Republic of the Philippines
Department of Finance
Securities and Exchange Commission

OFFICE OF THE GENERAL COUNSEL

USFIDO-Dajong, Inc., represented by its President: Eugenio M. Salibay,

Petitioner,

versus

SEC Case No: 01-12-363
For: Change of Corporate Name

Upper Sta. Felomina Integrated Development Organization-Dajong, Inc., represented by its President: Teodoro Nogalada,

Respondent.

DECISION

For consideration of the Office of the General Counsel is a *Petition*[1] of USFIDO-Dajong, Inc., (Petitioner) filed on 27 December 2011 praying that the corporate name of Respondent Upper Sta. Felomina Integrated Development Organization - Dajong, Inc., be cancelled/recalled in favor of the Petitioner.

A *dajong* is "a century old organization, created for purposes of helping with one another, (*tinabangay*), particularly in case of death of the member or dependent of the member".[2] It was also described as a vernacular word which means "mutual assistance in the neighborhood in terms of cash, in kind, or in the form of voluntary labor in times of death or in any serious emergency cases among its member."[3]

The officers of the subject *dajong*, on 22 February 2008 passed a resolution adopting as its official name "Upper Sta. Felomina Integrated Development Organization, Inc. Dajong" or "USFIDO, Inc.-Dajong".[4]

Through Eugenio Salibay, one of *dajong's* members, Petitioner filed its Articles of Incorporation (AOI) with the commission on 16 May 2008.[5] The Commission approved its AOI on 4 November 2008.[6] Included in its filing is the cover sheet which contains the following texts:

> USIFIDO - Upper Sta. Felomina Integrated Development Org.
> DAJONG - Mean Tinabangay in Bohol"[7]

On 4 November 2008, the Commission approved Petitioner's AOI and By-Laws.[8]

On 9 March 2010, Eugenio Salibay, reserved the name UPPER SANTA FELOMENA INTEGRATED DEVELOPMENT ORGANIZATION, INC. with the Commission.[9] Teodoro Nogalada, one of *dajong's* members[10]

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1 Dated 26 December 2011.
2 Pet. ¶ 3.
3 *Id.* Anx. F.
4 *Id.* ¶ 3.
5 *Id.* Anx. B.
6 *Id.*
7 *Id.* Anx. G-2.
8 *Id.* Anx. B.
9 *Id.* Anx. I-1. While "FELOMENA" was reserved as part of the corporate name, in its AOI, it was subsequently spelled as "FELOMINA".
10 *Id.* Anx. B

filed the Respondent corporation's AOI on 4 January 2010[11] and was approved by the Commission on 15 May 2010.[12]

Hence this Petition.

Petitioner alleged that Teodoro Nogalada, surreptitiously registered the company name of the Respondent.[13] This was after a General Meeting of the *dajong* on 8 February 2008 where Nogalada, together with twenty members loyal to him, walked out sensing that he will not win as Chairman of the Board.[14] This dispute puts the members in a dilemma because Nogalada wanted to take over the operation of the water system and service operated by the Petitioner.[15]

Respondent alleged that the primary purpose of the adoption of the corporate name Upper Sta. Felomina Integrated Development Org., Inc. (USFIDO, Inc.) was in compliance with the requirements of Manus Unidas, an association of Bishops in Spain so that the intended donation of funds for the establishment and construction of a waterworks system in Upper Sta. Felomina, Albuquerque, Bohol can be properly channeled.[16] Moreover, it is alleged that their purposes are different — that the Respondent corporation's purposes includes the acquisition of properties, to collect, invest and reinvest funds and to develop, operate, administer and maintain a water supply system.[17] The registration of the Salibay is the one tainted with malice and bad faith as a scheme to give color of authority to his desire to control the operations of the waterworks system.[18] Respondent merely preserved the right of its predecessor, USFIDO, Inc. when it registered with the Commission.[19]

We find no merit in this *Petition*.

Section 18 of the Corporation Code expressly provides:

> **Section 18. Corporate name.** — No corporate name may be allowed by the Securities and Exchange Commission if the proposed name is identical or deceptively or confusingly similar to that of any existing corporation or to any other name already protected by law or is patently deceptive, confusing or contrary to existing laws. When a change in the corporate name is approved, the Commission shall issue an amended certificate of incorporation under the amended name."[20]

It is the Commission's duty to prevent confusion in the use of corporate names not only for the protection of the corporations involved but more so for the protection of the public, and it has authority to deregister at all times and under all circumstances corporate names which in its estimation are likely to generate confusion.[21]

To fall within the prohibition of the law, two requisites must be proven:

(1) *that the complainant corporation acquired a prior right over the use of such corporate name*; and
(2) the proposed name is either:
    (a) identical, or
    (b) deceptively or confusingly similar to that of any existing corporation or to any other name already protected by law; or
    (c) patently deceptive, confusing or contrary to existing law.[22]

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11 *Id.* Anx. E.
12 *Id.* Anx. D.
13 *Id.* Anx. F.
14 *Id.* ¶ 8.
15 *Id.* ¶ 11.
16 Ans. at 2.
17 *Id.* at 3.
18 *Id.* at 5.
19 *Id.*
20 The Corporation Code of the Philippines, Batas Pambansa Blg. 68, as Amended, § 18 (1980).
21 Ang mga Kaanib sa Iglesia ng Dios kay Kristo Hesus, H.S.K. sa Bansang Pilipinas, Inc., v. Iglesia Ng Dios kay Cristo Jesus, Haligi at Suhay ng Katotohanan, 372 SCRA 171, 177 (2001).
22 Philips Export B.V. v. Court of Appeals, 206 SCRA 457, 463 (1992).

Under the first requisite, the Petitioner has not acquired a prior right over the use of the Respondent's corporate name. While the meaning of its corporate name USFIDO was stated in the cover sheet of its AOI, nowhere is Upper Sta. Felomina Integrated Development Organization stated in the AOI itself. A mere cover sheet cannot produce legal consequences. Since it only caused the registration of the corporation name USFIDO, it does not have a prior right over the Respondent's expanded corporate name. An interpretation different from this will lead to a situation wherein a corporation registering an abbreviation or an acronym as its corporate name can ask the Commission to change the name of any corporation bearing a name which if abbreviated will spell out the former's corporate name.

As to the second requisite, the Respondent's name is deceptive or confusingly similar with the corporate name of the petitioner. While the Petitioner has not acquired prior right over Respondent's corporate name, respondent's name is deceptively or confusingly similar to the Petitioner's. It was both admitted by the parties that USFIDO is an abbreviation or acronym of Respondent's corporate name. Both operate within the same locality and in contention over control of one waterworks system. Thus, Respondent's name is deceptively or confusingly similar with the corporate name of the petitioner.

Thus, even though the second requisite is proven, this Office is constrained to hold that both requisites must be proven for the Petition to be granted.

We will not dwell on the issue on who has a better right over the control and management of the waterworks system since it is a matter under the jurisdiction of regular courts.

WHEREFORE, premises considered, the instant petition is hereby **DISMISSED**.

Let a copy of this decision be furnished to the CRMD and ICTD for filing with the respective corporate records of subject companies.

SO ORDERED.

Pasay City, Philippines, 30 October 2017.

Camilo S. Correa
General Counsel