

## SECOND DIVISION

[ G.R. No. 190706, July 21, 2014 ]

**SHANG PROPERTIES REALTY CORPORATION (FORMERLY THE SHANG GRAND TOWER CORPORATION) AND SHANG PROPERTIES, INC. (FORMERLY EDSA PROPERTIES HOLDINGS, INC.), PETITIONERS, VS. ST. FRANCIS DEVELOPMENT CORPORATION, RESPONDENT.**

### D E C I S I O N

**PERLAS-BERNABE, J.:**

Assailed in this petition for review on *certiorari*<sup>[1]</sup> is the Decision<sup>[2]</sup> dated December 18, 2009 of the Court of Appeals (CA) in CA-G.R. SP No. 105425 which affirmed with modification the Decision<sup>[3]</sup> dated September 3, 2008 of the Intellectual Property Office (IPO) Director-General. The CA: (a) affirmed the denial of the application for registration of the mark "ST. FRANCIS TOWERS" filed by petitioners Shang Properties Realty Corporation and Shang Properties, Inc. (petitioners); (b) found petitioners to have committed unfair competition for using the marks "THE ST. FRANCIS TOWERS" and "THE ST. FRANCIS SHANGRI-LA PLACE"; (c) ordered petitioners to cease and desist from using "ST. FRANCIS" singly or as part of a composite mark; and (d) ordered petitioners to jointly and severally pay respondent St. Francis Square Development Corporation (respondent) a fine in the amount of ? 200,000.00.

#### The Facts

Respondent – a domestic corporation engaged in the real estate business and the developer of the St. Francis Square Commercial Center, built sometime in 1992, located at Ortigas Center, Mandaluyong City, Metro Manila (Ortigas Center)<sup>[4]</sup> – filed separate complaints against petitioners before the IPO - Bureau of Legal Affairs (BLA), namely: (**a**) an intellectual property violation case for unfair competition, false or fraudulent declaration, and damages arising from petitioners' use and filing of applications for the registration of the marks "THE ST. FRANCIS TOWERS" and "THE ST. FRANCIS SHANGRI-LA PLACE," docketed as IPV Case No. 10-2005-00030 (**IPV Case**); and (**b**) an *inter partes* case opposing the petitioners' application for registration of the mark "THE ST. FRANCIS TOWERS" for use relative to the latter's business, particularly the construction of permanent buildings or structures for residential and office purposes, docketed as *Inter Partes* Case No. 14-2006-00098 (**St. Francis Towers IP Case**); and (**c**) an *inter partes* case opposing the petitioners' application for registration of the mark "THE ST. FRANCIS SHANGRI-LA PLACE," docketed as IPC No. 14-2007-00218 (**St. Francis Shangri-La IP Case**).<sup>[5]</sup>

In its complaints, respondent alleged that it has used the mark "ST. FRANCIS" to identify its numerous property development projects located at Ortigas Center, such as the aforementioned St. Francis Square Commercial Center, a shopping mall called

the "St. Francis Square," and a mixed-use realty project plan that includes the St. Francis Towers. Respondent added that as a result of its continuous use of the mark "ST. FRANCIS" in its real estate business, it has gained substantial goodwill with the public that consumers and traders closely identify the said mark with its property development projects. Accordingly, respondent claimed that petitioners could not have the mark "THE ST. FRANCIS TOWERS" registered in their names, and that petitioners' use of the marks "THE ST. FRANCIS TOWERS" and "THE ST. FRANCIS SHANGRI-LA PLACE" in their own real estate development projects constitutes unfair competition as well as false or fraudulent declaration.<sup>[6]</sup>

Petitioners denied committing unfair competition and false or fraudulent declaration, maintaining that they could register the mark "THE ST. FRANCIS TOWERS" and "THE ST. FRANCIS SHANGRI-LA PLACE" under their names. They contended that respondent is barred from claiming ownership and exclusive use of the mark "ST. FRANCIS" because the same is geographically descriptive of the goods or services for which it is intended to be used.<sup>[7]</sup> This is because respondent's as well as petitioners' real estate development projects are located along the streets bearing the name "St. Francis," particularly, St. Francis Avenue and St. Francis Street (now known as Bank Drive),<sup>[8]</sup> both within the vicinity of the Ortigas Center.

### **The BLA Rulings**

On December 19, 2006, the BLA rendered a Decision<sup>[9]</sup> in the **IPV Case**, and found that petitioners committed acts of unfair competition against respondent by its use of the mark "THE ST. FRANCIS TOWERS" but not with its use of the mark "THE ST. FRANCIS SHANGRI-LA PLACE." It, however, refused to award damages in the latter's favor, considering that there was no evidence presented to substantiate the amount of damages it suffered due to the former's acts. The BLA found that "ST. FRANCIS," being a name of a Catholic saint, may be considered as an arbitrary mark capable of registration when used in real estate development projects as the name has no direct connection or significance when used in association with real estate. The BLA neither deemed "ST. FRANCIS" as a geographically descriptive mark, opining that there is no specific lifestyle, aura, quality or characteristic that the real estate projects possess except for the fact that they are located along St. Francis Avenue and St. Francis Street (now known as Bank Drive), Ortigas Center. In this light, the BLA found that while respondent's use of the mark "ST. FRANCIS" has not attained exclusivity considering that there are other real estate development projects bearing the name "St. Francis" in other areas,<sup>[10]</sup> it must nevertheless be pointed out that respondent has been known to be the only real estate firm to transact business using such name within the Ortigas Center vicinity. Accordingly, the BLA considered respondent to have gained goodwill and reputation for its mark, which therefore entitles it to protection against the use by other persons, at least, to those doing business within the Ortigas Center.<sup>[11]</sup>

Meanwhile, on March 28, 2007, the BLA rendered a Decision<sup>[12]</sup> in the **St. Francis Towers IP Case**, denying petitioners' application for registration of the mark "THE ST. FRANCIS TOWERS." Excluding the word "TOWERS" in view of petitioners' disclaimer thereof, the BLA ruled that petitioners cannot register the mark "THE ST. FRANCIS" since it is confusingly similar to respondent's "ST. FRANCIS" marks which are registered with the Department of Trade and Industry (DTI). It held that

respondent had a better right over the use of the mark "ST. FRANCIS" because of the latter's appropriation and continuous usage thereof for a long period of time.<sup>[13]</sup>

A little over a year after, or on March 31, 2008, the BLA then rendered a Decision<sup>[14]</sup> in the **St. Francis Shangri-La IP Case**, allowing petitioners' application for registration of the mark "THE ST. FRANCIS SHANGRI-LA PLACE." It found that respondent cannot preclude petitioners from using the mark "ST. FRANCIS" as the records show that the former's use thereof had not been attended with exclusivity. More importantly, it found that petitioners had adequately appended the word "Shangri-La" to its composite mark to distinguish it from that of respondent, in which case, the former had removed any likelihood of confusion that may arise from the contemporaneous use by both parties of the mark "ST. FRANCIS."

Both parties appealed the decision in the **IPV Case**, while petitioners appealed the decision in the **St. Francis Towers IP Case**. Due to the identity of the parties and issues involved, the IPO Director-General ordered the consolidation of the separate appeals.<sup>[15]</sup> Records are, however, bereft of any showing that the decision in the **St. Francis Shangri-La IP Case** was appealed by either party and, thus, is deemed to have lapsed into finality.

### **The IPO Director-General Ruling**

In a Decision<sup>[16]</sup> dated September 3, 2008, then IPO Director-General Adrian S. Cristobal, Jr. affirmed the rulings of the BLA that: (a) petitioners cannot register the mark "THE ST. FRANCIS TOWERS"; and (b) petitioners are not guilty of unfair competition in its use of the mark "THE ST. FRANCIS SHANGRI-LA PLACE." However, the IPO Director-General reversed the BLA's finding that petitioners committed unfair competition through their use of the mark "THE ST. FRANCIS TOWERS," thus dismissing such charge. He found that respondent could not be entitled to the exclusive use of the mark "ST. FRANCIS," even at least to the locality where it conducts its business, because it is a geographically descriptive mark, considering that it was petitioners' as well as respondent's intention to use the mark "ST. FRANCIS" in order to identify, or at least associate, their real estate development projects/businesses with the place or location where they are situated/conducted, particularly, St. Francis Avenue and St. Francis Street (now known as Bank Drive), Ortigas Center. He further opined that respondent's registration of the name "ST. FRANCIS" with the DTI is irrelevant since what should be controlling are the trademark registrations with the IPO itself.<sup>[17]</sup> Also, the IPO Director-General held that since the parties are both engaged in the real estate business, it would be "hard to imagine that a prospective buyer will be enticed to buy, rent or purchase [petitioners'] goods or services believing that this is owned by [respondent] simply because of the name 'ST. FRANCIS.' The prospective buyer would necessarily discuss things with the representatives of [petitioners] and would readily know that this does not belong to [respondent]."<sup>[18]</sup>

Disagreeing solely with the IPO Director-General's ruling on the issue of unfair competition (the bone of contention in the IPV Case), respondent elevated the same to the CA.

In contrast, records do not show that either party appealed the IPO Director-

General's ruling on the issue of the registrability of the mark "THE ST. FRANCIS TOWERS" (the bone of contention in the St. Francis Towers IP Case). As such, said pronouncement is also deemed to have lapsed into finality.

### **The CA Ruling**

In a Decision<sup>[19]</sup> dated December 18, 2009, the CA found petitioners guilty of unfair competition not only with respect to their use of the mark "THE ST. FRANCIS TOWERS" but also of the mark "THE ST. FRANCIS SHANGRI-LA PLACE." Accordingly, it ordered petitioners to cease and desist from using "ST. FRANCIS" singly or as part of a composite mark, as well as to jointly and severally pay respondent a fine in the amount of P200,000.00.

The CA did not adhere to the IPO Director-General's finding that the mark "ST. FRANCIS" is geographically descriptive, and ruled that respondent – which has exclusively and continuously used the mark "ST. FRANCIS" for more than a decade, and, hence, gained substantial goodwill and reputation thereby – is very much entitled to be protected against the indiscriminate usage by other companies of the trademark/name it has so painstakingly tried to establish and maintain. Further, the CA stated that even on the assumption that "ST. FRANCIS" was indeed a geographically descriptive mark, adequate protection must still be given to respondent pursuant to the Doctrine of Secondary Meaning.<sup>[20]</sup>

Dissatisfied, petitioners filed the present petition.

### **The Issue Before the Court**

With the decisions in both *Inter Partes* Cases having lapsed into finality, the sole issue thus left for the Court's resolution is whether or not petitioners are guilty of unfair competition in using the marks "THE ST. FRANCIS TOWERS" and "THE ST. FRANCIS SHANGRI-LA PLACE."

### **The Court's Ruling**

The petition is meritorious.

**Section 168 of Republic Act No. 8293**,<sup>[21]</sup> otherwise known as the "Intellectual Property Code of the Philippines" (IP Code), provides for the rules and regulations on unfair competition.

To begin, **Section 168.1** qualifies who is entitled to protection against unfair competition. It states that "[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."

**Section 168.2** proceeds to the core of the provision, describing forthwith who may be found guilty of and subject to an action of unfair competition – that is, **"[a]ny 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 x x x."**

Without limiting its generality, **Section 168.3** goes on to specify examples of acts which are considered as constitutive of unfair competition, *viz.*:

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;

(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 service 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.

Finally, **Section 168.4** dwells on a matter of procedure by stating that the "[t]he remedies provided by Sections 156,<sup>[22]</sup> 157,<sup>[23]</sup> and 161<sup>[24]</sup> shall apply *mutatis mutandis*."

The statutory attribution of the unfair competition concept is well-supplemented by jurisprudential pronouncements. In the recent case of *Republic Gas Corporation v. Petron Corporation*,<sup>[25]</sup> the Court has echoed the classic definition of the term which is "the passing off (or palming off) or attempting to pass off upon the public of the goods or business of one person as the goods or business of another with the end and probable effect of deceiving the public." Passing off (or palming off) takes place where the defendant, by imitative devices on the general appearance of the goods, misleads prospective purchasers into buying his merchandise under the impression that they are buying that of his competitors. [In other words], the defendant gives his goods the general appearance of the goods of his competitor with the **intention of deceiving the public** that the goods are those of his competitor."<sup>[26]</sup> The "true test" of unfair competition has thus been "**whether the acts of the defendant**