

THIRD DIVISION

[G.R. No. 195549, September 03, 2014]

**WILLAWARE PRODUCTS CORPORATION, PETITIONER, VS.
JESICHRIS MANUFACTURING CORPORATION, RESPONDENT.**

DECISION

PERALTA, J.:

Before the Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court seeking to set aside the Decision^[1] dated November 24, 2010 and Resolution^[2] dated February 10, 2011 of the Court of Appeals (CA) in CA-G.R. CV No. 86744.

The facts, as found by the Regional Trial Court (RTC), are as follows:

[Respondent] Jesichris Manufacturing Company ([respondent] for short) filed this present complaint for damages for unfair competition with prayer for permanent injunction to enjoin [petitioner] Willaware Products Corporation ([petitioner] for short) from manufacturing and distributing plastic-made automotive parts similar to those of [respondent].

[Respondent] alleged that it is a duly registered partnership engaged in the manufacture and distribution of plastic and metal products, with principal office at No. 100 Mithi Street, Sampalukan, Caloocan City. Since its registration in 1992, [respondent] has been manufacturing in its Caloocan plant and distributing throughout the Philippines plastic-made automotive parts. [Petitioner], on the other hand, which is engaged in the manufacture and distribution of kitchenware items made of plastic and metal has its office near that of [respondent].

[Respondent] further alleged that in view of the physical proximity of [petitioner's] office to [respondent's] office, and in view of the fact that some of the [respondent's] employees had transferred to [petitioner], [petitioner] had developed familiarity with [respondent's] products, especially its plastic-made automotive parts.

That sometime in November 2000, [respondent] discovered that [petitioner] had been manufacturing and distributing the same automotive parts with exactly similar design, same material and colors but was selling these products at a lower price as [respondent's] plastic-made automotive parts and to the same customers.

[Respondent] alleged that it had originated the use of plastic in place of rubber in the manufacture of automotive underchassis parts such as

spring eye bushing, stabilizer bushing, shock absorber bushing, center bearing cushions, among others. [Petitioner's] manufacture of the same automotive parts with plastic material was taken from [respondent's] idea of using plastic for automotive parts. Also, [petitioner] deliberately copied [respondent's] products all of which acts constitute unfair competition, is and are contrary to law, morals, good customs and public policy and have caused [respondent] damages in terms of lost and unrealized profits in the amount of TWO MILLION PESOS as of the date of [respondent's] complaint.

Furthermore, [petitioner's] tortuous conduct compelled [respondent] to institute this action and thereby to incur expenses in the way of attorney's fees and other litigation expenses in the amount of FIVE HUNDRED THOUSAND PESOS (P500,000.00).

In its Answer, [petitioner] denies all the allegations of the [respondent] except for the following facts: that it is engaged in the manufacture and distribution of kitchenware items made of plastic and metal and that there's physical proximity of [petitioner's] office to [respondent's] office, and that some of [respondent's] employees had transferred to [petitioner] and that over the years [petitioner] had developed familiarity with [respondent's] products, especially its plastic made automotive parts.

As its Affirmative Defenses, [petitioner] claims that there can be no unfair competition as the plastic-made automotive parts are mere reproductions of original parts and their construction and composition merely conforms to the specifications of the original parts of motor vehicles they intend to replace. Thus, [respondent] cannot claim that it "originated" the use of plastic for these automotive parts. Even assuming for the sake of argument that [respondent] indeed originated the use of these plastic automotive parts, it still has no exclusive right to use, manufacture and sell these as it has no patent over these products. Furthermore, [respondent] is not the only exclusive manufacturer of these plastic-made automotive parts as there are other establishments which were already openly selling them to the public.^[3]

After trial on the merits, the RTC ruled in favor of respondent. It ruled that petitioner clearly invaded the rights or interest of respondent by deliberately copying and performing acts amounting to unfair competition. The RTC further opined that under the circumstances, in order for respondent's property rights to be preserved, petitioner's acts of manufacturing similar plastic-made automotive parts such as those of respondent's and the selling of the same products to respondent's customers, which it cultivated over the years, will have to be enjoined. The dispositive portion of the decision reads:

WHEREFORE, premises considered, the court finds the defendant liable to plaintiff Two Million (P2,000,000.00) Pesos, as actual damages, One Hundred Thousand (P100,000.00) Pesos as attorney's fees and One Hundred Thousand (P100,000.00) Pesos for exemplary damages. The court

hereby permanently [enjoins] defendant from manufacturing the plastic-made automotive parts as those manufactured by plaintiffs.

SO ORDERED.^[4]

Thus, petitioner appealed to the CA.

On appeal, petitioner asserts that if there is no intellectual property protecting a good belonging to another, the copying thereof for production and selling does not add up to unfair competition as competition is promoted by law to benefit consumers. Petitioner further contends that it did not lure away respondent's employees to get trade secrets. It points out that the plastic spare parts sold by respondent are traded in the market and the copying of these can be done by simply buying a sample for a mold to be made.

Conversely, respondent averred that copyright and patent registrations are immaterial for an unfair competition case to prosper under Article 28 of the Civil Code. It stresses that the characteristics of unfair competition are present in the instant case as the parties are trade rivals and petitioner's acts are contrary to good conscience for deliberately copying its products and employing its former employees.

In a Decision dated November 24, 2010, the CA affirmed with modification the ruling of the RTC. Relevant portions of said decision read:

Despite the evidence showing that Willaware took dishonest steps in advancing its business interest against Jesichris, however, the Court finds no basis for the award by the RTC of actual damages. One is entitled to actual damages as one has duly proven. The testimony of Quejada, who was engaged by Jesichris in 2001 to audit its business, only revealed that there was a discrepancy between the sales of Jesichris from 2001 to 2002. No amount was mentioned. As for Exhibit "Q," which is a copy of the comparative income statement of Jesichris for 1999-2002, it shows the decline of the sales in 2002 in comparison with those made in 2001 but it does not disclose if this pertains to the subject automotive parts or to the other products of Jesichris like plates.

In any event, it was clearly shown that there was unfair competition on the part of Willaware that prejudiced Jesichris. It is only proper that nominal damages be awarded in the amount of Two Hundred Thousand Pesos (P200,000.00) in order to recognize and vindicate Jesichris' rights. The RTC's award of attorney's fees and exemplary damages is also maintained.

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WHEREFORE, premises considered, the Decision dated April 15, 2003 of the Regional Trial Court of Caloocan City, Branch 131, in Civil Case No. C-19771 is hereby **MODIFIED**. The award of Two Million Pesos

(P2,000,000.00) actual damages is deleted and in its place, Two Hundred Thousand Pesos nominal damages is awarded.

SO ORDERED.^[5]

Dissatisfied, petitioner moved for reconsideration. However, the same was denied for lack of merit by the CA in a Resolution dated February 10, 2011.

Hence, the present Petition for Review wherein petitioner raises the following issues for our resolution:

- (1) Whether or not there is unfair competition under human relations when the parties are not competitors and there is actually no damage on the part of Jesichris?
- (2) Consequently, if there is no unfair competition, should there be moral damages and attorney's fees?
- (3) Whether or not the addition of nominal damages is proper although no rights have been established?
- (4) If ever the right of Jesichris refers to its copyright on automotive parts, should it be considered in the light of the said copyrights were considered to be void by no less than this Honorable Court in SC GR No. 161295?
- (5) If the right involved is "goodwill" then the issue is: whether or not Jesichris has established "goodwill?"^[6]

In essence, the issue for our resolution is: whether or not petitioner committed acts amounting to unfair competition under Article 28 of the Civil Code.

Prefatorily, we would like to stress that the instant case falls under Article 28 of the Civil Code on human relations, and not unfair competition under Republic Act No. 8293,^[7] as the present suit is a damage suit and the products are not covered by patent registration. *A fortiori*, the existence of patent registration is immaterial in the present case.

The concept of "unfair competition" under Article 28 is very much broader than that covered by intellectual property laws. Under the present article, which follows the extended concept of "unfair competition" in American jurisdictions, the term covers even cases of discovery of trade secrets of a competitor, bribery of his employees, misrepresentation of all kinds, interference with the fulfillment of a competitor's contracts, or any malicious interference with the latter's business.^[8]

With that settled, we now come to the issue of whether or not petitioner committed acts amounting to unfair competition under Article 28 of the Civil Code.

We find the petition bereft of merit.

Article 28 of the Civil Code provides that "unfair competition in agricultural, commercial or industrial enterprises or in labor through the use of force, intimidation, deceit, machination or any other unjust, oppressive or high-handed method shall give rise to a right of action by the person who thereby suffers