Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

L.C. BIG MAK BURGER, INC.,
Petitioner,

- versus -

McDONALD'S CORPORATION,
Respondent.

G.R. NO. 233073

Present:

SERENO, *C.J.*,
Chairperson,
LEONARDO-DE CASTRO,
DEL CASTILLO,
JARDELEZA, and
TIJAM, *JJ.*

Promulgated:

FEB 14 2018

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DECISION

TIJAM, *J.*:

This is a Petition for Review on *Certiorari*[1] under Rule 45, assailing the Decision[2] dated February 2, 2017 and Resolution[3] dated July 26, 2017 of the Court of Appeals (CA) in CA-G.R. CR No. 36768 entitled *McDonald's Corporation v. L.C. Big Mak Burger, Inc. and Francis Dy (in his capacity as President of L.C. Big Mak Burger, Inc.)*.

The Factual Antecedents

The instant petition stemmed from Civil Case No. 90-1507, which McDonald's Corporation (respondent) filed against L.C. Big Mak Burger, Inc. (petitioner) for trademark infringement and unfair competition raffled to

[1] *Rollo*, pp. 28-52.

[2] Penned by CA Associate Justice Ma. Luisa C. Quijano-Padilla with Associate Justices Normandie B. Pizarro and Samuel H. Gaerlan concurring, id. at 9-21.

[3] Id. at 7-8.

the Regional Trial Court (RTC) of Makati City, Branch 137 (Infringement Court).[4]

In the said case, the Infringement Court, acting on the prayer for the issuance of a writ preliminary injunction, issued an Order[5] dated August 16, 1990, directing petitioner to refrain from:

> a) using for its fast food restaurant business the name "Big Mak" or any other mark, word, name, or device, which by colorable imitation is likely to confuse, mislead or deceive the public into believing that the [petitioner's] goods and services originate from, or are sponsored by or affiliated with those of [respondent's], and from otherwise unfairly trading on the reputation and goodwill of the Mcdonald's Marks, in particular the mark "BIG MAC";
>
> b) selling, distributing, advertising, offering for sale or procuring to be sold, or otherwise disposing of any article described as or purporting to be manufactured by [respondent];
>
> c) directly or indirectly using any mark, or doing any set or thing, likely to induce the belief on the part of the public that [petitioner] and their products and services are in any way connected with [respondent's] and their products and services
>
> in such places within the jurisdiction of the National Capital Judicial Region.
>
> x x x x
>
> SO ORDERED.[6]

After trial, the said court rendered a Decision[7] dated September 5, 1994, disposing of the case as follows:

> WHEREFORE, judgment is rendered in favor of [respondent] McDonald's Corporation and McGeorge Food Industries Inc. and against [petitioner] L.C. Big Mak Burgers, Inc. as follows:
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> 1. The writ of preliminary injunction issued in this case on 11 November 1190 [sic] is made permanent;
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> 2. [Petitioner] L.C. Mak Burger, Inc. is ordered to pay [respondent] actual damages in the amount of P400,000.00, exemplary damages in the amount of P100,000.00 and attorneys fees and expenses of litigation in the amount of P100,000.00;
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> 3. The complaint against defendants Francis B. Dy, Edna A. Dy, Rene B. Dy, William B. Dy, Jesus Aycardo, Araceli Aycardo and Grace

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[4] Id. at 9.
[5] Id. at 91A-92.
[6] Id. at 92.
[7] Id. at 93-104.

> Huerto, as well as all counter-claims, are dismissed for lack of merit as well as for insufficiency of evidence.
>
> SO ORDERED.[8]

The CA overturned the September 5, 1994 Decision in a decision[9] dated November 26, 1999 in CA-G.R. CV No. 53722. However, We reversed the CA in Our Decision[10] dated August 18, 2004 in G.R. No. 143993 and thus reinstated the Infringement Court's Decision, *viz.*:

> WHEREFORE, we GRANT the instant petition. We SET ASIDE the Decision dated 26 November 1999 of the Court of Appeals and its Resolution dated 11 July 2000 and REINSTATE the Decision dated 5 September 1994 of the Regional Trial Court of Makati, Branch 137, finding respondent L.C. Big Mak Burger, Inc. liable for trademark infringement and unfair competition.
>
> SO ORDERED.[11]

Thusly, on November 14, 2005, Infringement Court, issued a Writ of Execution[12] to implement its September 5, 1994 Decision.

On May 5, 2008, however, respondent filed a Petition for Contempt[13] against petitioner and Francis Dy, in his capacity as President of L.C. Big Mak Burger, Inc., docketed as Spec. Pro. No. 08-370 and raffled to the RTC of Makati, Branch 59 (Contempt Court). Basically, respondent averred therein that despite service upon the petitioner and its president of the Writ of Execution in the trademark infringement and unfair competition case, the latter continues to disobey and ignore their judgment obligation by continuously using, as part of their food and restaurant business, the words "Big Mak." It was also alleged that petitioner refused to fully pay the damages awarded to the respondent in the said case.[14]

In its Answer with Compulsory Counterclaims,[15] petitioner denied refusing to settle its judgment debt, averring that as a matter of fact, it offered and tendered payment to the respondent through the sheriff but respondent refused to accept the same and demanded that payment be made directly to it. Petitioner further argued that it is evident from the August 18, 2004 Decision of the Supreme Court, that the prohibition covers only the use of the mark "Big Mak" and not the name "L.C. Big Mak Burger, Inc." Petitioner then averred that at that time, its stalls were using its company name "L.C. Big Mak Burger, Inc." and not the mark "Big Mak" and that it

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[8] Id. at 103-104.
[9] Id. at 105-115.
[10] Id. at 116-154.
[11] Id. at 152.
[12] Id. at 155-157.
[13] Id. at 158-167.
[14] Id. at 164.
[15] Id. at 169-180.

had already stopped selling "Big Mak" burgers for several years already. Moreover, petitioner averred that it has already changed the name of some of its stalls and products to "Supermak" as evidenced by pictures of its stalls in Metro Manila. Also, petitioner pointed out that the preliminary injunction issued in Civil Case No. 90-1507 was enforceable only within the National Capital Judicial Region as can be gleaned from its express provision.[16]

On April 7, 2014, RTC-Makati Branch 59, rendered a Decision[17] as follows:

> **WHEREFORE**, premises considered, judgment is hereby rendered in favor of [petitioner] L.C. BIG MAK BURGER, INC. and FRANCIS DY, and against [respondent] **DISMISSING** this instant petition for lack of merit. [Respondent] is also ordered to pay the [petitioner and Francis Dy] the following sums:
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> 1. P500,000.00 to [petitioner] L.C. Big Mak Burger, Inc. for the damages it suffered to its business reputation;
>
> 2. P500,000.00 to xxx Francis Dy as moral damages;
>
> 3. P100,000.00 for exemplary damages; and
>
> 4. P100,000.00 as and for attorney's fees.
>
> Costs against [respondent].
>
> SO ORDERED.[18]

On appeal, the CA, in its assailed Decision,[19] reversed the Contempt Court's ruling and instead found petitioner guilty of indirect contempt, thus:

> **WHEREFORE**, premises considered, the present appeal is **GRANTED**. The Decision dated April 7, 2014 issued by the RTC, Branch 59, Makati City in *Civil Case No. 08-370* is **REVERSED** and a new one is entered finding [petitioner] L.C. Big Mak Burger, Inc. **guilty** of indirect contempt.
>
> Accordingly, [petitioner] L.C. Big Mak Burger, Inc. is ordered to pay a **FINE** in the amount of Thirty Thousand Pesos (P30,000.00) and is enjoined to faithfully comply with the ruling of the Supreme Court in *G.R. No. 143993* as implemented by RTC, Branch 59, [sic] Makati City.
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> SO ORDERED.[20]

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[16] Id. at 170-179.
[17] Penned by Judge Winlove M. Dumayas, id. at 246-269.
[18] Id. at 268-269.
[19] Id. at 9-21.
[20] Id. at 20.

Petitioner's motion for reconsideration was denied in the CA's Resolution[21] dated July 26, 2017, thus:

> **WHEREFORE**, the Motion for Reconsideration filed by [petitioner and Francis Dy] is hereby **DENIED**.
>
> The Decision promulgated on February 2, 2017 **stays**.
>
> **SO ORDERED**.[22]

Hence, this petition.

The Issue

Is petitioner guilty of indirect contempt?

The Ruling of this Court

At the outset, once again, it is important to emphasize that the only issue for Our resolution is whether or not petitioner is guilty of indirect contempt.

Section 3, Rule 71 of the Rules of Court provides:

> *SEC. 3. Indirect Contempt to be punished after charge and hearing* – After a charge in writing has been filed, and an opportunity given to the respondent to comment thereon within such period as may be fixed by the court and to be heard by himself or counsel, a person guilty of any of the following acts may be punished for indirect contempt:
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> x x x x
>
> b) Disobedience of or resistance to a lawful writ, process, order, or judgment of a court, including the act of a person who, after being dispossessed or ejected from any real property by the judgment or process of any court of competent jurisdiction, enters or attempts or induces another to enter into or upon such real property, for the purpose of executing acts of ownership or possession, or in any manner disturbs the possession given to the person adjudged to be entitled thereto;
>
> c) Any abuse of or any unlawful interference with the processes or proceedings of a court not constituting direct contempt under section 1 of this Rule;
>
> d) Any improper conduct tending, directly or indirectly, to impede, obstruct, or degrade the administration of justice;
>
> x x x x

[21] Id. at 7-8.
[22] Id. at 8.

> But nothing in this section shall be construed as to prevent the court from issuing process to bring the respondent into court, or from holding him in custody pending such proceedings.

Respondent maintains that even after the service of the writ of execution of the said Decision on November 17, 2005 upon the petitioner, the latter continues to use the words "Big Mak" in its stalls and products in and out of Metro Manila. Also, respondent averred that petitioner continuously refused to fully pay the damages awarded to it.

We resolve.

Let Us examine once again the court's lawful order that was allegedly defied by the petitioner. In the August 16, 1990 injunction order made permanent by this Court in Our final and executory Decision in G.R. No. 143993 dated August 18, 2004, petitioner was ordered to refrain from:

> a) using for its fast food restaurant business the name "Big Mak" or any other mark, word, name, or device, which by colorable imitation is likely to confuse, mislead or deceive the public into believing that the [petitioner's] goods and services originate from, or are sponsored by or affiliated with those of [respondent's], and from otherwise unfairly trading on the reputation and goodwill of the Mcdonald's Marks, in particular the mark "BIG MAC";
>
> b) selling, distributing, advertising, offering for sale or procuring to be sold, or otherwise disposing of any article described as or purporting to be manufactured by [respondent];
>
> c) directly or indirectly using any mark, or doing any set or thing, likely to induce the belief on the part of the public that [petitioner] and their products and services are in any way connected with [respondent's] and their products and services
>
> in such places within the jurisdiction of the National Capital Judicial Region.
>
> x x x x
>
> SO ORDERED.[23]

In ruling that there was disobedience tantamount to an indirect contempt on the part of the petitioner, the CA found that: (1) there is an express admission on Francis Dy's judicial affidavit[24] that the company complied with the court's order only in 2009 or after the petition for indirect contempt was filed against them;[25] (2) that petitioner's use of its corporate

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[23] Id. at 92.
[24] Id. at 455-470.
[25] Id. at 67.

name is likewise an infringement of respondent's mark, a defiance therefore to the subject injunction order.[26]

We do not agree.

First, contrary to what respondent attempted to impress to the courts, it is not wholly true that petitioner continues to use the mark "Big Mak" in its business, in complete defiance to this Court's Decision.

Testimonial and documentary evidence were in fact presented to show that petitioner had been using "Super Mak" and/or its corporate name "L.C. Big Mak Burger Inc." in its business operations instead of the proscribed mark "Big Mak" pursuant to the ruling of the Infringement Court.

There is also nothing on record that will show that Francis Dy made an admission that petitioner began to comply with the writ of execution only in 2009. If at all, the CA misinterpreted Francis Dy's allegation in the said judicial affidavit that "by early 2009" petitioner's stalls and vans only reflected "Super Mak" and the corporate name "L.C. Big Mak Burger, Inc." Also, the fact that the photographs presented during trial were taken in 2009 was taken by the CA as the time when the petitioner started to implement changes in their business operations pursuant to the writ of execution. A careful reading of the pertinent portions of the said judicial affidavit, however, would show no such admission, thus:

> 29. Q: What did you do when you received the Writ of Execution?
> A: We issued 6 checks each for P100,000.00 to pay the P600,000.00 that our company was ordered to pay. I believe we gave the checks to the Sheriff.
>
> 30. Q: What else did you do?
> A: Since the decision of the trial court also ordered us to stop using the name "Big Mak" in our restaurants in Metro Manila, we complied. We desisted from using the words "Big Mak", standing alone, within Metro Manila, and even outside of it.
>
> x x x x
>
> 36. Q: Aside from complying with the order to stop the use of Big Mak, what else did you do?
> A: We changed the name of our stalls within Metro Manila from "Big Mak" to "Super Mak".
>
> 37. Q: Do you have any proof that would show the change of the name?
> A: There are some photographs of the stalls within Metro Manila that now reflect the name "Super Mak".
>
> x x x x

[26] Id. at 17-19.

39. Q: I am now showing you six (6) photographs of stalls bearing the name "Super Mak". What relation do these documents have with the photographs you mentioned?

A: These photographs are accurate depictions of our stalls in Metro Manila that have the name "Super Mak".

x x x x

40. Q: So you have already stopped using "Big Mak" in Metro Manila?

A: Yes. In fact, by early 2009, our stalls and vans in Metro Manila only reflect "Super Mak" and our corporate name "L.C. Big Mak Burger, Inc."

41. Q: Do you have any proof to show the use of "Super Mak" and "L.C. Big Mak Burger, Inc." in early 2009?

A: There are photographs of our stalls and vans in Pasig, Trinoma, V. Luna, Lagro, and Fatima were taken on 12 January 2009 as depicted by the newspaper being held in front of our vans and stalls.

42. Q: If I show you the photographs of the stalls and vans in Pasig, Trinoma, V. Luna, Lagro, and Fatima, would you be able to identify those?

A: Yes, Sir.

43. Q: I am now showing you fourteen (14) phtographs of stalls bearing the name "Super Mak" and or "L.C. Big Mak Burger, Inc." What relation do these documents have with the photographs you mentioned.

A: These photographs are accurate depictions of our stalls in Pasig, Trinoma, V. Luna, Lagro, and Fatima in that have [sic] the name "Super Mak" or "LC Big Mak Burger, Inc."

x x x x

44. Q: What about the newspaper you mentioned that was in the photographs?

A: The newspaper, The Philippine Star, being held in the photographs shows the date when the photographs were taken. The date of the newspaper is 12 January 2009, to show that the photographs were taken on 12 January 2009. Photographs were also taken on February 28, 2009 and the front page of the said issue of the Philippine Star was also shown in some of them.[27]

x x x x

Evidently, there is nothing on the aforequoted judicial affidavit which may be taken as an admission of a belated compliance with the subject injunction order. At most, what was established is the fact that the subject photographs were taken in 2009, which does not in any way mean that the changes depicted in those photographs were implemented only at the time they were taken.

[27] Id. at 462-466.

What could readily be seen in the aforecited circumstances is the fact that petitioner indeed implemented changes in its business to address the matter of infringement and unfair competition. In fact, in as early as during the trial of the said case, certain changes had already been made by the petitioner to rule out the charge of infringement and unfair competition. During the trial of the infringement and unfair competition case, the wrappers and bags for petitioner's burger sandwiches already reflected its corporate name instead of the words "Big Mak."

These circumstances belie the imputation of disobedience, much less contemptuous acts, against the petitioner.

Second, petitioner's use of its corporate name in its stalls and products cannot, by itself, be considered to be tantamount to indirect contempt, contrary to the CA's conclusion.

What is actually being argued in this case is petitioner's use of its corporate name. According to the respondent, as the proscribed "Big Mak" words appears in petitioner's corporate name, the use of the same in petitioner's stalls and products is still an infringement of respondent's mark. Ultimately, thus, respondent argues that petitioner's use of its corporate name is a defiance to the injunction order. This argument was sustained by the CA in its assailed Decision.

Again, We do not agree.

It bears stressing that the proscription in the injunction order is against petitioner's use of the mark "Big Mak." However, as established, petitioner had already been using its corporate name instead of the proscribed mark. The use of petitioner's corporate name instead of the words "Big Mak" solely was evidently pursuant to the directive of the court in the injunction order. Clearly, as correctly found by the RTC, petitioner had indeed desisted from the use of "Big Mak" to comply with the injunction order.

Third, at any rate, whether or not petitioner's action in complying with the court's order was proper is not an issue in this contempt case. Settled is the rule that in contempt proceedings, what should be considered is the intent of the alleged contemnor to disobey or defy the court.

> Contempt of court has been defined as a **willful** disregard or disobedience of a public authority. In its broad sense, contempt is a disregard of, or disobedience to, the rules or orders of a legislative or judicial body or an interruption of its proceedings by disorderly behavior or insolent language in its presence or so near thereto as to disturb its proceedings or to impair the respect due to such a body. In its restricted

> and more usual sense, contempt comprehends a despising of the authority, justice, or dignity of a court.[28] (emphasis supplied)

Indeed, as can be gleaned from the above-cited jurisprudential definition of contempt, the intent goes to the gravamen of the offense. Thus, the good faith, or lack of it, of the alleged contemnor should be considered.[29] A person should not be condemned for contempt where he contends for what he believes to be right and in good faith however erroneous may be his conclusion as to his rights. To constitute contempt, the act must be done willfully and for an illegitimate or improper purpose.[30]

Petitioner's good faith in complying with the court's order is manifest in this case.

Petitioner's questioned action, *i.e.*, the use of its corporate name, is anchored upon the January 3, 1994 Decision[31] of the Securities and Exchange Commission (SEC) in SEC-AC No. 426 entitled *McDonald's Corporation and McGeorge Food Industries, Inc. v. L.C. Big Mak Burger, Inc., et al.*, wherein respondent sought the change of petitioner's corporate name to some other name which is not confusingly or deceptively similar to respondent's "Big Mac" mark. In the said case, the SEC dismissed respondent's case, ruling that petitioner's use of the name "Big Mak Burger" has priority in right; and that petitioner's corporate name is not identical or confusingly similar to respondent's "Big Mac" mark, hence, there is no basis to cancel petitioner's corporate name, among others.

Notably, it was a patent error on the part of the CA to rule that the said SEC Decision was binding upon the parties *until* this Court issued its final and executory Decision in G.R. No. 143993, giving the impression that the latter Decision overturned or modified SEC's final and executory Decision.[32] To be sure, the complaint for change of corporate name before the SEC is a separate and distinct case from that of the infringement and unfair competition case before the trial court. Hence, inasmuch as the SEC Decision had long attained finality, the judgment in the separate case of infringement and unfair competition cannot reverse nor modify the said SEC Decision.

In any event, what is relevant and essential in this contempt case is the fact that by virtue of petitioner's reliance upon the said lawful and binding SEC Decision in the use of its corporate name in lieu of the proscribed "Big Mak" mark to comply with the subject injunction order, petitioner's good faith is clearly manifest. Petitioner's justification of its questioned action is not at all implausible. This Court finds no reason to reject petitioner's

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[28] *Castillejos Consumers Association, Inc. v. Dominguez, et al.*, 757 Phil. 149, 158 (2015).
[29] *Saint Louis University, Inc., et al. v. Olairez, et al.*, 730 Phil. 444, 461 (2014)
[30] Id. at 461.
[31] *Rollo*, pp. 233-240.
[32] Id. at 65.

explanation or doubt its good faith as certainly, the use of its corporate name was warranted by the SEC Decision. It was also not unreasonable for the petitioner, through its officers, to think that the stalls and products bearing its corporate name would send the message to the public that the products were the petitioner's and not those of respondent's, the very evil sought to be prevented and/or eradicated by the decision in the infringement/unfair competition case.

Considering that condemnation for contempt should not be made lightly, and that the power to punish contempt should be exercised on the preservative and not on the vindictive principle, the Court finds no difficulty in reaching the conclusion that there was no willful disregard or defiance of its order/decision.[33]

We are, therefore, one with the Contempt Court in dismissing the contempt case. There being no issue raised as to the damages awarded and more importantly, finding that the Contempt Court had correctly discussed the rationale for such award, We find it unnecessary to disturb the same.

WHEREFORE, premises considered, the instant petition is **GRANTED**. The assailed Decision dated February 2, 2017 and Resolution dated July 26, 2017 of the Court of Appeals (CA) in CA-G.R. CR No. 36768 are hereby **REVERSED and SET ASIDE**. Accordingly, the Decision dated April 7, 2014 of the Regional Trial Court of Makati City, Branch 59 is **REINSTATED**.

SO ORDERED.

NOEL GIMENEZ TIJAM
Associate Justice

WE CONCUR:

MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson

[33] *The Executive Secretary and Lomibao v. Gordon, et al.*, 359 Phil. 266, 275 (1998).

TERESITA J. LEONARDO-DE CASTRO
Associate Justice

MARIANO C. DEL CASTILLO
Associate Justice

FRANCIS H. JARDELEZA
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice