the plaintiff has elected to sue for damages and no damages are proved, none can be awarded. This makes it unnecessary to analyze the proof with a view to discovering the profits which the defendant may have earned by the illegitimate sales.

The judgment appealed from will therefore be modified, and the defendant and its agents will be enjoined, as they are hereby enjoined, from using the word "Wigan" upon the khaki sold by it in the Philippine Islands, and from otherwise representing its khaki to be of the "Wigan" brand. In absolving the defendant from the claim for damages, the judgment will be affirmed. So ordered, without costs.

Ostrand, Johns, Romualdez and Villa-Real, JJ., concur.

DISSENTING

Avanceña, C. J. and Malcolm, J.:

A question of fact was submitted in this case in the lower court for resolution. That question of fact was resolved not alone by one Judge of First Instance but by two Judges of First Instance against the pretensions of the plaintiff. The facts which the court found established were "by a great preponderance of the evidence." The pronouncements of the trial court on this issue of fact should accordingly be here respected.

In regard to the facts, it is noted that in the year 1905 the plaintiff partnership registered its trade-mark but without including therein the word "Wigan." Thereafter, American khaki came into the Philippine market and made use of the word "Wigan" to indicate the particular color of khaki. This was done openly, and without any attempt at deception. In 1925, the plaintiff partnership amended its former trade-mark by including in the same, among others, the word "Wigan". In relation with these undisputed facts, it should further be mentioned that the plaintiff did not present even one witness to establish that any person had ever been deceived by buying the khaki cloth of

the defendant, believing the same to be the khaki cloth of the plaintiff. On the contrary, the purchasing agent of the Government testified that there has never been any confusion between the khaki cloth of the plaintiff and the khaki cloth of the defendant.

The law does not prohibit every similarity in the manufacture and labeling of merchandise (*Alhambra Cigar & Cigarette Manufacturing Co. vs. Compañia Gral. de Tabacos* [1916], 35 Phil., 62). As the word "Wigan" had become common in the khaki trade in the Philippines to designate a particular color of American manufactured khaki cloth, and had also become common to designate a certain quality or grade of English manufactured khaki cloth, there was similarity but not deceitful similarity.

This is a case of competition. It is not a case of unfair competition. Accordingly, the decision of the trial court, agreeing in all respects with the decision of another branch of the same court, should be sustained and confirmed by absolving the defendant from the complaint. That is our vote.

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