

CASE COMMENTS:

**ESSO STANDARD EASTERN v. COURT OF APPEALS,
HICKOK MANUFACTURING CO. v. COURT OF
APPEALS: DILUTION OF TRADEMARKS —
THE NEGLECTED ANGLE IN RECENT
PHILIPPINE DECISIONS**

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Who steals my name steals trash;
'tis something, nothing;
'Twas mine, 'tis his, and has been
slave to thousands;
But he that filches from me my
good name
Robs me of that which not en-
riches him
And makes me poor indeed.
Othello, Act III, Scene III

I. INTRODUCTION

Jurisprudence in trademark infringement has undergone a great turn-about in recent years. In the early period of the American Occupation in the Philippines, the realm of trademark infringement, as distinguished from that of unfair competition, was clearly marked. The basic notion regarding trademark infringement was that "one who has identified a particular mark or symbol with his goods thereby acquires a property right in such mark or symbol, and if another infringes the trademark he thereby invades this property right."¹ On the other hand, "unfair competition cannot be placed on the plane of invasion of property right. The tort is strictly one of fraud."²

Prior to the passage of our present trademark law, Republic Act 166, Philippine Supreme Court decisions³ interpreted Act 666,⁴ the trademark law then in force, to include this palpable distinction. The distinction was put forth even more strongly in Republic Act 166 which undoubtedly had its origins in the United States Lanham Act of 1946.⁵

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¹ E. Spinner and Co. v. Neuss Hesslein Corp., 54 Phil. 222, 231 (1930).

² *Ibid.*

³ U.S. v. Vicente Manuel, 7 Phil. 221 (1906); Compania General de Tabacos v. Alhambra Cigar, 33 Phil. 485 (1916); E. Spinner and Co. v. Neuss Hesslein, 54 Phil. 222 (1930); Ang v. Teodoro, 74 Phil. 50 (1942).

⁴ Promulgated on March 6, 1903.

⁵ Director of Patents Circular Release No. 36, 45 O.G. 3705 (Aug., 1949).

Despite the wording and intent of Republic Act 166, however, *after* the promulgation of this Act, only one Philippine Supreme Court decision expressly distinguished the meaning of trademark infringement from that of unfair competition.⁶ The majority of decisions, while attempting to dispose of infringement cases or unfair competition cases, apparently assumed that the disposing tests in one were similar to that of the other.⁷ Two fairly recent decisions of our High Tribunal, namely, *Esso Standard Eastern v. Court of Appeals*⁸ and *Hickok Manufacturing Co. v. Court of Appeals*⁹, have added to the trend of rendering nebulous an otherwise pristine distinction between the two concepts in the sense that, in these cases, situations of trademark infringement were resolved substantially on the basis of a broad test more clearly applicable to unfair competition.

The test applied by the Court in these cases was the "related goods theory," a supplementary test clearly associated with unfair competition.¹⁰ Nevertheless, despite weighty authority to the contrary, the Court employed this test as a sole gauge to determine whether there was *trademark infringement* and *not* whether there was unfair competition.

In line with the above-mentioned observation, it is the purpose of this paper to show that our present trademark law, namely Republic Act 166, *adopts, or has always adopted, the non-dilution doctrine*, a trademark infringement doctrine which is slowly being accepted by a majority of States in the American Union, and which should perhaps have been applied in *Esso* and *Hickok* in lieu of the "related goods theory." This paper then seeks to survey some effects of these two decisions on the

⁶ Heng and Dee v. Wellington Department Store, 92 Phil. 448 (1953). In this decision Mr. Justice Labrador adhered to the then accepted distinction between the two concepts. He stated: "The complaint, however, alleges that the defendants-appellees have the actual intent to mislead the public and to defraud the plaintiffs, as by the use of the name 'Wellington Department Store,' they have deceived the public into buying its goods under the mistaken belief that the same are the plaintiffs' or have the same source as the plaintiffs' goods. The action is evidently one for unfair competition, which is defined in Chapter VI, Section 29, of Republic Act No. 166, not one for violation of a trademark or tradename" *id.* at 453. After this decision, no Supreme Court decision explicitly attributed the factor of deception to unfair competition as distinguished from the plain property right involved in infringement.

⁷ The similarity of disposing tests is due to the fact that the term 'unfair competition' has been said to encompass the concept of 'trademark infringement.' Being a broader concept (and being more inclusive) it has been the practice to use unfair competition tests to dispose of infringement cases. *Etepha v. Director of Patents*, G.R. No. 20905, April 30, 1966, 16 SCRA 495 (1966); *Clarke v. Manila Candy Co.*, 36 Phil. 100 (1917); *Co Tiong Sa v. Director of Patents*, 95 Phil. 1 (1964). However, in *E. Spinner and Co. v. Neuss Hesslein Corp.* 54 Phil. 222, the Supreme Court stated that while infringement has a narrower range (relative to unfair competition), it recognizes a more exclusive right derived from the adoption and registration of the trademark by the person whose goods or business are first associated therewith.

⁸ G.R. No. 29971, August 31, 1982, 116 SCRA 336 (1982).

⁹ G.R. No. 44707, August 31, 1982, 116 SCRA (1982).

¹⁰ 'Supplementary,' because the main test as regards unfair competition is the 'likelihood of confusion test,' which includes such sub-tests as 'confusing similarity,' 'colorable imitation,' and the 'related goods theory.'

dilution angle of our law on trademark infringement as well as the consequences they pose on the infringement provision in general.

II. TRADEMARK INFRINGEMENT IN THE PHILIPPINES

a. *Infringement in Relation to Unfair Competition.*

Infringement is defined in section 22 of Republic Act 166 as follows:

Infringement, what constitutes—Any person who shall [1] use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or tradename in connection with the sale, offering for sale, or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services, or identity of such business; [2] *or reproduce, counterfeit, copy or colorably imitate any such mark or tradename and apply such reproduction, counterfeit, copy of colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with such goods, business or services, shall be liable to a civil action by the registrant for any or all of the remedies herein provided.* (emphasis supplied).

From the construction of said provision we might divide the meaning of trademark infringement into two areas, marked [1] and [2] above, the crucial dividing line being the semi-colon separating the words "business" and "or."

From this preliminary construction it is submitted that the likelihood of confusion or deception to purchasers or others as to the source or origin of such goods or services, or identity of such business, is but one test significant to infringement cases; significant in particular to the first kind of infringement. By the same token, taking the plain meaning of the words, it is submitted that this test is not all that significant for the second type of trademark infringement, which involves mere reproduction, counterfeiting, copying, or imitation, without the necessity of confusion or deception.

Distinguishing section 22 (defining trademark infringement) from section 29(a) (defining unfair competition) of Republic Act 166, we note that in the *latter* a universal test applied to check if the tort of unfair competition exists is whether the attending circumstance of likelihood of confusion or deception in relation to the public is present.¹¹ As early as

¹¹ Notably the definition of "infringement" is less broad than that of "unfair competition," the latter being defined as follows:

"Sec. 29. *Unfair competition, rights and remedies.*—A person who has identified in the mind of the public the goods he manufactures or deals in, his business or services from those of others, whether or not a mark or tradename is employed, has a property right in the goodwill of the said goods, business or services so identified, which will be protected in the same manner as other property rights. . . ."

1906, in the case of *U.S. v. Manuel*,¹² the Supreme Court, speaking through Mr. Justice Carson stated:

The true test of unfair competition is whether certain goods have been clothed with an appearance which is likely to deceive the ordinary purchaser exercising ordinary care, and not whether a certain limited class of purchasers with special knowledge not possessed by the ordinary purchaser could avoid mistake by the exercise of this special knowledge.¹³

Many cases on trademark infringement also use this test indiscriminately as the "true and universal test" even if our law ordains that this should *not* be the only criterion in determining the existence of infringement.¹⁴

Perhaps the best discussion on the distinction between trademark infringement and unfair competition may be found in the case of *Compania General de Tabacos de Filipinas v. Alhambra Cigar and Cigarette Co.*,¹⁵ which involved the use of the name "Isabelas" in the cigars produced by both party litigants. Inasmuch as the case involved two causes of action, one for infringement and the other for unfair competition, the High Court, speaking through Mr. Justice Moreland elaborated on the nature of the two actions:

As a necessary consequence, an action for a violation or infringement of a trademark or tradename does not proceed primarily on the

"Any person who shall employ deception or any other means contrary to good faith by which he shall pass off the goods manufactured by him or in which he deals, or his business, or services for those of the one having established such goodwill, or who shall commit any act calculated to produce said result, shall be guilty of unfair competition, and shall be subject to an action therefor.

"In particular, and without in any way limiting the scope of unfair competition, the following shall be deemed guilty of unfair competition:

"(a) Any person, who in selling his goods shall give them the general appearance of goods of another manufacturer or dealer, either as to the goods themselves or in the wrapping of the packages in which they are contained, or the devices or words thereon, or any other feature of their appearance, which would likely influence purchasers to believe that the goods offered are those of a manufacturer or dealer other than the actual manufacturer or dealer, or who otherwise clothes the goods with such appearance as shall deceive the public and defraud another of his legitimate trade, or any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose;

"(b) Any person who by any artifice, or device, or who employs any other means calculated to induce the false belief that such person is offering the services of another who has identified such services in the mind of the public; or

"(c) Any person who shall make any false statement in the course of trade or who shall commit any other act contrary to good faith of a nature calculated to discredit the goods, business or services of another.

¹² 7 Phil. 221 (1906).

¹³ *Id.* at 225.

¹⁴ *Recaro v. Embisan*, G.R. No. 17049, May 31, 1961, 2 SCRA 598 (1961); *Etepha v. Director of Patents*, G.R. No. 20905, April 30, 1966, 16 SCRA 495 (1966); *Philippine Nut Ind. v. Standard Brands Inc.*, G.R. No. 23035, July 31, 1975, 65 SCRA 575 (1975); *American Cyanamid Co. v. Director of Patents*, G.R. No. 23954, April 29, 1977, 76 SCRA 568 (1977).

¹⁵ 33 Phil. 485 (1916).

theory that either the plaintiff or the public has been or will be defrauded, although that may be, in effect, the result; but on the hypothesis that the plaintiff's right in the mark or the name has been invaded and that he is entitled to the damages resulting from the invasion. In either case an action can be maintained without proof of anything more than the right to the exclusive use of the mark or name and that the defendant has violated it. No allegation of proof of fraud or intent to defraud is necessary. On the other hand, the action to prevent unfair competition is based exclusively on fraud; and it would seem from the wording of the statute that it refers to the fraud committed on the public rather than to the fraud committed on the plaintiff—the fraud against the plaintiff being only an incident—the means by which the fraud is perpetrated on the public. . . . Fraud then is the essence of an action of unfair competition; right in property the essence of the other. . . .¹⁶

While the Trademark Law of 1905 was the law in force at the time of promulgation of this decision, and while this law may have been superseded by Republic Act 166, the jurisprudential value of the quoted decision should still hold under present legislation. Our Supreme Court, however, has of late disposed of infringement cases solely on the basis of the so-called "related goods theory" which provides, in effect, that infringement can arise only if there is likelihood of confusion in the minds of the public and that there could be likelihood of confusion only if the goods involved are related. "Relatedness" has meant either that the goods are of the same descriptive properties or that the goods are sold through the same channel of trade. The danger of using this criterion is that it has stultified the growth of jurisprudence centering on infringement of goods of the second kind, which, although, possibly prevalent in practice, is rendered practically non-existent.

b. *Historical Antecedents of Section 22 of Republic Act 166.*

The High Court's dependence on the "related goods theory" shows that it has overlooked the significance of changes in our Trademark Law, for the doctrine that infringement is not attendant when the goods on which the trademark in question is used are non-competing or entirely unrelated to the products of the trademark owner is a long discarded concept based on the United States Trademark Act of 1905, a statute repealed over thirty years ago, on July 5, 1946, by the Lanham Act, which Act is the basis of our own Republic Act 166, the statute on trademarks presently in force in this jurisdiction. Indeed, for instance, *American Foundries v. Robertson*,¹⁷ the United States jurisprudence cited by the Supreme Court in the *Esso* case to support the conclusion that goods have to be related for infringement to exist, is based on the United States Trademark Act of 1905! The pertinent provision of said Act of 1905 reads as follows:

¹⁶ *Id.* at 489-90.

¹⁷ 269 U.S. 372 (1926).

Sec. 16, U.S.C., title 15, sec. 96. *Evidence of ownership infringement, and damages therefore*—That the registration of a trademark 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, or colorably imitate any such trademark 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, or shall use or shall have used, such reproduction, counterfeit, copy or colorable imitation in commerce among several states, or with a foreign nation, or with the Indian tribes, shall be liable to an action for damages therefore; 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 cost. (emphasis by way of stressing the pertinent repealed portion, supplied).¹⁸

Section 3 of Act 666 which has since been repealed by Republic Act 166 also provides in part: "Any person entitled to the exclusive use of a trademark to designate the origin or ownership of goods he has made or deals in, may recover damages in a civil action from any person who has sold goods of a similar kind, bearing such trademark . . ." (emphasis, again by way of stressing pertinent repealed portion, supplied).

The foregoing statutes indeed supported the conclusion that infringement could only exist when similar trademarks were used on "merchandise of substantially the same descriptive properties" or "goods of a similar kind." A change of attitude, however, had been registered in the Philippines as early as 1942 in the leading case of *Ang v. Teodoro*¹⁹ (decided a few years before the promulgation of Republic Act 166) and this change of attitude has further been manifested in amendatory statutes which are still in force today. On July 5, 1946, the Lanham Act was signed by the President of the United States to take effect a year later. Section 32(1) of said Act provides:²⁰

Sec. 32(1) Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services; or (b) reproduce, counterfeit, copy or colorably imitate any such mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale in commerce of such goods

¹⁸ CALLMANN, 5 UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES 2395 (1969).

¹⁹ 74 Phil. 50 (1942).

²⁰ 60-1 STAT. 437-8 (1946).

or services, shall be liable to a civil action by the registrant for any or all the remedies hereinafter provided, *except that under section (b) hereof the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such mark is intended to be used to cause confusion or mistake to deceive purchasers.* (emphasis supplied).

Our own law on trademarks, namely Republic Act 166, took effect on June 20, 1947. As can be seen from this Act's definition of infringement (section 22, quoted earlier) words adverting to "similarity of goods" *have been omitted* in the new trademark statute. Instead, the words "any goods, business or services," or words of similar import, appear in prevailing American and Philippine laws. Noteworthy, furthermore, is the fact that when the Philippine Congress adopted Republic Act 166, it eliminated the qualification found in the second kind of infringement put forth in the Lanham Act. Thus, by virtue of the elimination of the phrase "except that under section (b) hereof the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such mark is intended to be used to cause confusion or mistake to deceive purchasers," as found in the Lanham Act, the importance of the likelihood of confusion test on the second portion of section 22 of Republic Act 166 has been weakened substantially.

Daphne Robert, author of *The New Trade Mark Manual*, (based on the Lanham Act,²¹ which, as has been stated, is a law practically identical to ours), says the following:

Under the 1905 Act a right to action to suppress an infringement of a registered mark arose only if the infringement was used on 'goods of the same descriptive properties' as the registrants' goods. In its practical application, the phrase 'goods of the same descriptive properties' was construed strictly by some courts and liberally by others, with the inevitable result that no one knew precisely what it meant. Strict construction required that the goods be the same, and some courts held that there must be actual confusion of goods before relief could be granted. But many courts reasoned that if the goods were unlike but somewhat related, purchasers might mistakenly think that the goods of both parties emanated from the same source.

There was no adequate measuring stick as long as the phrase remained in the statute. *One certain indication that Congress intended to broaden protection of registered trademarks is the omission of the phrase from the new Act...The goods or services need not be identical or even remotely related.* If it is shown that the purchasers are likely to be misled by the mark into thinking that the same concern is selling, offering for sale or advertising the goods or services of both parties, relief will be granted. (emphasis supplied).

In conclusion the United States Congressional Committee recognized the two-fold purpose of any trademark statute when it said:

²¹ 15 U.S.C.A. 286-7 (1948).

One purpose [of the Act] is to protect the public so it may be confident in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of the trademark has spent energy, time, and money in presenting to the public his product, he is protected in his investment from its misappropriation by pirates and cheats.²² (emphasis supplied).

It should not be said, therefore, that since infringement is considered part of the broader concept of unfair competition, the determination of infringement should be circumscribed by the applicable tests in the latter concept.²³ Rather, the less extensive concept of infringement should be allowed to develop its own determining criteria. In the Philippine context, trademark infringement forms part of unfair competition only in the sense that both may, but need not necessarily, produce the same effect on the public at large—that is, confusion in the minds of the people as to the source or origin of goods. Trademark infringement, therefore, can stand on independent ground without shedding off an aspect intimately connected with the broader concept of unfair competition.²⁴ Once more, it is unfortunate that the 1982 decision in *Esso* and *Hickok* failed to comprehend this distinction.

c. Rationale and Status of the Anti-Dilution Principle.

The doctrine that infringement takes place even when goods are non-competing is supported by an understanding of the concept of “dilution of trademarks.” Callmann expounds:

²² *Ibid.*

²³ In *Spinner v. Neuss Hesslein*, 54 Phil. 222, the Supreme Court stated: “Though the law concerning infringement of trademarks 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 trademark is of more limited range, but within its narrower range recognizes a more exclusive right derived from the adoption and registration of the trademark by the person whose goods or business are first associated therewith.”

²⁴ It is interesting to note that in *Converse Rubber Corp. v. Jacinto Rubber Co.*, G.R. Nos. 27425 and 30505, April 28, 1980, 97 SCRA 158 (1980), a case which involved ‘unfair competition’ as a cause of action, the Supreme Court, proscribing the registration of defendant’s trademark, in effect played down the importance of the test of relatedness of goods in relation to the goodwill generated by the infringed mark as regards unfair competition itself. The High Court speaking through Mr. Justice Barredo stated: “Singularly absent is a requirement that the goodwill sought to be protected in an action for unfair competition must have been established in an actual competitive situation. Nor does the law require that the deception or other means contrary to good faith or any acts calculated to pass off other goods for those of one who has established a goodwill must have been committed in an actual competitive situation.”

“To read such conditions, as defendants-appellants seek to do, in the plain prescription of the law is to reconstruct it. Indeed, goodwill established in other than a competitive milieu is no less a property right that deserves protection from unjust appropriation or injury.” *Id.* at 171-2.

The implication of this statement is that, assuming *arguendo* that trademark infringement should be regarded as part of the broader concept of unfair competi-

Section 84.2. *Dilution of Trademarks*—Although confusion of goods or business is the more usual and most immediate consequence of trademark infringement, it is not the only by-product of the wrong. The attrition of a trademark's value may be the eventual outcome of infringements that involve no such confusion. *It is, therefore, incorrect to equate trademark infringement with passing off, or to conclude that the only index of such infringement is whether or not the purchaser would be induced to purchase the defendant's product instead of plaintiff's . . .* Though it is true that one well-spring of the law of trademarks is the competitive relationship, it should be remembered that there may well be non-competitive violations of trademark rights, and that, in all such cases, logic should dictate exception to the rule.

. . . [A] type of non-competing trademark infringement involves non-competing goods which are so completely unrelated that there can be no likelihood or prospect of confusion at all. In this context, however, the defendant's continued use of an identical or similar trademark will inevitably dilute the distinctiveness of the plaintiff's mark. The gravamen of a dilution complaint is that the continuing use of a mark similar to the plaintiff's will inexorably have an adverse effect upon the value of the plaintiff's mark, and that, if he is powerless to prevent such use, the plaintiff's mark will eventually be deprived of all distinctiveness.

. . . The selling power of the mark is realistically dependent upon its distinctiveness. Indeed, should the trademark owner sanction or acquiesce in the continued use of a similar mark by others, he assumes the risk that the resulting dilution will render his mark generic and freely available for common use. That of course writes finis to the distinctiveness of the mark. Accordingly, the fate of a trademark depends upon the alertness of the trademark owner in guarding its uniqueness and the alacrity with which he acts against imitations . . . Furthermore, when the problem of dilution is involved it matters not that the goods are sold to different classes of people or that the goods are expensive and bought only by experts . . . The test for dilution should not be related to or even limited by the test for confusion. Even though there may be confusion, *the distinctiveness of a famous trademark may be debilitated by another's use and this is the essence of the wrong.*²⁵ (emphasis supplied).

It is said that a trademark must be designed, as its primary object and purpose, "*to indicate the owner or producer of the commodity, and to distinguish it from like articles manufactured by others.*"²⁶

"The office of a trademark is to guarantee the purity of the article, it being presumed that as the owner has the exclusive right to use the same, he will see that the goods sold under it are of such character as

tion, if relatedness of goods is not all that material in the determination of the existence even of unfair competition, then the earlier view that infringement should be decided on the basis of the property right in the mark itself rather than confusion as to the origin of the goods (because of their 'relatedness') should hold more water.

²⁵ 3 CALLMANN, UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES, 953-8 (1969) [hereinafter cited as 3 CALLMANN].

²⁶ Columbia Mill Co. v. Alcorin, 150 U.S. 460, 463 (1893) cited in HARRY NIMS, THE LAW OF UNFAIR COMPETITION AND TRADEMARKS, 517 (1947), [hereinafter cited as NIMS].

will earn and retain the confidence and patronage of the purchasing public."²⁷

"A trademark is auxiliary to the *good will* of its user."²⁸ Since "good will" embodies such elements as "favor, celebrity, probability, habit, popularity and good name,"²⁹ taken in line with a study on the concept of "trademark," the functions of a trademark become all the more evident. These functions are: first, it *identifies* the product and its origin; second, it *guarantees* the quality of the product and third, it serves as an *advertising medium* for the product.

Hand-in-hand with these purposes, a court may proceed with any of several acceptable premises in granting trademark protection.

First, a trademark may be protected because of the trademark statute under which it is registered. Second, a trademark may be protected on the theory of unfair competition if the plaintiff and defendant are in fact competitors. Third, where the litigants are not in actual competition with each other, the court may grant protection on the theory of "unfair dealing." And fourth, protection may always be predicated on the theory which recognizes the mark as property. (emphasis supplied).³⁰

This fourth protection is submitted to be embodied in the anti-dilution concept, which concept this writer has attributed to early case law on the subject of trademark infringement (although Act 666, itself did not cover explicitly anti-dilution) as well as to the second portion of section 22 of Republic Act 166.

While admittedly anti-dilution statutes have not been adopted in all states of the American Union, the number of adopting states is considerable.³¹ A Massachusetts Statute, for one, provides that in trademark infringement cases, even in the absence of competition between the parties or confusion as to the source of goods or services, "dilution of the distinctive quality of the business or trademark shall be a ground for injunctive relief."³²

The State of New York has an anti-dilution law which seeks to supplement the Lanham Act insofar as infringement and unfair competition cases are concerned. The New York law reads:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or tradename shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered

²⁷ Coca-Cola v. State of Texas, 225 S.W. 791, 794 (1920), cited in NIMS, *supra* note 26, at 518.

²⁸ NIMS, *supra* note 26, at 520.

²⁹ *Id.* at 80.

³⁰ 3 CALLMANN, *supra* note 25, at 928-29.

³¹ As of 1983, at least 21 states have enacted Anti-Dilution Statutes. Lunsford and Cohrs, *Trademark Protection: A Reply to Swann's Inconsistencies*, 34 MERCER L. REV. 915, 932 (1983).

³² 3 CALLMANN, *supra* note 25, at 961.

or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.³³

In the recent case of *Dallas Cowboys Cheerleaders Inc. v. Pussycat Cinema Ltd.*,³⁴ a United States District Court in New York stated the applicability of the anti-dilution theory on the Lanham Act. In this case, petitioner company, which was managing the nationally known "Dallas Cowboys Cheerleaders," sought to enjoin defendants from showing a lewd film which, among others, and to say the least, exhibited cheerleaders in sexual poses wearing uniforms almost identical to those of the Dallas Cowboys Cheerleaders. It was the contention of the petitioner that the Dallas Cheerleaders' uniform constituted a trademark susceptible of protection under the Lanham Act. In upholding the position of petitioner and in granting the injunction sought for, the court made the following statement:

There is no requirement that the defendant's service or product be in direct competition with, or be of the same type as, the product or service of the plaintiff. The owner of the service mark or trademark basically has the right, as far as commercial exploitation is concerned, to have the mark associated with his services and goods, rather than with the services or goods of another person. This is true whether or not the party who misappropriates the mark deals in competing or non-competing goods.³⁵

As one writer, also emphasizing the 'right of association,' states: "The concept [of dilution] has been basically misunderstood and wrongly advocated as a property theory to protect the invention of words rather than correctly perceived as a needed legal prohibition of destructive damage to intangible, state-of-mind commercial values generated by commercial endeavor."³⁶ He further states that "the property right . . . is the mark's distinctiveness in the minds of those who have encountered it, rather than an 'in gross' property right in the mark itself."³⁷

Furthermore, in the oft-quoted words of Mr. Justice Frankfurter in *Mishawaka Rubber & Woolen Manufacturing Co. v. S. S. Kresge Co.*:

The protection of trademarks is the law's recognition of the psychological functions of symbols. It is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this

³³ General Business Law of New York, § 368(d) as cited in *Dallas Cowboys Cheerleaders v. Pussycat Cinema*, 467 F. Supp. 366, 372 (1979).

³⁴ 467 F. Supp. 366 (1979).

³⁵ *Id.* at 374.

³⁶ Pattishall, *The Dilution Rationale for Trademarks—Trade Identity, Protection, and its Progress and Prospects*, 71 NW. U. L. REV. 618, 631-2 [hereinafter cited as Pattishall].

³⁷ *Ibid.*

human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trademark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.³⁸

In the Philippines, the likelihood of confusion—anti-dilution controversy should not be problematical because section 22 of Republic Act 166 embodies the anti-dilution doctrine. The second portion of section 22 of said Act, together with pronouncements of the Supreme Court before the promulgation of Republic Act 166 clearly show the intent of our legislators to accord protection to trademark owners on the basis of their ownership of the trademark itself. Emphasizing the observation that our legislators did not include the qualification found in section 32.1(b) of the Lanham Act, which made intention to cause confusion an element of the other kind of infringement, the position of the anti-dilution concept should be treated as more firmly ingrained in Philippine jurisprudence relative to the American experience. It may be said, therefore, that very early in our history we adhered to the proposition that the preservation of the uniqueness of a trademark should constitute the 'rational basis for its protection.'³⁹

III. THE ESSO AND HICKOK CASES

The *Esso Standard Eastern v. Court of Appeals* case presents an example of the High Court's apparent neglect of the proprietary right of persons in a trademark or tradename. Petitioner Esso brought an action for trademark infringement claiming that respondent United Cigarette Corporation had appropriated the name "Esso" for a cigarette line despite the fact that "Esso" had been previously registered in the Philippine Patent Office as a brand for petroleum products and had been in use in the Philippines for a considerable period of time when private respondent decided to produce cigarettes using the same name. While the Court of First Instance held for petitioner Esso, the Court of Appeals reversed the decision and the Supreme Court affirmed the decision of the appellate court claiming that there could be no infringement "since it clearly appears that the goods on which the trademark Esso is used by the respondent are non-competing and entirely unrelated to the products of petitioner that there is no likelihood of confusion or deception on the part of the purchasing public as to the origin and source of the goods."⁴⁰ Quoting verbatim section 22 of Republic Act 166, the High Court declared that "implicit in this definition

³⁸ 316 U.S. 203, 205 (1942).

³⁹ Schecter, "The Rational Basis of Trademark Protection", 40 HARV. L. REV. 813 (1927). Schecter's views were instrumental in bringing about anti-dilution statutes in the different States of the American Union.

⁴⁰ *Esso Standard Eastern*, 116 SCRA at 339.

is the concept that the goods must be so related that there is likelihood either of confusion of goods or business,"⁴¹ and that "when a trademark is used by a party for a product in which the other does not deal, the use of the same trademark for the latter's product cannot be validly objected to."⁴² The Supreme Court then dismissed the case on the ground that the goods were non-competing and sold through different channels of trade.

While the High Court in this case took pains to elaborate on the differences in appearance between the two marks and consequently held that the samples show a great many differences on the trademarks used, it is submitted that the widely known and used nature of petitioner's fanciful name and the *danger of dilution of the mark in line with the second portion of section 22 of Republic Act 166* should have carried the day for petitioner Esso.

The error in *Esso*, however, pales in comparison to that found in *Hickok Manufacturing Co. v. Court of Appeals*, decided on the same day. Petitioner Hickok sought to cancel the private respondent's registration of the trademark "Hickok" for its Marikina made shoes due to petitioner's earlier registration of the same trademark for its other non-competing products such as "leather wallets, key cases, money folds made of leather, belts, men's briefs, neckties, handkerchiefs and men's socks."⁴³ The Director of Patents held for petitioner but the Court of Appeals relying heavily on the decision in *Acoje Mining v. Director of Patents*,⁴⁴ allowed the registration of the "Hickok" mark for respondent's shoes. The Supreme Court adopted *in toto* the decision of the Court of Appeals.

At this juncture it is worth noting that much of the confusion in the present trend of infringement cases rests in the indiscriminate invocation of the ruling of the Supreme Court in *Acoje*. In that case, the Supreme Court allowed the registration of petitioners "Lotus" brand for soy sauce over the objections of respondent company which made cooking oil of the same brand. The decision stated:

This is quite a difference between soy sauce and edible oil. If one is in the market for the former, he is not likely to purchase the latter just because of the trademark "Lotus". Even on the rare occasion that a mistake does occur, it can easily be rectified. Moreover, there is no denying that the possibility of confusion is remote considering the petitioner's trademark being yellow and red while that of Philippine Refining Company [respondent] being green and yellow, and the much smaller size of petitioner's trademark."⁴⁵

It should be noted that the factual circumstances surrounding the *Acoje* case differs from that of the *Hickok* case. While the "Lotus" brands

⁴¹ *Id.* at 341.

⁴² *Id.* at 345.

⁴³ *Hickok Manufacturing Co.*, 116 SCRA at 389-90.

⁴⁴ G.R. No. 28744, April 29, 1971, 38 SCRA 480 (1971).

⁴⁵ *Id.* at 482.

in the former refer to a common noun or descriptive phrase not generally capable of appropriation,⁴⁶ 'Hickok' is a name not ordinarily used in the English language. There was also error on the part of the High Court to invoke the Acoje decision in assessing the other circumstances in the Hickok case. First, *the visual description* of the trademarks involved in that case should have led to the conclusion that indeed there was colorable imitation of the previously registered trademark. If we apply the so-called "test of dominancy", which has time and again been applied by the Supreme Court in deciding both unfair competition and infringement cases,⁴⁷ we should have arrived at a decision proscribing such registration. Applying the dominancy test on the Hickok case, based on the factual findings of the Court of Appeals, there was a use of an identical name (not geographical or descriptive) and identical features of two laurel branches and ribbons. The difference in the marks were found in the use of different background colors, the addition of the word "shoes" in the respondent's products, and a different slogan which, however, was situated in a position near the ribbon similar to the place where petitioner's slogan was. It is submitted that the main features of the two goods are so similar as to lead to possible confusion regarding the origin of these products and thus impairing the goodwill in the trademark of the previous registrant; which in the last mentioned case is petitioner Hickok Manufacturing Co. Strangely, infringement could have been found either on the basis of the first *as well as* of the second type of infringement as found in section 22 of Republic Act 166, yet, the Supreme Court chose to ignore what was an obvious violation of the law.

Moreover, the Hickok decision, if maintained, would run counter to such decisions as *Ang v. Teodoro*,⁴⁸ *American Wire and Cable v. Director of Patents*,⁴⁹ *Arce v. Selecta*,⁵⁰ *Philippine Nut Inc. v. Standard Brands*,⁵¹ among others, which, involving similar circumstances, should have strengthened Hickok's position.

⁴⁶Section 4(e) of Republic Act 166 does not allow for the registration of a trademark if it "Consists of a mark or trade-name which when applied to or used in connection with the goods, business or services of the applicant is merely descriptive or deceptively misdescriptive of them, or when applied to or used in connection with the goods, business or services of the applicant is primarily geographically descriptive or deceptively misdescriptive of them, or is primarily merely a surname."

⁴⁷Briefly, the test of dominancy means that if the competing trademarks contain the main or essential or dominant features of another by reason of which confusion or deception are likely to result, then infringement takes place, that duplication or imitation is not necessary, a similarity in the dominant feature would be sufficient. *Co Tiong Sa v. Director of Patents*, 95 Phil. 1 (1954); *Lim Hoa v. Director of Patents*, 100 Phil. 244 (1954); *American Wire and Cable v. Director of Patents*, G.R. No. 26557, February 18, 1970, 31 SCRA 544 (1970); *Philippine Nut Ind. v. Standard Brands*, G.R. No. 23035, July 31, 1975, 65 SCRA 575 (1975).

⁴⁸74 Phil. 50 (1942).

⁴⁹G.R. No. 26557, February 18, 1970, 31 SCRA 544 (1970).

⁵⁰G.R. Nos. 14761 and 17911, January 28, 1961, 1 SCRA 253 (1961).

⁵¹G.R. No. 23035, July 31, 1975, 65 SCRA 575 (1975).

In *Ang*, for instance, infringement was held to exist when the same mark as originally applied to leather shoes, slippers and baseballs was subsequently used for pants and shirts. Since the products in the *Ang* case approximate those found in the *Hickok* case, it is submitted that the latter case should have been decided in conformity with the former decision. It is noteworthy that, while *Ang* was decided before the enactment of Republic Act 166, it had not failed "to apply the law as it has grown and not as it was born."⁵² While the *Ang* decision sought "to breathe life into the statutes,"⁵³ the *Hickok* decision takes an atavistic stance by reifying doctrines of a bygone era.

Answering an issue centering on the related goods theory (as if foreshadowing what was to happen in the future) the High Court in *Ang* stated that:

The courts have come to realize that there can be unfair competition or unfair trading even if the goods are non-competing, and that such unfair trading can cause injury or damage to the first user of a given trademark, first, by prevention of the natural expansion of the business and second, by having his business reputation confused with and put at the mercy of the second user. When non-competitive products are sold under the same mark, the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark created by the first user, inevitably results. The original owner is entitled to the preservation of the valuable link between him and the public that has been created by his ingenuity and the merit of his wares and services . . . The owner of a trademark or tradename has a property right in which he is entitled to protection, since there is damage to him from confusion of reputation or goodwill in the mind of the public as well as from confusion of goods. The modern trend is to give emphasis to the unfairness of the acts and to classify and treat the issue as fraud.⁵⁴

Applying in part the above-quoted passage, the *Hickok* decision is defective because it stymies the natural expansion of petitioner's business. It needs no stretch of the imagination to conceive a situation where a large scale manufacturer of leather products, such as petitioner in the *Hickok* case, would subsequently desire to diversify into the production of shoes made of leather material, and this expansion can in no way be regarded as too remote or fanciful. Indeed it seems ironic that while the competing products in the *Hickok* case were more 'related' than those in *Ang*, the resulting dispositions were exact opposites.

The situation of the prejudice that the *Hickok* trademark suffered can be compared to the *Esso* case. What should have benefited *Esso* in the first mentioned case was the fact, among others, that "*Esso*" is not merely a trademark but also a tradename⁵⁵ and its distinctive combination of letters

⁵² 74 Phil. 50 (1942).

⁵³ *Ibid.*

⁵⁴ *Id.* at 54-55.

⁵⁵ Section 38 of Republic Act 166 provides, inter alia, that "The term 'trade-name' includes individual names and surnames, firmname, tradenames, devices, or

[the Greek letter 'E' with the Roman 'SSO'] had been widely popularized by petitioner and affiliates not only in the Philippines but all over the world.

IV. FREE RIDE EFFECT

The latest decisions of the Supreme Court on trademark infringement invite a very dangerous prospect that would run counter-productive to what should be considered a sound policy of encouraging the independence of our manufacturers and to discourage free rides on the well established trademarks of others.

At a time when Philippine manufacturers are trying to improve the quality of locally processed and manufactured goods in order to compete favorably with foreign commodities, hopefully to earn the foreign currency needed to lift our country from its present financial straits, such a free or lenient policy could only make these indigenous manufacturers more dependent on the ingenuity and advancement of their foreign counterparts. With this dependency it is not hard to imagine the pernicious effects this would have on our products in the competitive market.

The *Ang v. Teodoro* decision states:

experience has demonstrated that when a well known trademark is adopted for another even for a totally different class of goods, it is done to get the benefit of the reputation and advertisements of the originator of said mark, to convey to the public a false impression of some supposed connection between the manufacturer of the article sold under the original mark and the new articles being tendered to the public under the same or similar mark.⁵⁶

Furthermore:

The field from which a person may select a trademark is practically unlimited, and hence there is no excuse for impinging upon or even closely approaching the mark of a business rival. In the unlimited field

words used by manufacturers, industrialists, merchants, agriculturists, and others to identify their business, vocations or occupations; the names or titles lawfully adopted and used by natural or juridical persons, unions and any manufacturing, industrial, commercial, agricultural or other organizations engaged in trade or commerce."

It should be noted that "Esso" is not an ordinary tradename but one that has been widely popularized and thus, should be given broader protection. "The rule that coined or fanciful marks or names should be given a much broader degree of protection than words in common use is sound, for it recognizes not only the orthodox basis of the law of trademarks that the sale of the goods of one manufacturer or vendor as those of another should be prevented, but also the fact that in modern business the trademark performs the added function of an advertising device, whose value may be injured or destroyed, unless protected by the courts." *Arrow Distilleries v. Globe Brewing Co.*, 117 F. 2d 347-51; cited in 3 CALLMANN, *supra* note 25, at 976.

⁵⁶ *Ang v. Teodoro*, 74 Phil. 50 (1942).

of choice, what could have been the petitioner's purpose in selecting 'Ang Tibay' if not for its fame?⁵⁷

Of course, as in all other cases of colorable imitation, the unanswered riddle is why, in the millions of terms and combinations of letters and designs available, the appellee had to choose those so closely similar to another's trademark if there was no intent to take advantage of the goodwill generated by such mark."⁵⁸

It should also be emphasized that "a self-respecting person, or a reputable business concern, does not remain in the shelter of another's popularity and goodwill but builds one of his own."⁵⁹

V. RESUME

Recent decisions in trademark infringement have failed to appreciate the two definitions of the act as found in section 22 of Republic Act 166. This unfortunate development has led to the prospect of greater dilution of the property rights of trademark owners and has rendered nugatory the plain and simple criteria offered by this separate aspect of said section 22. Moreover, these decisions have opened a wide field for free riders, possibly enjoining the growth of responsible and independent manufacturers and ushering in the prospect of increased fraud perpetrated on unsuspecting consumers (and this is especially so as regards the numerous goods bought on impulse).

Neither the present law on trademarks nor the effects of its evolution, including trends in American jurisprudence, have warranted this negation of the anti-dilution concept. It is time, therefore, to rectify this development, nay aberration, and return to this branch of the law on property the importance it clearly requires.

⁵⁷ *Id.* at 56.

⁵⁸ *American Wire and Cable v. Director of Patents*, G.R. No. 26557, February 18, 1970, 31 SCRA 544, 551 (1970).

⁵⁹ *Philippine Nut Ind. v. Standard Brands*, G.R. No. 23035, July 31, 1975, 65 SCRA 575, 588 (1975).