

**SAPOLIN CO., INC., CROSS-PLAINTIFF AND APPELLANT, VS.
CORNELIO BALMACEDA, AS DIRECTOR OF THE BUREAU OF
COMMERCE AND INDUSTRY, AND GERMANN & CO., LTD.,
CROSS-DEFENDANTS. GERMANN ...**

G.R. No. 45502. May 02, 1939

Ponente: DIAZ, J.

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DIAZ, J.:

This case is originally the same one which in the Court of First Instance of Manila bore No. 47369, entitled *Germann & Co. Ltd. vs. Sapolin Co., Inc., and Muller & Phipps (Manila), Ltd.*

Upon petition of the plaintiff, after the demurrer which the defendant Muller & Phipps (Manila), Ltd., had interposed to its complaint had been sustained and after it had presented a supplementary complaint anti its answer to the cross-complaint presented by the defendant Sapolin Co., Inc., against it and the Director of the Bureau of Commerce and Industry, the said supplementary complaint was dismissed, thus leaving afoot only the cross-complaint.

In the cross-complaint the cross-plaintiff asked and continues to ask in this instance that the cross-defendant and appellee, its agents, attorneys, and representatives be enjoined from selling or offering to sell its products bearing the trade-mark "Lusolin". It also asks that the cross-defendant file under oath a true statement of the profits that it had obtained from the sale of its products bearing the said trade-mark; that as soon as said statement is filed, judgment be rendered ordering it to pay to said cross-plaintiff an amount equivalent to double its profits; that the Director of Commerce and Industry, be directed to cancel the certificate of the trade-mark "Lusolin", No. 11237, originally issued to Co Lu So and thereafter transferred to the cross-defendant, and that the latter be likewise ordered to pay the costs.

After hearing and receiving the evidence adduced by the parties, the Court of First Instance of Manila rendered judgment dismissing the cross-complaint of the cross-plaintiff on the ground that, not having registered in the Bureau of Commerce and Industry the patent or trade-mark certificate which it alleged to have obtained from the Patent Office of the United States in February, 1923, it is not entitled to the remedy sought under the provisions of section 4 of Act No. 666, as amended by section 1 of Act No. 3332. From this judgment the cross-plaintiff appealed and now argues that the lower court committed the five errors set out in its brief as follows: (1) The court erred in not holding that the trade-mark "Lusolin" of the cross-defendant Germann & Co., Ltd., constitutes an infringement of the cross-plaintiff's trade-mark "Sapolin"; (2) the court erred in ruling that there is no merit in the action brought by the cross-defendant as plaintiff in the initial action in view of the provisions of the said section 4 of the cited law; (3) the court erred in not holding that the cross-plaintiff has a right of action, based upon unfair competition, against the cross-defendant; (4) the court erred in not holding that Act No. 3332 amendatory of the aforesaid section is unconstitutional; and finally (5) the court erred likewise in not rendering judgment for the cross-plaintiff.

Section 4 of Act No. 666, as amended by section 1 of Act N6. 3332, approved on December 7, 1926, reads as follows :

"Sec. 4. No action shall be brought for damages for the violation of the rights to use trade-marks defined in the preceding sections nor shall criminal proceedings be entertained as provided in section six of this Act, unless it be first shown that the trade-mark or trade-name alleged to have been violated or which gave rise to the criminal action has been duly registered in the Bureau of Commerce and Industry, in accordance with the provisions of this Act."

This legal provision is not unconstitutional nor anything like it. It is not contrary to, but perfectly reconcilable and in fact is consistent with the provisions of sections 16 and 22 of the Act of Congress of February 20, 1905 reading respectively as follows:

"Sec. 16. That the registration of a trade-mark under the provisions of this Act shall be prima facie evidence of ownership. Any person who shall, without the consent of the owner thereof, reproduce, counterfeit, copy, or colorably imitate any such trade-mark and affix the same to merchandise of substantially the same descriptive properties as those set forth in the registration, or to labels, signs, prints, packages, wrappers, or receptacles intended to be used upon or in connection with the sale of merchandise of substantially the same descriptive properties as those set forth in such registration, and shall use, or shall have used, such reproduction, counterfeit, copy, or colorable imitation in commerce among the several States, or with a foreign nation, or with the Indian tribes, shall be liable to an action for damages therefor at the suit of the owner thereof; and whenever in any such action a verdict is rendered for the plaintiff, the court may enter judgment therein for any sum above the amount found by the verdict as the actual damages, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs."

"SEC. 22. That whenever there are interfering registered trade-marks, any person interested in any one of them may have relief against the interfering registrant, and all persons interested under him, by suit in equity against the said registrant; and the court, on notice to adverse parties and other due proceedings had according to the course of equity, may adjudge and declare either of the registrations void in whole or in part according to the interest of the parties in the trade-mark, and may order the certificate of registration to be delivered up to the Commissioner of Patents for cancellation."

It could not be otherwise because the provisions of sections 17 and 29 of the aforesaid Act of Congress protect trade-marks registered in the Patent Office of the United States not only in said country or in any of the States composing it but also in the Philippines, thus permitting actions for violation of trade-marks committed therein to be brought before the courts thereof. The said sections literally read as follows:

"Sec. 17. That the circuit and territorial courts of the United States and the Supreme Court of the District of Columbia shall have original jurisdiction, and the circuit courts of appeal of the United States and the court of appeals of the District of Columbia shall have appellate jurisdiction of all suits at law or in equity respecting trade-marks registered in accordance with the provisions of this Act, arising under the present Act, without regard to the amount in controversy."

"Sec. 29. That in construing this Act the following rules must be observed, except where the contrary intent is plainly apparent from the context thereof: The United States includes and embraces all territory which is under the jurisdiction and control of the United States. The word 'States' includes and embraces the District of Columbia, the Territories of the United States, and such other territory as shall be under the jurisdiction and control of the United States. The terms 'person' and 'owner', and any other word or term used to designate the applicant or other entitled to a benefit or privilege or rendered liable under the provisions of this Act, include a firm, corporation, or association as well as a natural person. The terms 'applicant' and 'registrant' embrace the successors and as- signs of such applicant or registrant. The term 'trade- mark' includes any mark which is entitled to registration under the terms of this Act and whether registered or not and a trade-mark shall be

deemed to be 'affixed' to an article when it is placed in any manner in or upon either the article itself or the receptacle or package or upon the envelope or other thing, in, by, or with which the goods are packed or inclosed or otherwise prepared for sale or distribution."

The other Act of Congress, popularly known as the Jones Law, approved on August 29, 1916, plainly provides in its section 10 that the trade relations between the Islands and the United States shall continue to be governed exclusively by laws of the Congress of the United States. On the other hand, section 14 of Act No. 666, as amended by Act No. 2460, contains the following proviso:

"Provided, however, That this section shall not be construed to affect rights that any person may have acquired by virtue of having registered a trade-mark under the laws of the United States."

All this goes to show that in enacting the said section 14 and the entire law of which it is a part (Acts Nos. 666 and 2460), the Philippine Legislature could not have intended to give to section 4 thereof, as amended by Act No. 3332, the strict interpretation that, unless a trade-mark or trade-name allegedly violated has been duly registered in the Bureau of Commerce and Industry, no action to cut short or prevent the violation can be taken against the infringer even in case of a trade-mark or trade-name registered in the Patent Office of the United States. The entire text of section 14 of the aforesaid Act No. 666, as it stood on December 27, 1932, when trade-name certificate No. 11237 was issued by the Bureau of Commerce and Industry to Co Lu So from whom the cross-defendant obtained its right to use the trade-name "Lusolin", reads:

"Sec. 14. No article of imported merchandise which shall copy or simulate the name of any domestic manufacture, or manufacturer or trader, or shall copy or simulate a trade-mark or trade-name registered in accordance with the provisions of this Act, or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the Philippine Islands, shall be admitted to entry at any customhouse of the Philippine Islands; and in order to aid the officers of the customs in enforcing this prohibition, any domestic manufacturer or trader may require his name and residence, and the name of the locality in which his goods are manufactured, and a copy of the certificate of registration of his trade-mark or trade-name issued in accordance with the provisions of this Act, to be recorded in books which shall be kept for this purpose in the office of the Insular Collector of Customs, under such regulations as the Insular Collector of Customs, with the approval of the Secretary of Finance and Justice, shall prescribe, and may furnish to the office of the Insular Collector of Customs a facsimile of his name, the name of the locality in which his goods are manufactured, and of his registered trade-mark or trade-name; and thereupon the Insular Collector of Customs shall cause one or more copies of the same to be transmitted to each collector or other proper officer of customs: Provided, however, That this section shall not be construed to affect rights that any person may have acquired by virtue of having registered a trade-mark under the laws of the United States.

"In matters arising under this section original jurisdiction is hereby conferred upon the Court of First Instance, and appellate jurisdiction upon the Supreme Court, identical with the jurisdiction conferred upon such courts by section twenty-six of the Act of Congress approved August fifth, nineteen hundred and nine, entitled 'An Act to raise revenue for the Philippine Islands, and for other, purposes.' "

If it be contended that the aforesaid section should be strictly interpreted, then we would have the case of the Philippine Legislature knowingly enacting a law which openly trenches upon the aforesaid Act of Congress of February 20, 1905, which is unlikely considering that it has no power to so act. To reach a different conclusion would be like asserting that the section in question is purposeless, whereas it is undeniable that it has a purpose inasmuch as there are acts to which it extends and is perfectly applicable. Without the said legal provision, one may in no case register with impunity in his name in the Bureau of Commerce and Industry a trade-mark or trade-name selected by him for his trade or goods, if another has already been using the same although he has not taken the trouble of registering it in his name, to avail himself of the advantages conferred upon him by law.

Under the provisions thereof, one who is using a trade-mark or trade-name in his goods or products who has not been negligent in registering the same in the Bureau of Commerce and Industry, may complain against another who makes use of or imitates the same mark or name although the latter's use thereof may be of prior date, because the purpose of the said section, by its spirit and letter, is to stimulate, encourage and protect the diligent and not the neglectful. Wherefore, it can and should be held that section 1 of the aforesaid Act No. 3332 in so far as it amends section 4 of Act No. 666 is constitutional because it is applicable to cases like the one just given as an example or to those which happen in the country without first obtaining any patent from the United States, said cases being clearly distinct from that under consideration; or in other words, because it may as it does refer to cases of violations of trade-marks or trade-names susceptible of registration in the Philippines, but which are not registered in the Patent Office of the United States, pursuant to law.

The established and undisputed facts which throw light upon the foregoing pronouncements are the following:

The questioned trade-mark and trade-name as shown by Exhibits A and 4 are, with respect to color, design, size, other characteristics, and the sound produced by the pronunciation of the name "Lusolin" which is one of them, are almost the same as the trade-mark and trade-name "Sapolin" appearing in Exhibits B, 6-2, 6-5, 6-6, 6-7, 6-8, C and D. The articles on whose containers are pasted the said trade-mark and trade-name are paints of the kind indicated on the said containers, namely: white and colored enamel paints, aluminium enamel paints, paints for carriages, varnish stains, steel enamel paints, floor wax, etc. The cross-defendant itself, in its letter to the cross-plaintiff on April 30, 1934 (Exhibit 9), admits the striking similarity between the two trade-marks and trade-names in question, "in shape, design, color and printing as to deceive the public, specially that both are being used for paints", to use its own words.

Now, then: the cross-plaintiff obtained its certificates Nos. 164274, 164275 and 164277 from the Patent Office of the United States on February 13, 1923 (Exhibits 6, 6-1 to 6-8; 7, 7-1 and 7-2; and 8, 8-1 to 8-2), to have exclusive use of the trade-mark and trade-name "Sapolin" for its products and goods, and it stated in the registry of the Collector of Customs of the Philippines on October 4, 1927, that it had said certificates appearing in the exhibits just mentioned. And it is a fact that the said trade-mark and trade-name had been used since September 28, 1923, first by Gerstendordfer Bros, of New York, a corporation organized under the laws of New York, as evidenced by certificate No. 4282 of the Bureau of Commerce and Industry, and thereafter, that is, since March 8, 1928, by Sapolin Co., Inc., the successor of said corporation, as evidenced by certificates Nos. 8983 and 8984 of the Bureau of Commerce and Industry (Exhibits 1, 2 and 3).

The paints whose containers bore and still bear the labels containing the questioned trade-mark and trade-name were imported into the Philippines first by Muller & Phipps (Manila), Ltd., and thereafter by the cross-plaintiff; and the demand for said paints in 1929, 1930 and 1931 was such that the proceeds from the sales thereof ran to between \$70,000 and \$80,000, United States currency, 5 per cent of which was spent to advertise and popularize the goods in the Philippines.

The trade-mark and trade-name "Lusolin" first came into existence in 1932 only, when Co Lu So who did business and traded under the name of Co Lu So & Co., importing and selling construction materials, after selling for several years paints marked "Sapolin" which he acquired from Muller & Phipps (Manila), Ltd., and from the cross-plaintiff, filed an application with the Bureau of Commerce and Industry for the exclusive use of said trade-mark and trade-name "Lusolin", as they appear in Exhibits A and 4. This bureau granted his application and on December 27, 1932 gave him trade-mark and trade-name certificate No. 11237. One year and three months thereafter, Co Lu So conveyed his right to use the aforesaid trade-mark and trade-name "Lusolin" in favor of the cross-defendant who registered its right thus acquired in the Bureau of Commerce and Industry on January 2, 1935. From then on said cross-defendant has been selling "Lusolin" paints, and before the lapse of one month

from the date it obtained its trade-mark and trade-name certificate No. 11237, it notified the cross-plaintiff, from that time forward; to stop using the trade-mark and trade-name "Sapolin" because it was violative of its right as owner of the trade-mark "Lusolin".

It should be stated before proceeding further that, according to the evidence, the "Lusolin" paints are the same ones which, prior to 1914, were imported from Germany under the trade-name "Hawelit" by the cross-defendant. During the European war, the latter stopped the importation thereof, and in 1927 "Sapolin" appeared and found its way in the local market. In 1932 after Co Lu So transferred his trade-mark and trade-name certificate "Lusolin" to the cross-defendant, the latter resumed the sale of the "Hawelit" paints presenting them to the public, however, with the aforesaid trade-name and trade-mark "Lusolin". In the manner of their presentation, in extent, and in syllabication or pronunciation, said trade-name and trade-mark are the same as "Sapolin", as readily evident by placing the two trade-marks together, or one beside the other, "Lusolin" as it appears in Exhibits A and 4, and "Sapolin" as it appears in Exhibits B, 6-2, 6-5 to 6-8, C and D. As already stated, the violation of a trade-mark is established by comparing it with the one allegedly violated and by showing that the resemblance between the two—resemblance which in the case at bar is admitted by the cross-defendant itself (Exhibit 9)—is of such a nature that one can be taken for the other; and it has also been stated that it is the said resemblance and not identity that constitutes a sufficient violation, or better still, the test for the detection of whether or not there is such a violation. (Forbes, Munn & Co. vs. Ang San To, 40 Phil., 272.) To hold that there is a violation of a trade-mark, it is not necessary to prove either that an exact copy thereof was made or that the same words appearing therein were used. It will be sufficient to prove that its essential characteristics have been imitated or copied. (Queen Manufacturing Co. vs. Isaac Ginsberg & Bros., 25 Fed. [2d], 284; Saxlehner vs. Eisner & Mendelson Co., 179 U. S., 19, 33.)

As to the syllabication and sound of the two trade-names "Sapolin" and "Lusolin" being used for paints, it seems plain that whoever hears or sees them cannot but think of paints of the same kind and make; In a case to determine whether the use of the trade-name "Stephens' Blue Black Ink" violated the trade-name "Steelpens Blue Black Ink", it was said and held that there was in fact a violation; and in other cases it was held that trade-names idem sonans constitute a violation in matters of patents and trade-marks and trade-names. (Nims on Unfair Competition and Trade-Mark, sec. 54, pp. 141-147; N. K. Fairbanks Co. vs. Ogden Packing and Provision Co., 220 Fed., 1002.)

Having reached the conclusion that there is a great similarity between the two trade-marks and trade-names in question, and that one is an imitation of the other, there is no occasion to dwell at length upon the other question raised by the cross-plaintiff-appellant in its brief, to wit: that it has likewise a cause of action against the cross-defendant for unfair competition. This is certainly a question which has already been decided by this court in the case of *Compania Gral. de Tabacos vs. Alhambra Cigar & Cigarette Manufacturing Co.* (33 Phil., 485), adversely to the contentions of the cross-plaintiff. For the reasons and considerations appearing in said case it was said that an action for a violation of a trade-mark or trade-name cannot be brought at the same time as an action for unfair competition. The two actions cannot coexist because the first does not require, like the second, as an essential and indispensable condition that there be fraud or deceit. An act cannot at once constitute a violation of a trade-mark or trade-name and an unfair competition, because in the former the idea of fraud or deceit does not enter inasmuch as there is filed with the Bureau of Commerce and Industry the questioned mark or name for the registration thereof; whereas in the latter, fraud and deceit are an essential condition—two acts which can only be committed through trickery and at the back of the intended victim.

And there is also no occasion to enter upon a discussion of the other questions which are merely a consequence or incident of the two just passed upon.

In conclusion, the appealed decision is reversed, and it is ordered that this case be remanded to the court of origin

to the end that it may enter therein the proper orders and decision, upon presentation by the parties concerned of the evidence which they may deem necessary to adduce, taking into account the findings and opinion herein set forth in favor of the contention of the cross-plaintiff. The costs will be taxed against the cross-defendant. So ordered.

Avanceña, C. J., Villa-Real, Imperial, Laurel, and Moran, JJ., concur.

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