

THIRD DIVISION

[G.R. No. 154342, July 14, 2004]

**MIGHTY CORPORATION AND LA CAMPANA FABRICA DE TABACO,
INC. PETITIONERS, VS. E. & J. GALLO WINERY AND THE
ANDRESONS GROUP, INC. RESPONDENTS.**

DECISION

CORONA, J.:

In this petition for review on *certiorari* under Rule 45, petitioners Mighty Corporation and La Campana Fabrica de Tabaco, Inc. (La Campana) seek to annul, reverse and set aside: (a) the November 15, 2001 decision^[1] of the Court of Appeals (CA) in CA-G.R. CV No. 65175 affirming the November 26, 1998 decision,^[2] as modified by the June 24, 1999 order,^[3] of the Regional Trial Court of Makati City, Branch 57 (Makati RTC) in Civil Case No. 93-850, which held petitioners liable for, and permanently enjoined them from, committing trademark infringement and unfair competition, and which ordered them to pay damages to respondents E. & J. Gallo Winery (Gallo Winery) and The Andresons Group, Inc. (Andresons); (b) the July 11, 2002 CA resolution denying their motion for reconsideration^[4] and (c) the aforesaid Makati RTC decision itself.

I.

The Factual Background

Respondent Gallo Winery is a foreign corporation not doing business in the Philippines but organized and existing under the laws of the State of California, United States of America (U.S.), where all its wineries are located. Gallo Winery produces different kinds of wines and brandy products and sells them in many countries under different registered trademarks, including the GALLO and ERNEST & JULIO GALLO wine trademarks.

Respondent domestic corporation, Andresons, has been Gallo Winery's exclusive wine importer and distributor in the Philippines since 1991, selling these products in its own name and for its own account.^[5]

Gallo Winery's GALLO wine trademark was registered in the principal register of the Philippine Patent Office (now Intellectual Property Office) on November 16, 1971 under Certificate of Registration No. 17021 which was renewed on November 16, 1991 for another 20 years.^[6] Gallo Winery also applied for registration of its ERNEST & JULIO GALLO wine trademark on October 11, 1990 under Application Serial No. 901011-00073599-PN but the records do not disclose if it was ever approved by the Director of Patents.^[7]

On the other hand, petitioners Mighty Corporation and La Campana and their sister

company, Tobacco Industries of the Philippines (Tobacco Industries), are engaged in the cultivation, manufacture, distribution and sale of tobacco products for which they have been using the GALLO cigarette trademark since 1973. [8]

The Bureau of Internal Revenue (BIR) approved Tobacco Industries' use of GALLO 100's cigarette mark on September 14, 1973 and GALLO filter cigarette mark on March 26, 1976, both for the manufacture and sale of its cigarette products. In 1976, Tobacco Industries filed its manufacturer's sworn statement as basis for BIR's collection of specific tax on GALLO cigarettes. [9]

On February 5, 1974, Tobacco Industries applied for, but eventually did not pursue, the registration of the GALLO cigarette trademark in the principal register of the then Philippine Patent Office. [10]

In May 1984, Tobacco Industries assigned the GALLO cigarette trademark to La Campana which, on July 16, 1985, applied for trademark registration in the Philippine Patent Office. [11] On July 17, 1985, the National Library issued Certificate of Copyright Registration No. 5834 for La Campana's lifetime copyright claim over GALLO cigarette labels. [12]

Subsequently, La Campana authorized Mighty Corporation to manufacture and sell cigarettes bearing the GALLO trademark. [13] BIR approved Mighty Corporation's use of GALLO 100's cigarette brand, under licensing agreement with Tobacco Industries, on May 18, 1988, and GALLO SPECIAL MENTHOL 100's cigarette brand on April 3, 1989. [14]

Petitioners claim that GALLO cigarettes have been sold in the Philippines since 1973, initially by Tobacco Industries, then by La Campana and finally by Mighty Corporation. [15]

On the other hand, although the GALLO wine trademark was registered in the Philippines in 1971, respondents claim that they first introduced and sold the GALLO and ERNEST & JULIO GALLO wines in the Philippines *circa* 1974 within the then U.S. military facilities only. By 1979, they had expanded their Philippine market through authorized distributors and independent outlets. [16]

Respondents claim that they first learned about the existence of GALLO cigarettes in the latter part of 1992 when an Andresons employee saw such cigarettes on display with GALLO wines in a Davao supermarket wine cellar section. [17] Forthwith, respondents sent a demand letter to petitioners asking them to stop using the GALLO trademark, to no avail.

II. The Legal Dispute

On March 12, 1993, respondents sued petitioners in the Makati RTC for trademark and tradename infringement and unfair competition, with a prayer for damages and preliminary injunction. Respondents charged petitioners with violating Article 6^{bis} of the Paris Convention for the Protection of Industrial Property (Paris Convention) [18]

and RA 166 (Trademark Law),^[19] specifically, Sections 22 and 23 (for trademark infringement),^[20] 29 and 30^[21] (for unfair competition and false designation of origin) and 37 (for tradename infringement).^[22] They claimed that petitioners adopted the GALLO trademark to ride on Gallo Winery's GALLO and ERNEST & JULIO GALLO trademarks' established reputation and popularity, thus causing confusion, deception and mistake on the part of the purchasing public who had always associated GALLO and ERNEST & JULIO GALLO trademarks with Gallo Winery's wines. Respondents prayed for the issuance of a writ of preliminary injunction and *ex parte* restraining order, plus P2 million as actual and compensatory damages, at least P500,000 as exemplary and moral damages, and at least P500,000 as attorney's fees and litigation expenses.^[23]

In their answer, petitioners alleged, among other affirmative defenses, that: petitioner's GALLO cigarettes and Gallo Winery's wines were totally unrelated products; Gallo Winery's GALLO trademark registration certificate covered wines only, not cigarettes; GALLO cigarettes and GALLO wines were sold through different channels of trade; GALLO cigarettes, sold at P4.60 for GALLO filters and P3 for GALLO menthols, were low-cost items compared to Gallo Winery's high-priced luxury wines which cost between P98 to P242.50; the target market of Gallo Winery's wines was the middle or high-income bracket with at least P10,000 monthly income while GALLO cigarette buyers were farmers, fishermen, laborers and other low-income workers; the dominant feature of the GALLO cigarette mark was the rooster device with the manufacturer's name clearly indicated as MIGHTY CORPORATION while, in the case of Gallo Winery's wines, it was the full names of the founders-owners ERNEST & JULIO GALLO or just their surname GALLO; by their inaction and conduct, respondents were guilty of laches and estoppel; and petitioners acted with honesty, justice and good faith in the exercise of their right to manufacture and sell GALLO cigarettes.

In an order dated April 21, 1993,^[24] the Makati RTC denied, for lack of merit, respondent's prayer for the issuance of a writ of preliminary injunction,^[25] holding that respondent's GALLO trademark registration certificate covered wines only, that respondents' wines and petitioners' cigarettes were not related goods and respondents failed to prove material damage or great irreparable injury as required by Section 5, Rule 58 of the Rules of Court.^[26]

On August 19, 1993, the Makati RTC denied, for lack of merit, respondents' motion for reconsideration. The court reiterated that respondents' wines and petitioners' cigarettes were not related goods since the likelihood of deception and confusion on the part of the consuming public was very remote. The trial court emphasized that it could not rely on foreign rulings cited by respondents "because the[se] cases were decided by foreign courts on the basis of unknown facts peculiar to each case or upon factual surroundings which may exist only within their jurisdiction. Moreover, there [was] no showing that [these cases had] been tested or found applicable in our jurisdiction."^[27]

On February 20, 1995, the CA likewise dismissed respondents' petition for review on certiorari, docketed as CA-G.R. No. 32626, thereby affirming the Makati RTC's denial of the application for issuance of a writ of preliminary injunction against petitioners.^[28]

After trial on the merits, however, the Makati RTC, on November 26, 1998, held petitioners liable for, and permanently enjoined them from, committing trademark infringement and unfair competition with respect to the GALLO trademark:

WHEREFORE, judgment is rendered in favor of the plaintiff (*sic*) and against the defendant (*sic*), to wit:

A. permanently restraining and enjoining defendants, their distributors, trade outlets, and all persons acting for them or under their instructions, from (i) using E & J's registered trademark GALLO or any other reproduction, counterfeit, copy or colorable imitation of said trademark, either singly or in conjunction with other words, designs or emblems and other acts of similar nature, and (ii) committing other acts of unfair competition against plaintiffs by manufacturing and selling their cigarettes in the domestic or export markets under the GALLO trademark.

B. ordering defendants to pay plaintiffs –

I. actual and compensatory damages for the injury and prejudice and impairment of plaintiffs' business and goodwill as a result of the acts and conduct pleaded as basis for this suit, in an amount equal to 10% of FOURTEEN MILLION TWO HUNDRED THIRTY FIVE THOUSAND PESOS (PHP14,235,000.00) from the filing of the complaint until fully paid;

II. exemplary damages in the amount of PHP100,000.00;

III. attorney's fees and expenses of litigation in the amount of PHP1,130,068.91;

IV. the cost of suit.

SO ORDERED."^[29]

On June 24, 1999, the Makati RTC granted respondent's motion for partial reconsideration and increased the award of actual and compensatory damages to 10% of ₱199,290,000 or ₱19,929,000.^[30]

On appeal, the CA affirmed the Makati RTC decision and subsequently denied petitioner's motion for reconsideration.

III. The Issues

Petitioners now seek relief from this Court contending that the CA did not follow prevailing laws and jurisprudence when it held that: [a] RA 8293 (Intellectual Property Code of the Philippines [IP Code]) was applicable in this case; [b] GALLO cigarettes and GALLO wines were identical, similar or related goods for the reason alone that they were purportedly forms of vice; [c] both goods passed through the same channels of trade and [d] petitioners were liable for trademark infringement,

unfair competition and damages.^[31]

Respondents, on the other hand, assert that this petition which invokes Rule 45 does not involve pure questions of law, and hence, must be dismissed outright.

IV. Discussion

THE EXCEPTIONAL CIRCUMSTANCES IN THIS CASE OBLIGE THE COURT TO REVIEW THE CA'S FACTUAL FINDINGS

As a general rule, a petition for review on *certiorari* under Rule 45 must raise only "questions of law"^[32] (that is, the doubt pertains to the application and interpretation of law to a certain set of facts) and not "questions of fact" (where the doubt concerns the truth or falsehood of alleged facts),^[33] otherwise, the petition will be denied. We are not a trier of facts and the Court of Appeals' factual findings are generally conclusive upon us.^[34]

This case involves questions of fact which are directly related and intertwined with questions of law. The resolution of the factual issues concerning the goods' similarity, identity, relation, channels of trade, and acts of trademark infringement and unfair competition is greatly dependent on the interpretation of applicable laws. The controversy here is not simply the identity or similarity of both parties' trademarks but whether or not infringement or unfair competition was committed, a conclusion based on statutory interpretation. Furthermore, one or more of the following exceptional circumstances oblige us to review the evidence on record:^[35]

1. the conclusion is grounded entirely on speculation, surmises, and conjectures;
2. the inference of the Court of Appeals from its findings of fact is manifestly mistaken, absurd and impossible;
3. there is grave abuse of discretion;
4. the judgment is based on a misapprehension of facts;
5. the appellate court, in making its findings, went beyond the issues of the case, and the same are contrary to the admissions of both the appellant and the appellee;
6. the findings are without citation of specific evidence on which they are based;
7. the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and
8. the findings of fact of the Court of Appeals are premised on the absence of evidence and are contradicted [by the evidence] on record.^[36]