

Title: L.C. Big Mak Burger, Inc. v. McDonald's Corporation, G.R. No. 226238

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Facts:

1. **Initial Case Filing**:

- **Year**: 1990
- **Plaintiff**: McDonald's Corporation
- **Defendant**: L.C. Big Mak Burger, Inc.
- **Court**: Regional Trial Court (RTC) of Makati City, Branch 137 (Infringement Court)
- **Cause of Action**: Trademark infringement and unfair competition

2. **Issuance of Preliminary Injunction**:

- **Date**: August 16, 1990
- **Order**: L.C. Big Mak Burger, Inc. was directed to refrain from using "Big Mak" and other confusingly similar marks.

3. **RTC Infringement Court Decision**:

- **Date**: September 5, 1994
- **Outcome**: Permanent injunction against L.C. Big Mak; ordered to pay damages and attorney fees. Francis Dy and other individuals dismissed from the case.

4. **Court of Appeals (CA) Reversal**:

- **Date**: November 26, 1999
- **Decision**: Reversed RTC's 1994 decision.

5. **Supreme Court Reinstatement of RTC Decision**:

- **Date**: August 18, 2004
- **Outcome**: Reinstated RTC's 1994 decision against L.C. Big Mak Burger, Inc.

6. **Writ of Execution Issued**:

- **Date**: November 14, 2005
- **Action**: Implement the September 5, 1994 RTC Decision.

7. **Contempt Charges**:

- **Date**: May 5, 2008
- **Plaintiff's Action**: McDonald's filed a petition for contempt against L.C. Big Mak, claiming continued use of "Big Mak".

8. **RTC Contempt Court Decision**:

- **Date**: April 7, 2014
- **Outcome**: Dismissed the contempt petition, awarded damages to L.C. Big Mak for its reputation.

9. **CA Contempt Ruling**:

- **Date**: February 2, 2017
- **Outcome**: Reversed RTC's decision and found L.C. Big Mak Burger, Inc. guilty of indirect contempt.

10. **Supreme Court Case**:

- **Issue**: Whether L.C. Big Mak Burger, Inc. is guilty of indirect contempt.
- **Petitioner**: L.C. Big Mak Burger, Inc.
- **Respondent**: McDonald's Corporation

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Issues:

1. **Issue of Disobedience**:

- Whether L.C. Big Mak Burger, Inc.'s use of its corporate name constituted disobedience to the court's permanent injunction.

2. **Compliance Timing**:

- Whether L.C. Big Mak Burger, Inc. complied with the court's order only after the contempt petition was filed.

3. **Good Faith Compliance**:

- Whether L.C. Big Mak Burger, Inc. acted in good faith in its interpretation and implementation of the court's orders.

4. **Scope of Injunction**:

- Scope of the prohibition regarding the use of "Big Mak" in the corporate name and operational context.

5. **Contempt Ruling**:

- If the CA was correct in ruling that L.C. Big Mak Burger, Inc. was in indirect contempt of the court.

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Court's Decision:

1. **Disobedience Issue**:

- The Supreme Court decided L.C. Big Mak did not disobey the court's orders. The petitioner had used "Super Mak" and its full corporate name in place of "Big Mak." There was no evidence of willful defiance. The CA misinterpreted evidence.

2. **Compliance Timing**:

- Nothing in Francis Dy's testimony or other evidence proved that compliance began late in 2009. The shift to using "Super Mak" and the corporate name seemed to have started well before 2009.

3. **Good Faith Compliance**:

- The Court highlighted the good faith of L.C. Big Mak Burger, Inc. based on their reliance on a final and executory SEC Decision that validated their continued use of their corporate name, ruling no willful contempt was shown.

4. **Scope of Injunction**:

- It was noted that only the use of "Big Mak" was prohibited, not the entire corporate name. The company's use of "L.C. Big Mak Burger, Inc." adhered to the scope of the court's order.

5. **Contempt Ruling**:

- The Supreme Court found the CA erred in reversing the RTC's decision. The rule emphasizes intent to disobey, with evidence showing the petitioner's compliance and the good faith rooted in a binding SEC ruling, thus no grounds for contempt were established.

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Doctrine:

- **Contempt as a Willful Disregard**: Contempt of court must constitute a willful disregard or disobedience to a lawful order. Good faith and reliance on legally binding decisions are significant in evaluating alleged contempt.

- **Good Faith Interpretation**: Parties relying on interpretations supported by previous lawful rulings exhibit good faith, which should mitigate contempt accusations unless clear, willful defiance is present.

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Class Notes:

- **Elements of Indirect Contempt**:
 - Disobedience to a lawful order.
 - Must be willful and done for an improper purpose.
 - Good faith defense is substantial.

- **Key Legal Principles**:
 - **Rule 71, Section 3 (Philippine Rules of Court)**: Indirect contempt involves acts of disobedience, interference, and improper conduct impeding justice.
 - Final and executory decisions serve as a basis for actions compliant with the law.

- **Statutory Reference**:
 - **Section 3, Rule 71** of the Rules of Court: Establishes grounds for indirect contempt.

- **Application**:
 - Good faith and intention are evaluated in contempt cases, with lawful reliance on existing rulings mitigating contemnor culpability.

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Historical Background:

- **Trademark Disputes**:
 - Reflects aggressive protection of trademarks amid global brand proliferation and localization.
 - Showcases the interplay between corporate identity and intellectual property rights, highlighting judicial navigation of competing commercial interests.

- **Judiciary Integrity**:
 - Demonstrates the Philippine judiciary's commitment to uphold lawful orders and the sanctity of final, binding decisions in maintaining order and equity within its jurisdiction.