

THIRD DIVISION

[G.R. Nos. 213365-66, December 10, 2018]

**ASIA PACIFIC RESOURCES INTERNATIONAL HOLDINGS, LTD.,
PETITIONER, VS. PAPERONE, INC., RESPONDENT.**

DECISION

GESMUNDO, J.:

Before the Court is a Petition for Review on Certiorari^[1] under Rule 45 of the Rules of Court, assailing the November 28, 2013 Decision^[2] and the July 9, 2014 Resolution^[3] of the Court of Appeals (CA) in CA-G.R. SP Nos. 122288 and 122535. The CA reversed and set aside the November 10, 2011 Decision^[4] of the Intellectual Property Office (IPO) Director General, finding Paperone, Inc. (*respondent*) liable for unfair competition.

The Facts

The dispute in this case arose from a complaint for unfair competition, trademark infringement, and damages filed against respondent by Asia Pacific Resources International Holdings, Ltd. (*petitioner*).

Petitioner is engaged in the production, marketing, and sale of pulp and premium wood free paper.^[5] It alleged that it is the owner of a well-known trademark, PAPER ONE, with Certificate of Registration No. 4-1999-01957 issued on September 5, 2003.^[6] The said trademark enjoyed legal protection in different countries worldwide and enjoyed goodwill and high reputation because of aggressive marketing and promotion. Petitioner claimed that the use of PAPERONE in respondent's corporate name without its prior consent and authority was done in bad faith and designed to unfairly ride on its good name and to take advantage of its goodwill. It was calculated to mislead the public into believing that respondent's business and/or products were manufactured, licensed or sponsored by petitioner. It was also alleged that respondent had presumptive, if not actual knowledge, of petitioner's rights to the trademark PAPER ONE, even prior to respondent's application for registration of its corporate name before the Securities and Exchange Commission (SEC).^[7]

Respondent, on its part, averred that it had no obligation to secure prior consent or authority from petitioner to adopt and use its corporate name. The Department of Trade and Industry (DTI) and the SEC had allowed it to use *Paperone, Inc.*, thereby negating any violation on petitioner's alleged prior rights. Respondent was registered with the SEC, having been organized and existing since March 30, 2001. Its business name was likewise registered with the DTI. Respondent also denied any awareness of the existence of petitioner and/or the registration of PAPER ONE, as the latter is a foreign corporation not doing business in the Philippines. While the

business of respondent dealt with paper conversion such as manufacture of table napkins, notebooks and intermediate/collegiate writing pads, it did not use its corporate name PAPERONE on any of its products. Further, its products had been widely sold in the Philippines even before petitioner could claim any business transaction in the country. The public could not have possibly been deceived into believing that any relation or sponsorship existed between the parties, considering these circumstances.^[8]

In its decision,^[9] the Bureau of Legal Affairs (BLA) Director, Intellectual Property Office, found respondent liable for unfair competition. It ordered respondent to cease and desist from using PAPERONE in its corporate name, and to pay petitioner P300,000.00, as temperate damages; P200,000.00, as exemplary damages; and P100,000.00, as attorney's fees. It ruled that petitioner was the first to use PAPER ONE in 1999 which had become a symbol of goodwill of its paper business. Respondent's use of PAPERONE in its corporate name was to benefit from the established goodwill of petitioner. There was, however, no trademark infringement since PAPER ONE was registered in the Philippines only in 2003.^[10]

On appeal to the IPO Director General, the BLA decision was affirmed with modification insofar as the increase in the award of attorney's fees to P300,000.00.^[11]

The CA Ruling

Both parties appealed to the CA. Petitioner maintained that it was entitled to actual damages amounting to P46,032,569.72 due to unfair competition employed by respondent. Respondent claimed that it was not liable for unfair competition.

In its decision, the CA reversed and set aside the IPO Director General's decision. It held that there was no confusing similarity in the general appearance of the goods of both parties. Petitioner failed to establish through substantial evidence that respondent intended to deceive the public or to defraud petitioner. Thus, the essential elements of unfair competition were not present.^[12]

ISSUES

In the petition before us, petitioner raises various issues for our resolution. However, given the facts of this case, we find that the only issues to be resolved are:

I.

**WHETHER RESPONDENT IS LIABLE FOR UNFAIR COMPETITION,
and**

II.

WHETHER PETITIONER IS ENTITLED TO ACTUAL DAMAGES.

OUR RULING

The core of the controversy is the adoption of "PAPERONE" in the trade name of respondent, which petitioner claims it has prior right to, since it was the first to use

it as its trademark for its paper products. Petitioner claims that respondent committed unfair competition by adopting PAPERONE in its trade name. It is noteworthy that the issue of trademark infringement is not the subject of the appeal before us.

The relevant provisions of the Intellectual Property Code^[13] provide:

SECTION 168. Unfair Competition, Rights, Regulation and Remedies. -

168.1. 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.

168.2. 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 acts calculated to produce said result, shall be guilty of unfair competition, and shall be subject to an action therefor.

168.3. 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.

The essential elements of an action 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.^[14] Unfair competition is always a question of fact.^[15] At this point, it bears to stress that findings of fact of the highly technical agency - the IPO - which has the expertise in this field, should have been given great weight by the Court of Appeals.^[16]

a) Confusing similarity

As to the first element, the confusing similarity may or may not result from similarity in the marks, but may result from other external factors in the packaging or presentation of the goods.^[17] Likelihood of confusion of goods or business is a relative concept, to be determined only according to peculiar circumstances of each

case.^[18]

The marks under scrutiny in this case are hereby reproduced for easy reference:

Petitioner's:

(See image p. 6)

Respondent's:

(See image p. 6)

It can easily be observed that both have the same spelling and are pronounced the same. Although respondent has a different logo, it was always used together with its trade name. It bears to emphasize that, initially, respondent's trade name had separate words that read "Paper One, Inc." under its original Articles of Incorporation. This was later on revised to make it one word, and now reads "Paperone, Inc."^[19]

At first glance, respondent may be correct that there would be no confusion as to the presentation or packaging of its products since it is not using its corporate name as a trademark of its goods/products. There is an apparent dissimilarity of presentation of the trademark PAPER ONE and the trade name and logo of Paperone, Inc. Nevertheless, a careful scrutiny of the mark shows that the use of PAPERONE by respondent would likely cause confusion or deceive the ordinary purchaser, exercising ordinary care, into believing that the goods bearing the mark are products of one and the same enterprise.

Relative to the issue on confusion of marks and trade names, jurisprudence has noted two types of confusion, viz.: (1) confusion of goods (*product confusion*), where the ordinarily prudent purchaser would be induced to purchase one product in the belief that he was purchasing the other; and (2) confusion of business (*source or origin confusion*), where, although the goods of the parties are different, the product, the mark of which registration is applied for by one party, is such as might reasonably be assumed to originate with the registrant of an earlier product; and the public would then be deceived either into that belief or into the belief that there is some connection between the two parties, though inexistent.^[20] Thus, while there is confusion of goods when the products are competing, confusion of business exists when the products are non-competing but related enough to produce confusion of affiliation.^[21]

This case falls under the second type of confusion. Although we see a noticeable difference on how the trade name of respondent is being used in its products as compared to the trademark of petitioner, there could likely be confusion as to the origin of the products. Thus, a consumer might conclude that PAPER ONE products are manufactured by or are products of Paperone, Inc. Additionally, although respondent claims that its products are not the same as petitioner's, the goods of the parties are obviously related as they are both kinds of paper products.

The BLA Director aptly ruled that "[t]o permit respondent to continue using the same or identical Paperone in its corporate name although not [used] as label for its

paper products, but the same line of business, that of manufacturing goods such as PAPER PRODUCTS, therefore their coexistence would result in confusion as to source of goods and diversion of sales to [r]espondent knowing that purchasers are getting products from [petitioner] APRIL with the use of the corporate name Paper One, Inc. or Paperone, Inc. by herein [r]espondent."^[22]

The matter of prior right over PAPERONE, again, is a matter of factual determination; therefore, we give credence to the findings of the IPO, who has the expertise in this matter, being supported by substantial evidence. The Court has consistently recognized the specialized functions of the administrative agencies - in this case, the IPO. *Berris Agricultural Co., Inc. v. Abyadang*^[23] states, thus:

The determination of priority of use of a mark is a question of fact. Adoption of the mark alone does not suffice. One may make advertisements, issue circulars, distribute price lists on certain goods, but these alone will not inure to the claim of ownership of the mark until the goods bearing the mark are sold to the public in the market. Accordingly, receipts, sales invoices, and testimonies of witnesses as customers, or orders of buyers, best prove the actual use of a mark in trade and commerce during a certain period of time.

x x x x

Verily, the protection of trademarks as intellectual property is intended not only to preserve the goodwill and reputation of the business established on the goods bearing the mark through actual use over a period of time, but also to safeguard the public as consumers against confusion on these goods. **On this matter of particular concern, administrative agencies, such as the IPO, by reason of their special knowledge and expertise over matters falling under their jurisdiction, are in a better position to pass judgment thereon. Thus, their findings of fact in that regard are generally accorded great respect, if not finality by the courts, as long as they are supported by substantial evidence, even if such evidence might not be overwhelming or even preponderant. It is not the task of the appellate court to weigh once more the evidence submitted before the administrative body and to substitute its own judgment for that of the administrative agency in respect to sufficiency of evidence.**^[24] (Emphasis supplied)

The BLA Director found, as affirmed by the IPO Director General, that it was petitioner who has priority rights over PAPER ONE, thus:

One essential factor that has led this Office to tilt the scales of justice in favor of Complainant is the latter's establishment of prior use of the word PaperOne for paper products in the Philippines. Records will show that there was prior use and adoption by Complainant of the word "PaperOne." PaperOne was filed for trademark registration on 22 March 1999 (Exhibit "D", Complainant) in the name of Complainant Asia Pacific Resources International Holdings, Ltd. and matured into registration on 10 February 2003. Respondent's corporate or trade name is Paper One, Inc. which existed and was duly registered with the Securities and