

# Confusing Case Law on Confusing Similarity: Resolving the *McDonald's v. Big Mak* Controversy

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*Well has it been said that the most successful form of copying is to employ enough points of similarity to confuse the public with enough points of difference to confuse the courts.*

- Justice Isagani Cruz, dissenting in *Asia Brewery, Inc. v. CA*

## INTRODUCTION

Imitation is considered the highest form of flattery, but not so when it is committed against an enterprise who has first created goodwill, and carved a niche in the market through advertising investments, product development, and other intensive operations. An entity which has built a name over the years through hard work only to find out that another entity has copied its name or symbol stands to lose to this competitor who has taken undue advantage of the reputation associated with the trademark. The trademark

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therefore becomes a property right, the exclusive use of which ought to be, and is, legally recognized in accordance with the basic tenets of equity and fair play. Otherwise, the appropriation of the mark, along with the reputation the public associates with it, results to unjust enrichment<sup>1</sup> at the very least.

Consumer trust or patronage of a genuine good or service is born out of a fulfilled satisfaction from the product's quality. If so satisfied, the consumer only has to look for the product's distinguishing mark among the other competing articles in the market. An imitation confuses the public as to the origin of the goods or services and leads them to purchase the articles marked by the infringer under the impression that it is the real thing. If the imitation somehow fails to live up to the consuming public's expectation, there is reason to believe that the patronage of the product will drop, to the damage and prejudice of the entity which produced the original. If the spurious mark passes the courts' scrutiny for infringement, the imitation may be further scrutinized to see if it falls under the broader category of unfair competition. Legally, therefore, imitation is not flattery, but a crime.<sup>2</sup>

The law provides the requisites of trademark infringement as follows: (1) the validity of plaintiff's mark; (2) plaintiff's ownership of such valid mark; and (3) the use of the mark or its colorable imitation by the alleged infringer which results in *likelihood of confusion*.<sup>3</sup> The third requisite is the most critical. In arriving at the existence of such likelihood, courts are to apply either the dominancy test or the holistic test, both of which are grafted from American

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1. An Act to Ordain and Institute the Civil Code of the Philippines [CIVIL CODE OF THE PHILIPPINES] Republic Act No. 386, (1950), art. 22. (The article provides that "[e]very person who through an act or performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to him.").
  2. See An Act Prescribing the Intellectual Property Code and Establishing the Intellectual Property Office, Providing For Its Powers and Functions, and For Other Purposes, [INTELLECTUAL PROPERTY CODE] Republic Act No. 8293, §155 (infringement), 168 (unfair competition), 169 (false designations of origin; false description or representation) and 170 (penalties for §155, 168, 169.1).
  3. These elements adopted by the court in deciding the *McDonald's* controversy are also the elements required by the Lanham Trade-Mark Act of 1946 [LANHAM ACT], § 32(1), 15 U.S.C.A. § 1114(1), in establishing infringement, cited in *A & H Sportswear Co., Inc. v. Victoria's Secret Stores, Inc.* 167 F.Supp.2d 770 (2001). See *McDonald's Corporation v. L.C. Big Mark Burger, Inc.*, 437 SCRA 10, 24 (2004).

jurisprudence.<sup>4</sup> However, the tests have proved to be conflicting, such that when applied to the same set of facts, each yields a result contrary to that of the other. This can be seen from the rulings in *Converse Rubber*,<sup>5</sup> *Del Monte*,<sup>6</sup> *Asia Brewery*,<sup>7</sup> *Emerald Garment*,<sup>8</sup> and *Nestlé*<sup>9</sup> all of which will be examined in relation to the *McDonald's* ruling. The judicial challenge therefore is how to arrive at a choice between the two tests, that is, developing a test to determine which test to be used.

On August, 2004, the Supreme Court issued a verdict in *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*<sup>10</sup> abandoning the holistic test in favor of the dominancy test in determining the existence of confusing similarity, a factor of trademark infringement. The irony lies in the High Court's consideration of factors pertaining to the mark as a whole, including the similarity of the food products which carried the marks and the intention behind respondent incorporators' use of the trademark *Big Mak*.

#### I. THE CASE OF *MCDONALD'S V. BIG MAK*: FACTUAL BACKGROUND

##### A. Parties to the Case

Petitioner McDonald's Corporation (McDonald's) is a Delaware-based corporation operating a global chain of fast-food restaurants by itself or through its franchisees. Its local franchisee is a domestic corporation, McGeorge Food Industries. Among the trademarks owned by McDonald's is the *Big Mac* mark for its double-decker sandwich, which was registered in the United States on October 16, 1979. McDonald's has introduced its *Big Mac* hamburger sandwiches to the Philippine market since September, 1981 and has allegedly spent P10.5 million in advertising the Big Mac from 1982 to 1990.<sup>11</sup> The Philippine Bureau of Patents, Trademarks and Technology

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4. *Cf. Co Tiong Sa v. Director of Patents*, 95 Phil. 1, 5-6 (1954), *Song Fo & Co. v. Tiu Co Siong*, 13 Phil. 143, 151 (1909), and *Del Monte Corporation v. Court of Appeals*, 181 SCRA 410, 417-418 (1990).

5. *Converse Rubber v. Universal Rubber Products*, 147 SCRA 154 (1987).

6. *Del Monte Corporation v. Court of Appeals*, 181 SCRA 410 (1990).

7. *Asia Brewery, Inc. v. Court of Appeals*, 224 SCRA 437 (1993).

8. *Emerald Garment Manufacturing Corp. v. Court of Appeals*, 251 SCRA 600 (1995).

9. *Societe Des Produits Nestlé S.A. v. Court of Appeals*, 356 SCRA 207 (2001).

10. *McDonald's Corporation v. L.C. Big Mark Burger, Inc.*, 437 SCRA 10 (2004).

11. *Id.* at 14.

(PBPTT), now known as the Intellectual Property Office (IPO), approved its local application for registration on July 18, 1985.

Respondent corporation, L.C. Big Mark Burger, Inc., operates fast-food vans and outlets in Metro Manila, Rizal, Laguna, Bulacan and Quezon. On October 21, 1988, some three years after McDonald's Big Mac mark was registered locally, respondent applied for the registration of its *Big Mak* mark with the PBPTT. As expected, McDonald's opposed the application. McDonald's eventually sued respondents for trademark infringement and unfair competition.

### *B. Procedural History*

The case was initially filed by petitioners on June 6, 1990 at the Regional Trial Court of Makati, Branch 137 (RTC) and reached the High Court as a petition for review<sup>12</sup> after the Appellate Court absolved respondents of the liabilities for trademark infringement imposed by the trial court.

#### 1. The Trial Court's Ruling

The RTC found L.C. Big Mak liable for both trademark infringement under §23 of Republic Act 166<sup>13</sup> and unfair competition under §29 of the same law. It ruled that respondent was guilty of unfair competition after it infringed on and appropriated petitioner's registered Big Mac mark as its corporate name. One of the factors the RTC considered in determining infringement was the similarity of business engaged in by both of the contending parties:

Significantly, the contending parties are both in the business of fast-food chains and restaurants. An average person who is hungry and wants to eat a hamburger sandwich may not be discriminating enough to look for a McDonald's restaurant and buy a "B[ig] M[ak]" hamburger sandwich.

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12. § 1, RULE 45 of the RULES OF COURT provides:

Filing of petition with Supreme Court. – A party desiring to appeal by *certiorari* from a judgment or final order or resolution of the Court of Appeals, the Sandiganbayan, the Regional Trial Court or other courts whenever authorized by law, may file with the Supreme Court a verified petition for review on *certiorari*. The petition shall raise only questions of law which must be distinctly set forth.

13. An Act To Provide for the Registration and Protection of Trademarks, Trade-names and Services-Marks, Defining Unfair Competition and False Marking and Providing Remedies Against the Same, and For Other Purposes, [TRADEMARK LAW] Republic Act No. 166 (1947). Republic Act No. 166 was repealed on Jan. 1, 1998 by Republic Act No. 8293.

Once he sees a stall selling hamburger sandwich, in all likelihood, he will dip into his pocket and order a "B[ig] M[ak]" hamburger sandwich. Plaintiff McDonald's fast-food chain has attained wide popularity and acceptance by the consuming public so much so that its air-conditioned food outlets and restaurants will perhaps not be mistaken by many to be the same as defendant corporation's mobile snack vans located along busy streets or highways. But the thing is that what is being sold by both contending parties is a food item – a hamburger sandwich which is for immediate consumption, so that a buyer may easily be confused or deceived into thinking that the "B[ig] M[ak]" hamburger sandwich he bought is a food-product of plaintiff McDonald's, or a subsidiary or allied outlet thereof.... Hence, the trademark "B[ig] M[ak]" has been infringed by defendant corporation when it used the name "B[ig] M[ak]" in its signages, wrappers, and containers in connection with its food business.<sup>14</sup>

In determining the existence of trademark infringement, the trial court ruled that the distinctions were not sufficient to outweigh the other factors beyond the physical features of the marks in question.<sup>15</sup> Aside from the similarities of the product and the line of business of the parties, the keen competition among burger stands and fast-food chains as well as the kind of buyer was taken into consideration. In this case, the buyer is the "average person who is hungry and wants to eat a hamburger sandwich" and thus "not discriminating enough to look for a McDonald's restaurant and buy a *Big Mac* hamburger."<sup>16</sup> The effect of this infringement, concluded the trial court, was "to pass off on the public the goods of one man as the goods of another."<sup>17</sup>

## 2. Applying the Holistic Test: The Appellate Court's Ruling

The Court of Appeals reversed the lower court's decision, holding that no colorable imitation exists based on the application of the holistic test. After a detailed comparison of both the McDonald's burger trademark and the L.C. Big Mak's trademark used as a corporate name, the Court concluded that "no confusion could take place, or that the ordinary purchasers would be misled by it."<sup>18</sup> The Court found that there are glaring dissimilarities in the purposes for which the marks were used, the presentation to the public, the colors, the fonts, the material, and even the mascots. To the appellate court, the similarity between *Big Mak* and *Big Mac* is not enough to mislead or

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14. *McDonald's*, 437 SCRA at 16-17.

15. *Id.* at 16.

16. *Id.*

17. *Id.*

18. *Id.* at 18.

confuse purchasers mainly because of the difference in packaging and in trade channels, such that McDonald's sells its *Big Mac* burgers in an air-conditioned restaurant while L.C. Big Mak Inc. sells its diversified food items such as siopao, noodles, pizza, and sandwiches in snack vans. It further held that mere similarity in sound is "not sufficient evidence to conclude unfair competition,"<sup>19</sup> and that bad faith or malice on the part of L.C. Big Mak Burger, Inc. should first be proved by McDonald's. Petitioners sought reconsideration of the appellate court's decision, the denial of which brought the case on review to the High Court.

### C. Issues Presented to the Court

The substantive issues brought to the fore are whether the respondents used the words *Big Mak* both as corporate name and as a trademark for their hamburger products, and whether respondent corporation is liable for trademark infringement and unfair competition for such use.

## II. SURVEY OF LAWS AND JURISPRUDENCE

### A. Defining Concepts in Trademark Law

#### 1. International Sources

On September 27, 1965, the Philippines adopted pertinent provisions of the Lisbon Act of the Paris Convention for the Protection of Industrial Property by reference as part of the Intellectual Property Code.<sup>20</sup> As a multilateral treaty, the Paris Convention seeks to "protect industrial property ... and at the same time repress unfair competition."<sup>21</sup> It also "provides for the protection of internationally well-known marks" and "applications claiming the priority date of an earlier-filed application in Member Countries."<sup>22</sup>

Another treaty pertinent to intellectual property rights, particularly trademarks, is the Agreement Establishing the World Trade Organization (WTO), which the Philippines ratified on December 16, 1994, and which treaty took effect only on January 1, 1995. Annexed to this is the Agreement

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19. *Id.* at 20.

20. See INTELLECTUAL PROPERTY CODE, §3.

21. Ferdinand M. Negre, *Trademark Law in a Knotshell: From Caves to Cyberspace*, 46 ATENEO L.J. 465, 468 (2001) citing IGNACIO S. SAPALO, BACKGROUND READING MATERIAL ON THE INTELLECTUAL PROPERTY SYSTEM OF THE PHILIPPINES 65 (WIPO 1994).

22. *Id.* at 469.

on Trade-Related Aspects of Intellectual Property Rights (TRIPS) which aims to “reduce distortions ... in international trade ... promote effective and adequate protection of intellectual property rights.... [and] adhere to minimum standards of protection set by several conventions.... The TRIPS Agreement seeks to grant adequate protection of intellectual property rights by creating a favorable economic environment to encourage the inflow of foreign investments, and strengthening the multilateral trading system to bring about economic, cultural, and technological independence.”<sup>23</sup>

## 2. Statutory Bases

The first trademark law in place in the Philippines was that which Queen Ma. Cristina of Spain promulgated on October 26, 1888. This law accorded trademark rights to the person who registered first.<sup>24</sup>

This law was replaced on March 6, 1903 by Act No. 666 or the Trademark and Trade Name Law of the Philippine Islands, which abandoned prior registration in favor of actual use of the mark as the basis for trademark rights. The Philippines, being then a territory of the United States, incorporated into Act 666 principles upon which the U.S. trademark law was founded on.<sup>25</sup>

R. A. 166 repealed Act 666 in 1946, and was itself impliedly<sup>26</sup> repealed on January 1, 1998 when Republic Act No. 8293 was enacted in compliance with the WTO TRIPS Agreement.

## 3. Concept of a Trademark

R.A. 8293, otherwise known as the Intellectual Property Code, simply defines a trademark as “any visible sign capable of distinguishing goods.” Early jurisprudence has taken it to mean “a sign, device or mark by which the articles produced or dealt in by a particular person or organization are distinguished or distinguishable from those produced or dealt in by others, and must be affixed to goods or articles.”<sup>27</sup>

The history of using symbols in trade reveals its practical purposes. Not only does the use of symbols identify the origin or the ownership of the

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23. *Id. citing* *Mirpuri v. Court of Appeals*, 318 SCRA 516, 554-56 (1999).

24. *Negre, supra* note 21.

25. *Id.*

26. *See* RUBEN E. AGPALO, *THE LAW ON TRADEMARK, INFRINGEMENT, AND UNFAIR COMPETITION* 3 (2000).

27. *Arce Sons v. Selecta*, 1 SCRA 253 (1961).

goods, it also carries with it a guarantee of the quality of the article and the goodwill<sup>28</sup> associated with the mark. While the meaning of quality is self-explanatory, the intrinsic value called goodwill has acquired a more precise meaning in legal parlance. Thus,

[G]oodwill is the advantage or benefit which is acquired by an establishment beyond the mere value of the capital stock, funds, or property employed therein, in consequence of the general public patronage and encouragement which it receives from constant or habitual customers on account of its local position, or common celebrity, or reputation for skill, or affluence, or punctuality, or from other accidental circumstances or necessities, or even from ancient partialities or prejudices.<sup>29</sup>

Goodwill is recognized as an intangible species of property, and is inseparable from "that in which it inheres, namely, the business or the assets thereof ... [It] can have no existence as property in and of itself, as a separate and distinct entity."<sup>30</sup> Reputation is an element of goodwill, along with continuity of place and of name.<sup>31</sup> When a name or symbol is appropriated, the goodwill that goes with it is also borrowed and trespassed upon.

As a *silent salesman*, symbols also advertise goods. When used as trademarks or tradenames, they function as intangible property,<sup>32</sup> being distinctive signs that identify tangible property.

Another practical purpose of trademarks is in guiding a consumer in deciding what goods to purchase based on the qualities that a branded product purports to have. It is also useful not only from the point of view of the manufacturer, who happens to be the brand owner, and of the consumer,

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28. "[G]oodwill ... extends to zones where the marked article has been fixed in the public mind through advertising." (Mirpuri v. CA, 318 SCRA 516, 532-536 (1999)).

29. ARTURO TOLENTINO, II COMMENTARIES AND JURISPRUDENCE ON THE CIVIL CODE OF THE PHILIPPINES 236 (1992) *citing* Justice Story in 24 AM. JUR. 803.

30. *Id.* at 237. Art. 521, CIVIL CODE also states: "the goodwill of a business is property, and may be transferred together with the right to use the name under which the business is conducted."

31. Negre, *supra* note 21, *citing* 24 AM. JUR. 807.

32. The Civil Code speaks of three kinds of property, namely, immovable property (Art. 414), movable property, and special properties (Art. 520). Trademarks, tradenames, and goodwill fall under 'special properties.' They also fall within the scope of the Intellectual Property Code. Generally, objects of intellectual property are products of the human mind. They are intangible, but are nevertheless capable of being owned and appropriated.



but also from the distributor who can track the products through their marks in various stages of sales, distribution and operations.<sup>33</sup>

#### 4. Trademark Infringement and Unfair Competition

Trademark infringement is an invasion of the property rights of another and is committed against the registered mark. The property rights pertain to another person who, by virtue of being a registered trademark or tradename owner, is entitled to the exclusive use of the mark.<sup>34</sup>

On the other hand, unfair competition is a violation of another's goodwill. Registered trademarks or names are entitled to protection against unfair competition under the laws on intellectual property.<sup>35</sup> The wide range of practices which constitute unfair competition includes trademark infringement.<sup>36</sup> In the Philippine setting, the essential elements of an action

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33. See International Bureau of WIPO, *The Elements of Industrial Property*, WIPO/IP/ACC/86/1, pars. 36-41 in *Background Reading Material on Intellectual Property* (WIPO: 1988. WIPO Publication No. 659E, p. 12.)

34. INTELLECTUAL PROPERTY CODE, §147.1 provides:

Rights Conferred. - The owner of a registered mark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.

35. *Id.*, §168.1 provides:

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 registered mark 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.

36. *Id.*, §168.3 provides:

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

(a) Any person, who is selling his goods and gives 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 in any other feature of their appearance, which would be likely to influence purchasers to

for unfair competition are (1) confusing similarity in the general appearance of the goods, and (2) intent to deceive the public and defraud a competitor.<sup>37</sup> Thus, there can be trademark infringement without unfair competition when there exists confusing similarity minus the intent to deceive the public or defraud a competitor.<sup>38</sup>

Establishing trademark infringement requires three elements. The trademark owner must prove that the (1) mark is valid and legally protectable; (2) plaintiff owns the mark; and (3) defendant's use of the mark to identify goods or services results in a likelihood of confusion concerning the origin of goods or services.<sup>39</sup> The gravamen<sup>40</sup> of trademark infringement is likelihood of confusion. Thus, malice or intent to deceive is not required.

The law applicable to the *McDonald's* case, and under which petitioners base their cause of action, is Section 22 (1) of R.A. 1664<sup>41</sup> which points to the existence of trademark infringement when any person uses, without the consent of the registrant, any colorable imitation of any registered mark or tradename in connection with the sale of any goods, business or services.

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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.

37. *McDonald's*, 437 SCRA at 37, citing *V. AMADOR, TRADEMARKS UNDER THE INTELLECTUAL PROPERTY CODE 278* (1999).

38. *Cf. Clarke v. Manila Candy Co.*, 36 Phil. 100 (1917) and *Alhambra Cigar & Cigarette Co. v. Mojica*, 27 Phil. 266 (1914).

39. These are the elements required by the LANHAM ACT, § 32(1), 15 U.S.C.A. § 1114(1), in establishing infringement, cited in *A & H Sportswear Co., Inc. v. Victoria's Secret Stores, Inc.*, 167 F.Supp.2d 770 (2001).

40. The Court adopted the ruling in *Shaley's Inc. v. Covalt*, 704 F.2d 426 (1983), and in *VMG Enterprises Inc. v. F. Quesada and Franco, Inc.* 788 F. Supp. 648 (1992), which referred to the element of likelihood of confusion as the touchstone of trademark infringement.

41. Superseded by §155 of the INTELLECTUAL PROPERTY CODE.

Such unauthorized use must be likely to cause confusion or mistake, or to deceive purchasers or others as to the source or origin of such goods, or identity of such business.

Unfair competition, on the other hand, only has two elements as previously stated, namely 1) confusing similarity in the general appearance of the goods, and 2) intent to deceive the public and defraud a competitor.<sup>42</sup> While trademark infringement is a trespass on property right, unfair competition is a violation of another's goodwill. The test of unfair competition is whether the acts of the defendant are such as are calculated to deceive the ordinary buyer in making his purchases under the ordinary conditions which prevail in the particular trade to which the controversy relates.<sup>43</sup> The scope of unfair competition is broader than that of trademark infringement.<sup>44</sup> "An unfair competitor need not copy the entire mark to accomplish his fraudulent purpose. It is enough if he takes the one feature which the average buyer is likely to remember."<sup>45</sup>

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42. *Supra* note 37.

43. *Alhambra Cigar Co. v. Mojica*, 27 Phil. 266 (1914).

44. INTELLECTUAL PROPERTY CODE, §168.3 provides:

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

(a) Any person, who is selling his goods and gives 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 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, 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.

45. *Co Tiong Sa v. Director of Patents*, 95 Phil. 1, 5 (1954) *citing* 2 NIMS, THE LAW OF UNFAIR COMPETITION AND TRADEMARKS 678-679.

### 5. Likelihood of Confusion and Confusing Similarity

While likelihood of confusion is the gravamen of trademark infringement, confusing similarity pertains to unfair competition when coupled with malice or intent to deceive. There is infringement when a trademark is used without authorization; there is unfair competition when one's goods are passed off as that of another's.<sup>46</sup>

There are two types of confusing similarity namely, confusion of goods and confusion of business or origin. What this Comment is concerned with is confusion of goods, which necessitates the application of either the dominancy or the holistic test. The tests involved in determining likelihood of confusion of origin are separate and distinct from the tests in determining confusion of goods.<sup>47</sup>

Infringement cases do not require actual imitation; only a colorable one, likely to confuse the public. Thus, it has been ruled that "duplication or imitation is not necessary; nor is it necessary that the infringing label should suggest an effort to imitate. The question at issue ... is whether the use of the marks involved would be likely to cause confusion or mistake in the mind of the public or to deceive purchasers."<sup>48</sup> It should also be noted that the law does not use the term "actual confusion." Instead it uses "confusingly similar,"<sup>49</sup> "likely to be damaged," and "likely to cause confusion, or to cause mistake or to deceive."<sup>50</sup>

A perusal of Philippine jurisprudence will also reveal that confusing similarity takes into consideration the purchasers, the nature of the goods, and whether or not the goods are related to each other.<sup>51</sup> There are two kinds of purchasers, namely, the casual purchaser<sup>52</sup> and the careful purchaser.<sup>53</sup> Although the Intellectual Property Code does not define who are the purchasers likely to be confused, such purchasers have been referred to as the ordinary average purchasers, and not the experts, the dealers, or

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46. See *Del Monte Corp.*, 181 SCRA at 415.

47. See, e.g., *Ang v. Teodoro*, 74 Phil. 50 (1942).

48. *Co Tiong Sa*, 95 Phil. at 4.

49. INTELLECTUAL PROPERTY CODE, § 123.1 [f].

50. *Id.*, § 155.1.

51. Cf. *Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft*, 27 SCRA 1214 (1969).

52. See *Lim Hoa v. Director of Patents*, 100 Phil. 214 (1956).

53. See *American Cynamid Co. v. Director of Patents*, 76 SCRA 568 (1977).

other persons especially familiar with the trademark or goods involved.<sup>54</sup> The Supreme Court puts it thus:

The test is not found in the deception, or the possibility of deception, of the person who knows nothing about the design which has been counterfeited, and who must be indifferent between that and the other. The simulation, in order to be objectionable, must be such as appears likely to mislead the ordinary intelligent buyer who has a need to supply and is familiar with the article that he seeks to purchase.<sup>55</sup>

Arguably, the purchaser likely to be deceived is not the person who knows nothing about the trademark which has been counterfeited but the person who is in some measure acquainted with an established design,<sup>56</sup> despite the fact that he is too hungry to discriminate between burgers, as in the *McDonald's* case.<sup>57</sup> Also, the ordinary purchaser must be thought of as having, and credited with, at least a modicum of intelligence.<sup>58</sup>

In *Co Tiong Sa*, the Supreme Court aptly observed that "the ordinary customer does not scrutinize the details of the label; he forgets or overlooks these, but retains a general impression, or a central figure, or a dominant characteristic."<sup>59</sup> This rule is based on experience. This significant observation accurately points to the difficulty in abandoning either one of, as well as the necessity of keeping both, the dominancy and holistic tests.

#### *B. Tracing Trademark History in Ascertaining Confusing Similarity*

Confusing similarity or the likelihood of confusion stems from colorable imitation, which has been defined as "such a close or ingenious imitation as to be calculated to deceive ordinary purchasers, or such resemblance of the infringing mark to the original as to deceive an ordinary purchaser giving such attention as a purchaser usually gives, and to cause him to purchase the one supposing it to be the other."<sup>60</sup> The universal test has been said to be whether the public is likely to be deceived.<sup>61</sup> As a form of unfair

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54. *Converse*, 147 SCRA at 163, citing *R.F. & J. Alexander & Co., Ltd. v. Ang*, et. Al., 97 Phil. 157 and 52 AM. JUR. 601.

55. *Emerald*, 251 SCRA 600, 617.

56. AGPALO, *supra* note 26, at 48.

57. See generally *McDonald's*, 437 SCRA at 16.

58. *Fruit of the Loom, Inc. v. Court of Appeals*, 133 SCRA 405 (1984).

59. *Co Tiong Sa*, 95 Phil. at 5.

60. *Emerald*, 251 SCRA at 614, citing *Etepha v. Director of Patents*, 16 SCRA 495 (1966).

61. *Alhambra*, 27 Phil. at 266.

competition, trademark infringement is always a question of fact.<sup>62</sup> The person who infringes a trademark does not normally copy out but only makes colorable changes, employing enough points of similarity to confuse the public with enough points of difference to confuse the courts.<sup>63</sup>

Case law has evolved two kinds of tests in determining whether or not colorable imitation exists – the dominancy test and the holistic<sup>64</sup> test.

### 1. The Dominancy Test

This test has been applied as early as 1917, when the Court decided the case of *Clarke v. Manila Candy Co.*<sup>65</sup> and has since been applied in over ten cases,<sup>66</sup> the latest case being *McDonald's*. This test focuses on the “similarity of the prevalent features of the competing trademarks which might cause confusion or deception and thus constitute infringement.”<sup>67</sup> Determining dominance therefore includes dissecting the infringing trademark and subjecting it to a detailed comparison with the infringed mark, taking into consideration the point of view of the consumers.

The application of this test has usually resulted in detecting infringement, finding such marks as one rooster on one candy brand and two roosters on another,<sup>68</sup> “Freedom” and “Freeman” on shirts,<sup>69</sup> a hen in one food seasoning label and a rooster on the competing mark,<sup>70</sup> “Pu Li To” and “Pai

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62. *Co Tiong Sa*, 95 Phil., at 4.

63. *Del Monte Corp.*, 181 SCRA at 419.

64. “Wholistic” and “holistic” are used interchangeably.

65. *Clarke v. Manila Candy Co.*, 36 Phil. 100 (1917).

66. Cases decided by the application of the dominancy test include, but are not limited to, *Clarke v. Manila Candy Co.*, 36 Phil. 100 (1917); *Co Tiong Sa v. Director of Patents*, 95 Phil. 1 (1954); *Lim Hoa v. Director of Patents*, 100 Phil 214 (1956); *Parke Davis & Co. v. Kiu Foo*, 60 Phil. 928 (1934); *Chuanchow Soy & Canning Co. v. Director of Patents*, 108 Phil. 133 (1960); *Operators Inc. v. Director of Patents*, 15 SCRA 147 (1965); *American Wire and Cable Co. v. Director of Patents*, 31 SCRA 544 (1970); *Phil. Nut Industry, Inc. v. Standard Brands, Inc.*, 65 SCRA 575 (1975); *Asia Brewery, Inc. v. Court of Appeals*, 224 SCRA 437 (1993); *Societe Des Produits Nestlé S.A. v. Court of Appeals*, 356 SCRA 207 (2001); and the case under consideration, *McDonald's v. Big Mak.*, 437 SCRA 10 (2005).

67. *Emerald*, 251 SCRA at 615.

68. *Del Monte Corp.*, 181 SCRA at 410.

69. *Co Tiong Sa*, 95 Phil. at 1.

70. *Lim Hoa*, 100 Phil. at 214.

Li To" on tonic medicine,<sup>71</sup> an illustration of a carp as compared to a bangus on the other,<sup>72</sup> "Ambisco" and "Nabisco" on candy products,<sup>73</sup> "Duraflex and Dynaflex" on different electric wires,<sup>74</sup> and "Philippine Planters Cordial Peanuts" brand as opposed to "Planters Cocktail Peanuts,"<sup>75</sup> confusingly similar with respect to their dominant words or symbols.

## 2. The Holistic Test

This test been applied since 1909 when the Court decided *Song Fo & Co. v. Tiu Co Siong*<sup>76</sup> under the old trademark law. It mandates that the entirety of the marks in question be considered in determining confusing similarity.<sup>77</sup>

The discerning eyes of the observer must focus not only on the predominant words but also on the other features appearing in both labels in order that he may draw his conclusion whether one is confusingly similar to the other.<sup>78</sup>

The rationale behind studying the marks as a whole is stated in *Del Monte Corporation v. Court of Appeals*:<sup>79</sup>

[S]ide-by side comparison is not the final test of similarity. Such comparison requires a careful scrutiny to determine in what points the labels of the products differ.... The ordinary buyer does not usually make such scrutiny nor does he usually have the time to do so....

The question is not whether the two articles are distinguishable by their label when set side by side but whether the general confusion made by the article upon the eye of the casual purchaser who is unsuspecting and off his guard, is such as to likely result in his confounding it with the original.

It has been held that this test relies only on a visual comparison between the contending trademarks. On the other hand, the dominancy test relies not only on the visual but also on the aural (*idem sonans* or similarity in sound)

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71. *Parke Davis & Co. v. Kiu Foo*, 60 Phil. 928 (1934).

72. *Chuanchow Soy & Canning Co. v. Director of Patents*, 108 Phil. 133 (1960).

73. *Operators Inc. v. Director of Patents*, 15 SCRA 147 (1965).

74. *American Wire and Cable Co. v. Director of Patents*, 31 SCRA 544 (1970).

75. *Phil. Nut Industry, Inc. v. Standard Brands, Inc.*, 65 SCRA 575 (1975).

76. *Song Fo & Co. v. Tiu Co Siong*, 13 Phil. 143 (1909).

77. *Id.*

78. *Fruit of the Loom*, 133 SCRA at 405.

79. *Del Monte Corp.*, 181 SCRA at 410, 417.

and connotative comparisons and overall impressions between the two trademarks.<sup>80</sup>

### C. *Conflicting Application of the Tests in Jurisprudence*

In the history of trademark cases in the Philippines, particularly in ascertaining whether one trademark is confusingly similar to or is a colorable imitation of another, no set rules can be deduced. Each case must be decided on its own merits.<sup>81</sup> Furthermore, the question at issue in cases of trademark infringement is “whether the use of the marks involved would be likely to cause confusion or mistakes in the mind of the public or deceive purchasers,”<sup>82</sup> regardless of whether the dominancy or the holistic test is applied. The universal test has been said to be whether the public is likely to be deceived.<sup>83</sup>

In the case of *Converse Rubber v. Universal Rubber Products*,<sup>84</sup> the Supreme Court had occasion to preempt the trademark registration applied for the trademark “Universal Converse and Device” by the respondent. The Court held that there is confusing similarity between respondent’s mark and petitioner’s “Converse Chuck Taylor” and “All Star Device” due to the same dominant word, “Converse.” In this case, the Director of Patents dismissed petitioner’s opposition to respondent’s application for registration, because of his negative finding of confusing similarity in the “partial” appropriation of petitioner’s trademark.<sup>85</sup> Indeed, to allow respondent’s registration will lead not only to confusion of goods but also of origin since petitioner has already established its goodwill and reputation here despite its lack of license to engage in business locally.

In stark contrast to the *Converse Rubber* case is the ruling in *Emerald Garment Manufacturing Corp. v. Court of Appeals*.<sup>86</sup> The trademarks in opposition are Emerald Garment’s “Stylistic Mr. Lee” and respondent’s “LEE.” The Director of Patents denied petitioner’s application for registration due to confusing similarity as determined by the test of dominancy.<sup>87</sup> The Court of Appeals affirmed the decision of the Director of

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80. *Societe Des Produits Nestlé S.A.*, 356 SCRA at 221.

81. *Emerald*, 251 SCRA at 616.

82. *Auburn Rubber Corporation v. Honover Rubber Co.*, 107 F. 2d 588, cited in *Asia Brewery, Inc.*, 224 SCRA at 446.

83. *Alhambra*, 27 Phil. at 266.

84. *Converse*, 147 SCRA at 154.

85. *Id.* at 158.

86. *Emerald*, 251 SCRA at 600.

87. *Id.* at 605.



Patents not only on the ground of confusing similarity among the dominant features, but also on the ground of prior use by respondent.<sup>88</sup> The Supreme Court decided the case using the holistic test, "taking into account the factual circumstances,"<sup>89</sup> and thereby concluded that there is no confusing similarity between the marks. First, since the products involved are jeans which are not "your ordinary [inexpensive] household item like catsup," buyers are "predisposed to be more cautious and discriminatory."<sup>90</sup> Second, jeans are bought by brand, and its buyers are not merely the ordinary purchaser but the "intelligent buyer."<sup>91</sup> Such buyers are presumed to less likely be confused or deceived. Also, private respondent failed to establish prior actual commercial use of its 'LEE' trademark in the Philippines. Prior actual use is essential for the acquisition of ownership over a trademark pursuant to R.A. 166.<sup>92</sup>

It seems that in both the *Converse Rubber* and *Emerald Garments* ruling, the decisive factor is not so much confusing similarity, but prior use. Both cases involved merchandise from foreign corporations. Both shoes and jeans were not inexpensive items purchased by persons who are more scrupulous and, thus, less likely to be deceived. In the former case, the test used was the one of dominance, and it was found that trademark infringement exists. In the latter, the test used was holistic, and resulted in the absence of infringement. However, in *Converse*, prior commercial use of the trademark was established whereas in *Emerald*, it was not.

Three years after the *Converse Rubber* ruling, the High Court promulgated its decision in the case of *Del Monte v. Court of Appeals*<sup>93</sup> wherein the Del Monte and Sunshine ketchup labels were holistically considered. The Court held that Sunshine infringed on Del Monte's label by copying it. Respondents were also enjoined permanently from recycling Del Monte's ketchup bottles since it has the effect of passing off its ketchup product as Del Monte's, an act of unfair of competition. What is peculiar to this case is that the appellate court applied the holistic test so meticulously and found no infringement, much less confusing similarity, whereas the High Court applied the same test and cried infringement.

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88. *Id.* at 607.

89. *Id.* at 616.

90. *Id.*

91. *Id.* at 617.

92. *Emerald*, 251 SCRA at 600, 619.

93. *Del Monte Corp.*, 181 SCRA at 410.

The 2001 case of *Societe Des Produits Nestlé S.A. v. Court of Appeals*<sup>94</sup> yet involved another cheap household commodity, coffee. Admitting that no set rules can be deduced in deciding trademark cases in the Philippines,<sup>95</sup> the Supreme Court chose to apply the dominancy test in determining whether or not CFC Corporation's trademark "Flavor Master" is a colorable imitation of Nestlé's "Master Roast" and "Master Blend." It was. On the other hand, the appellate court, applying the holistic test, previously ruled in the negative. The rulings both considered the "undiscerningly rash consumer"<sup>96</sup> and the fact that what is involved is a common household product. Anent the classification of the purchaser, the Supreme Court held that if the consumer is rash, he or she will neither have the time nor inclination to examine the discrepancies in order to exercise his choice.<sup>97</sup>

In 1993, the *Asia Brewery*<sup>98</sup> case was decided. It involved San Miguel Corporation's "San Miguel Pale Pilsen" trademark and the newcomer's "Beer Pale Pilsen" and "Beer na Beer" products. The appellate court held that Asia Brewery Inc. was guilty of infringement and unfair competition due to its product's similarity as a whole in both bottle and design of San Miguel's product. The Supreme Court nevertheless reversed and found that there is no infringement pursuant to the dominancy test. The dominant features were "San Miguel Pale Pilsen" and "Beer Pale Pilsen." The Court held that "pale pilsen" are generic words which cannot be appropriated pursuant to R.A. 166.<sup>99</sup> As to the bottles, the use of Asia Brewery of the steinie bottle similar to that of San Miguel is merely similar, not identical, and therefore, unlawful.<sup>100</sup> Thus, both the appellate and the High court were in agreement as to what factors to be examined, but not as to the test to be applied and especially not as to the results thereof. What the Court of Appeals perceived as confusing similarity of the marks as a whole the Supreme Court held as mere similarity as to the dominant features. Furthermore, the Asia Brewery court held that since San Miguel has virtually monopolized the beer market, those who have been drinking their beer will not be deceived by the newcomer in the market.<sup>101</sup> As a *caveat*, the Court stated that its decision did not "diminish [the] ruling in [the] Del Monte

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94. *Societe Des Produits Nestlé S.A.*, 356 SCRA at 207.

95. *Id.* at 217.

96. *Id.* at 220-221.

97. *Id.* at 221.

98. *Asia Brewery*, 224 SCRA at 437.

99. *Id.* at 448.

100. *Id.* at 451.

101. *Id.* at 454-455.

[case] ..."<sup>102</sup> The Court cautioned that the ruling in *Del Monte* should not be made to apply to all kinds of products, particularly, in this case, to beer, because purchasers of ketchup are "housewives and house help" unlike beer which is purchased by "the beer drinker himself."<sup>103</sup>

### III. THE COURT'S RULING

The High Court reinstated the trial court's decision finding respondent L.C. Big Mak Burger, Inc. liable for trademark infringement and unfair competition through the application of the dominancy test. It also ruled that as compared to the holistic test, the dominancy test is now "explicitly incorporated into law in Section 155.1 of the Intellectual Property Code which defines infringement as the 'colorable imitation of a registered mark ... or a dominant feature thereof.'"<sup>104</sup> Another ground relied on by the Court in abandoning the holistic test was the ruling in *Societe Des Produits Nestlé S.A. v. Court of Appeals*,<sup>105</sup> which the Court claimed to be an explicit rejection of the holistic test in favor of the dominancy test.

#### *A. On the Manner Respondents Used "Big Mak" in their Business*

The Court found that the Court of Appeals erred in ruling that the corporate name, L.C. Big Mak Burger, Inc., appears in the packaging of respondents' hamburger products and not the words *Big Mak* only. Apparently, the evidence presented to the appellate court differed from those presented in the trial court such that during trial, the burger wrappers and plastic bags did not contain respondent's corporate name but only the words *Big Mak*. This revelation weakened the argument of respondent. Had the latter's packaging indeed contained its corporate name, then it could have negated the presumption of malice and intent to deceive, which elements are necessary in making out a case for unfair competition. It would have proved that respondents put the public on notice that the *Big Mak* food products it sold were its own and not those of *McDonald's*.<sup>106</sup>

However, it is not amiss to note that even if the packaging contained the respondents' corporate name, there may still be likelihood of confusion.<sup>107</sup>

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102. *Id.* at 455.

103. *Id.*

104. *McDonald's*, 437 SCRA at 33.

105. *Societe Des Produits Nestlé S.A.*, 356 SCRA at 207.

106. *McDonald's*, 437 SCRA at 39.

107. Likelihood of confusion may be found even where defendant clearly marks its product with company name. LANHAM ACT, §§ 32(1), 43(a), as amended, 15 U.S.C.A. §§ 1114(1), 1125(a).

The fact that the company name is in the packaging does not generally excuse infringement. It might even increase confusion by linking different house marks to plaintiff's goodwill, since consumers might think there is a relationship between the parties.<sup>108</sup> Equity will enjoin appropriation and use of a trademark or tradename, where resemblance to the corporate name is so close as to be likely to produce confusion.<sup>109</sup>

Moreover, respondents failed to sufficiently explain how and why they came to choose the words *Big Mak* as a corporate name. Respondents claim that *Big Mak* was lifted from Maxima and Kimsoy, the first names of the parents of Francis Dy, one of the incorporators.<sup>110</sup> The Court did not find the explanation credible, having opined that respondents could have arrived at a much more creative choice. Absent proof that respondents' adoption of the *Big Mak* mark was due to honest mistake or was fortuitous,<sup>111</sup> the Court found that the way respondent used the words *Big Mak* resulted not only in mere similarity with McDonald's *Big Mac*, which similarity is not the degree contemplated by the law, but a similarity that will likely result to confusion.

Instead of observing the lack of credible explanation, or the absence of honest mistake or a fortuitous event, the *McDonald's* court could have done just as well to reject the respondent corporation's use of the *Big Mak* mark based on the ruling in *American Chicle Co. v. Topps Chewing Gum, Inc.*,<sup>112</sup> to wit:

Why it should have chosen a mark that had long been employed by [plaintiff] and had become known to the trade instead of adopting some other means of identifying its goods is hard to see unless there was a deliberate purpose to obtain some advantage from the trade that [plaintiff] had built up. Indeed, it is generally true that as soon as we see that a second comer in a market has, for no reason that he can assign, plagiarized the "make-up" of an earlier comer, we need no more; ... [W]e feel bound to compel him to exercise his ingenuity in quarters further afield.

It should also be noted that the evidence *Big Mak* presented during trial was different from those presented by *McDonald's* in the hearing for the injunctive writ. During trial, *Big Mak's* plastic wrappers, bags, etc. contained the words 'L.C. Big Mak Burger Inc.,' whereas during the hearing for the

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108. *Id.* See also *VMG Enterprises Inc. v. F. Quesada and Franco, Inc.* 788 F. Supp. 648 (1992).

109. *American Steel Foundries v. Robertson*, 46 S.Ct. 160 U.S. Ill. (1926).

110. *McDonald's*, 437 SCRA at 35.

111. *Id.* citing *Time v. Life Television Co. of St. Paul*. 123 F. Supp. 470 (1954).

112. *Societe Des Produits Nestlé S.A.*, 356 SCRA at 224 citing *American Chicle Co. v. Topps Chewing Gum, Inc.*, 208 F. 2d 560, 532-63 (1953).

writ, *McDonald's* presented plastic wrappings and bags on which only the words 'Big Mak,' 'burger' and '100% pure beef' were printed. The High Court concluded that the proper factual bases in deciding the instant case are those presented during the hearing for preliminary injunction, and not those presented during trial.<sup>113</sup>

*B. On the Issue of Trademark Infringement*

The law applicable to the *McDonald's* case, and under which petitioners base their cause of action, is Section 22 (1) of R.A. No. 166<sup>114</sup> which points to the existence of trademark infringement when any person uses, without the consent of the registrant, any colorable imitation of any registered mark or tradename in connection with the sale of any goods, business or services. Such unauthorized use must be likely to cause confusion or mistake, or to deceive purchasers or others as to the source or origin of such goods, or identity of such business.

Clearly, the elements of trademark infringement under the previous law require the same colorable imitation of a registered mark which is likely to confuse, mistake or deceive purchasers. The only thing new under the present code<sup>115</sup> is that colorable imitation now extends to that of a dominant

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113. *McDonald's*, 437 SCRA at 22-23.

114. Superseded by § 155 of the INTELLECTUAL PROPERTY CODE.

115. INTELLECTUAL PROPERTY CODE, § 155 provides:

Remedies; Infringement. - Any person who shall, without the consent of the owner of the registered mark:

155.1. Use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps necessary to carry out the sale of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

155.2. Reproduce, counterfeit, copy or colorably imitate a registered mark or a dominant feature thereof and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action for infringement by the registrant for the remedies hereinafter set forth: Provided, That the infringement takes place at the moment any of the acts stated in

feature of a mark. The Court defended its preference for the dominancy test by invoking the current law and the ruling in *Nestlé*.<sup>116</sup> The Court reasons that this test is now explicitly incorporated into the Intellectual Property Code, and that under the *Nestlé* case, the holistic test has been positively abandoned.

*C. On Whether Confusion of Goods and Confusion of Business are Applicable*

The Court found two types of confusion as applicable and existing in this case. Under R.A. 166, there are two types of confusion arising from colorable imitation of a mark, namely confusion of goods (product confusion), and confusion of business (source or origin confusion). The Court held that the respondents' use of the words *Big Mak* in its corporate name led to a confusion of business while the use of the same words on the food products, especially the hamburger sandwiches, led to a confusion of goods.

Jurisprudence has established that product confusion exists when the infringing mark is used on competing goods or goods of a similar kind.<sup>117</sup> On the other hand, confusion of business exists when the products are not competing but are related enough to produce confusion of affiliation.<sup>118</sup>

*D. On Whether Respondents' Use of the "Big Mak" Mark Results in Likelihood of Confusion*

The Court chose to apply the dominancy test in scrutinizing the *Big Mak* mark vis-à-vis *Big Mac*. In so doing, it considered "the aural and visual impressions created by the marks in the public mind, giving little weight to factors like prices, quantity sales outlets and market segments."<sup>119</sup> The test results yield that first, *Big Mak* sounds exactly the same as *Big Mac*, and that the marks are aurally and phonetically the same such that the consumer who

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Subsection 155.1 or this subsection are committed regardless of whether there is actual sale of goods or services using the infringing material.

116. *McDonald's*, 437 SCRA at 33, citing *Societe Des Produits Nestlé S.A.*, 356 SCRA at 221.

117. The Trademark and Tradename Law of the Philippine Islands, Act No. 666, §3 (1903).

118. *McDonald's*, 437 SCRA at 29, citing AGPALO, THE LAW ON TRADEMARK, INFRINGEMENT AND UNFAIR COMPETITION 45-46 (2000).

119. *Id.* at 32.

listens over radio advertisements will not be able to distinguish between a McDonald's *Big Mac* burger and respondent's *Big Mak*.<sup>120</sup>

*E. On the Issue of Unfair Competition*

The Court found the respondent liable for unfair competition, having found it guilty of trademark infringement, which falls under the broader category of the former.

#### IV. ANALYSIS: DISSECTING THE RULING

In the case at bar, the Court held that it had now abandoned the holistic test in favor of the dominance test in determining confusing similarity. It stated that the holistic test was explicitly abandoned in the case of *Nestlé*,<sup>121</sup> thus:

[T]he totality or holistic test is contrary to the elementary postulate of the law on trademarks and unfair competition that confusing similarity is to be determined on the basis of visual, aural, connotative comparisons and overall impressions engendered by the marks in controversy as they are encountered in the realities of the marketplace.<sup>122</sup>

This does not seem to be so. Placed into context, the ruling in the aforementioned case pointed out that the selection of the dominance test as the

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120. *Id.* at 34.

Indeed, a person cannot distinguish "Big Mac" from "Big Mak" by their sound. When one hears a "Big Mac" or "Big Mak" hamburger advertisement over the radio, one would not know whether the "Mac" or "Mak" ends with a "c" or a "k."

Petitioners' aggressive promotion of the "Big Mac" mark, as borne by their advertisement expenses, has built goodwill and reputation for such mark, making it one of the easily recognizable marks in the market today. This increases the likelihood that consumers will mistakenly associate petitioners' hamburgers and business with those of respondents'.

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Absent proof that respondents' adoption of the "Big Mak" mark was due to honest mistake or was fortuitous, the inescapable conclusion is that respondents adopted the "Big Mak" mark to "ride on the coattails" of the more established "Big Mac" mark. This saves respondents much of the expense in advertising to create market recognition of their mark and hamburgers.

121. *Societe Des Produits Nestlé S.A.*, 356 SCRA 207.

122. *Id.* at 221.

applicable test was due to the peculiar factual milieu.<sup>123</sup> The case involved Nestlé's registered "Master Roast" and "Master Blend" trademark coffee products against CFC Corporation's application for registration of its "Flavor Master" coffee brand. The Court thought it wise to apply the dominancy test taking into consideration that, first, the products bearing the trademarks in question are inexpensive and common household items, and, second, the target market of these coffee products are ordinary or "undiscerningly rash"<sup>124</sup> purchasers who will probably be not too keen in examining the specific features of each trademark. Consequently, the rejection of the holistic test in Nestlé claimed by the court which decided the Big Mak controversy was not "explicit," as the Big Mak court held, but was qualified as to the facts of that case.

If there is anything explicitly held in the *Nestlé* decision, it is the Court's characterization of trademark cases, particularly in the determination of likelihood of confusion, as one which is to be decided relatively or on a case-to-case basis, hence:

[In] infringement or trademark cases in the Philippines, particularly in ascertaining whether one trademark is confusingly similar to or is a colorable imitation of another, no set rules can be deduced.<sup>125</sup> In *Esso Standard, Inc. v. Court of Appeals*,<sup>126</sup> we ruled that the likelihood of confusion is a relative concept; to be determined only according to the particular, and sometimes peculiar, circumstances of each case. In trademark cases, even more than in any other litigation, precedent must be studied in light of the facts of the particular case. The wisdom of the likelihood of confusion test lies in its recognition that each trademark infringement case presents its own unique set of facts. Indeed, the complexities attendant to an accurate assessment of likelihood of confusion require that the entire panoply of elements constituting the relevant factual landscape be comprehensively examined.<sup>127</sup>

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123. *Id.* ("While this Court agrees with the Court of Appeals' detailed enumeration of differences between the respective trademarks of the two coffee products, this Court cannot agree that totality test (sic) is the one applicable in this case. *Rather, this Court believes that the dominancy test is more suitable to this case in light of its peculiar factual milieu.*") (Emphasis supplied.).

124. *Id.*

125. *Id.* at 217.

126. *Esso Standard, Inc. v. Court of Appeals*, 116 SCRA 336 (1982).

127. *Societe Des Produits Nestlé S.A.*, 356 SCRA at 217, citing *Thompson Medical Co. v. Pfizer, Inc.*, 753 F.2d. 208, 225 (1985).



[E]ach case must be studied according to the peculiar circumstances of each case. That is the reason why in trademark cases, jurisprudential precedents should be applied only to a case if they are specifically in point.<sup>128</sup>

The *McDonald's* ruling also relied on the strength of *Nestlé's* holding that the holistic test was abandoned for being "contrary to the elementary postulate of the law ... that confusing similarity is to be determined on the basis of visual, aural, connotative comparisons and overall impressions engendered by the marks in controversy as they are encountered in the realities of the marketplace."<sup>129</sup> It would seem that the Court perceived this study therefore of the visual, aural, connotative comparisons and *overall* impressions of trademarks as a study of dominant features and not of the trademark as a whole. Going back to the definition of the holistic test, however, reveals that it is characterized by a study of the entirety of the marks, synonymous to a study of overall impressions. This includes factors such as consumer attitude toward the trademark, which is beyond the study of dominant features. Although dominant features are seen from the point of view of the consumer and the dominancy test considers the type of purchasers of the products marked, it is limited to the corporeal and disregards consumer behavior. It can thus be said that a strict application of the dominancy test will result in dissecting the features of a mark, which in turn will result in a determination of mere similarity and not the kind of confusing similarity punished by law or, more specifically, confusing similarity. Getting caught up in the details of contending trademarks might lead the courts to miss the general impression likely to be retained by any consumer, whether making an undiscerningly rash or a well thought-out purchase, which impression is what infringement cases are concerned with.

The Court also relied on the dominancy test since it is now explicitly stated in the law. But the law applicable to this case is not the Intellectual Property Code but R.A. 166, which does not distinguish between dominant and holistic features and does not favor any one test.<sup>130</sup> It only requires that there be colorable imitation leading to confusion.

Even assuming that it is the Intellectual Property Code which is the applicable law in this case, which is what the Court did, the clear letter of the law makes mention of dominant features side by side with colorable imitation of a mark.<sup>131</sup> As a matter of statutory construction, the clear

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128. *Societe Des Produits Nestlé S.A.*, 356 SCRA at 218.

129. *Id.* at 221, *citing* Federal Unfair Competition: LANHAM ACT §43(a), at 3-76.

130. TRADEMARK LAW, § 22.

131. INTELLECTUAL PROPERTY CODE, § 155 provides:

Remedies; Infringement. - Any person who shall, without the consent of the owner of the registered mark:

wording of the law precludes resort to extrinsic aid.<sup>132</sup> Although the intent<sup>133</sup> of the law was to make the dominance test the dominant test, *index animi semo est*.

### CONCLUSION

Considering that the body of case law vacillates between the dominance and holistic tests in determining whether or not there is a likelihood of confusion, it is proposed that first, the Court decide definitively on whether likelihood of confusion is a relative concept, such that it is to be determined only according to the peculiar circumstances of each case, bearing in mind that the "evil sought to be eliminated by trade name protection is confusion, and the likelihood of such confusion is the ultimate question."<sup>134</sup> Secondly, the

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155.1. Use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps necessary to carry out the sale of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

155.2. Reproduce, counterfeit, copy or colorably imitate a registered mark or a dominant feature thereof and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action for infringement by the registrant for the remedies hereinafter set forth: Provided, That the infringement takes place at the moment any of the acts stated in Subsection 155.1 or this subsection are committed regardless of whether there is actual sale of goods or services using the infringing material.

132. See *N.F.L. v. Eisma*, 127 SCRA 419 (1984), where it was held that "the first and fundamental duty of the courts is to apply the law. Construction and interpretation come only after it has been demonstrated that application is impossible or inadequate without them." See also *Manila Jockey Club, Inc. v. Games and Amusement Board*, 107 Phil. 151 (1960), wherein it was held that "legislative debates are expressive only of the view and opinions of the individual members and are not safe guides in ascertaining the meaning and purpose of the law-making body in enacting the law."

133. INTENT OF CODE COMMISSION, Senator Raul Roco, Sponsorship remarks on the Intellectual Property Code, Sept. 8, 1996, p.15.

134. *Dahms v. Jacobs*, 272 N.W.2d 43, Neb. (1978).

Courts must decide to abandon one test in favor of the other, and make it applicable to all goods or services; integrate both by formulating a new jurisprudential test; or delineate as to which categories of goods or services the dominancy test will apply and which categories will the holistic test be used. The case of *McDonald's* purported to have abandoned the holistic test, based on the ruling in *Nestlé's*, when the latter in fact cautioned that infringement cases are to be decided on a case-to-case basis.<sup>135</sup>

Case law points out that the two tests are incompatible such that when applied to a specific trademark, each test yields opposite results.<sup>136</sup> Where the application of the dominancy test resulted in a positive finding of trademark infringement, the application of the holistic test in the same set of facts would negate infringement.<sup>137</sup>

Another gray area in jurisprudence is that where the court claims to be applying the dominancy test, it resorts to factors beyond the dominant features of the mark, such as consumer behavior and trade channels, so as to border on becoming holistic.<sup>138</sup> In effect, while applying the dominancy test, the Court was also taking into consideration the entirety of the marks.

It is proposed that the determination of similarity likely to lead to confusion be made to rest on factors such as:

1) *Distinctiveness of the trademarks in question* which will be a factor in considering the degree of resemblance of features, dominant or otherwise, and determine whether the goods or services represented by the competing marks are related or similar. For example, the courts should consider

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135. *Societe Des Produits Nestlé S.A. v.* 356 SCRA at 217, citing *Thompson Medical co. v. Pfizer, Inc.*, 753 F.2d. 208, 225 (1985).

136. See, e.g., *Converse Rubber v. Universal Rubber Products*, 147 SCRA 154 (1987) and *Emerald Garment Manufacturing Corp. v. Court of Appeals*, 251 SCRA 600 (1995); compare *Del Monte Corporation v. Court of Appeals*, 181 SCRA 410 (1990) with *Societe Des Produits Nestlé S.A. v. Court of Appeals*, 356 SCRA 207 (2001); *Asia Brewery, Inc. v. Court of Appeals*, 224 SCRA 437 (1993).

137. A negative finding of trademark infringement does not connote the absence of unfair competition. It has earlier been established that the latter is broader in scope, such that trademark infringement falls under it. See the INTELLECTUAL PROPERTY CODE, §168.3.

138. See, e.g., *Converse Rubber v. Universal Rubber Products*, 147 SCRA 154 (1987) and *Emerald Garment Manufacturing Corp. v. Court of Appeals*, 251 SCRA 600 (1995); compare *Del Monte v. Court of Appeals*, 181 SCRA 410 (1990) with *Societe Des Produits Nestlé S.A. v. Court of Appeals*, 356 SCRA 207 (2001); *Asia Brewery, Inc. v. Court of Appeals*, 224 SCRA 437 (1993).

whether the trademarks represent the same product line – food, clothing, cosmetics, etc;

2) *Consumer behavior in the ordinary course of making a purchase.* The confusion should be viewed from the consumers' point and not from the court's which has more time to conduct a careful scrutiny; and

3) *Trade channels.* The *McDonald's* Court disregarded the different trade channels used by the petitioner and the respondent in selling their respective burger products. The argument of actual prior commercial use, which played a key factor in deciding *Converse Rubber* and *Emerald Garment*, could have turned the odds in favor of respondent L.C. Big Mak. Such established use by petitioner in its 34 years<sup>139</sup> of offering the *Big Mac* burger to the local market could have reduced the probability of likelihood of confusion among the public, as was the case in *Asia Brewery*.<sup>140</sup> Although no virtual monopoly of the burger market exists, the public is not completely unaware of the striking dissimilarity between the McDonald's fast-food chain and the L.C. Big Mak snack vans. The purchaser in this case is one accustomed to the difference and is credited with enough knowledge to distinguish between the two.

This formula may include other factors such as: degree of similarity between marks, strength of senior mark, price of goods and other factors indicative of care and attention expected of consumers when making purchase, length of time defendant has used mark without evidence of actual confusion arising, intent of defendant in adopting mark, evidence of actual confusion, whether the goods, competing or not competing, are marketed through same channels of trade and advertised through same media, extent to which targets of the parties' sales efforts are the same, relationship of goods in minds of consumers, and other facts suggesting that the consuming public would expect senior owner to manufacture both products or to manufacture product in defendant's market, or would expect that senior owner is likely to expand into defendant's market.<sup>141</sup>

The author would like to note that the policy behind the laws protecting trademark infringement is two-pronged. First, the law seeks to protect the buying public from confusion, deception or fraud arising from a junior user or a newcomer in the market who carries a mark similar to that of the genuine manufacturer. The law wishes to prevent a mistaken purchaser from buying the goods or services of one, supposing them to be the other. Such

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139. *McDonald's*, 437 SCRA at 14.

140. *Asia Brewery*, 224 SCRA at 454-455.

141. LANHAM ACT, § 32(1), 15 U.S.C.A. § 1114(1), cited in A.H. Sportswear, *supra* note 3.

mistaken purchase is unfair to the original competitor who first earned the trust of the buyer by first establishing its brand and quality. This trust may be compromised by dissatisfaction arising from a purchase of inferior goods or services under the confusingly similar mark of a junior user. Not only do the profits originally intended to go to the genuine manufacturer lost, but also the chances of a return on profits arising from customer loyalty are rendered nil by the unfair competitor. Second, the law seeks to protect the trademark owner and his goodwill. This should be kept in mind as the Court battles through what can be reasonably predicted as more infringement cases to come, given the intensified battle for intellectual property rights.<sup>142</sup>

Courts ought to bear in mind that the protection of the trademark is ultimately for the protection of the trade, the mark being purely intellectual and, as such, inseparable from the business associated with it. Since it is the trade and not the mark *per se* that is to be protected, a trademark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader's goods have become known and identified by the use of the mark.<sup>143</sup> For trademark is a creation of use.... flowing from this is the trader's right to protection in the trade he has built up and the goodwill he has accumulated from the use of the trademark.<sup>144</sup>

Lastly, the Supreme Court has aptly observed that "the ordinary customer does not scrutinize the details of the label; he forgets or overlooks these, but retains a general impression, or a central figure, or a dominant characteristic."<sup>145</sup> This rule is based on experience. This significant observation accurately points to the difficulty in abandoning either one of, as well as the necessity of keeping both, the dominancy and holistic tests. What indeed is retained in the memory of the purchaser? It can possibly be a dominant feature or a holistic impression. Depending on the other factors such as the type of commodity and the purchasers, infringement cases present themselves to the courts in peculiar circumstances. What should definitely be conceded is that likelihood of confusion is a relative concept, necessitating the application of either the dominancy or the holistic test depending on each set of facts.

So, is the holistic test out of the infringement game as the Court asserts in the *McDonald's* case? Maybe, and quite wisely, not, if courts are expected to refine its tools in clearly and accurately assessing confusion.

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142. Among others, the Congress of the Philippines has implemented the Optical Media Act of 2003, effective January, 2005, in compliance with the International Intellectual Property Alliance (IIPA) recommendations.

143. *Converse*, 147 SCRA at 154.

144. *Sterling*, 27 SCRA at 1214.

145. *Co Tiong Sa*, 95 Phil. at 5.