

Republic of the Philippines
SUPREME COURT
Manila

FIRST DIVISION

G.R. No. L-63796-97 May 2, 1984

LA CHEMISE LACOSTE, S. A., petitioner,

vs.

HON. OSCAR C. FERNANDEZ, Presiding Judge of Branch XLIX, Regional Trial Court, National Capital Judicial Region, Manila and GOBINDRAM HEMANDAS, respondents.

G.R. No. L-65659 May 21, 1984

GOBINDRAM HEMANDAS SUJANANI, petitioner,

vs.

HON. ROBERTO V. ONGPIN, in his capacity as Minister of Trade and Industry, and HON. CESAR SAN DIEGO, in his capacity as Director of Patents, respondents.

*Castillo, Laman, Tan & Pantaleon for petitioners in 63796-97.
Ramon C. Fernandez for private respondent in 63796-97 and petitioner in 65659.*

GUTIERREZ, JR., J.:

It is among this Court's concerns that the Philippines should not acquire an unbecoming reputation among the manufacturing and trading centers of the world as a haven for intellectual pirates imitating and illegally profiting from trademarks and tradenames which have established themselves in international or foreign trade.

Before this Court is a petition for *certiorari* with preliminary injunction filed by La Chemise Lacoste, S.A., a well known European manufacturer of clothings and sporting apparels sold in the international market and bearing the trademarks "LACOSTE" "CHEMISE LACOSTE", "CROCODILE DEVICE" and a composite mark consisting of the word "LACOSTE" and a representation of a crocodile/alligator. The petitioner asks us to set aside as null and void, the order of judge Oscar C. Fernandez, of Branch XLIX, Regional Trial Court, National Capital Judicial Region, granting the motion to quash the search warrants previously issued by him and ordering the return of the seized items.

The facts are not seriously disputed. The petitioner is a foreign corporation, organized and existing under the laws of France and not doing business in the Philippines, It is undeniable from the records that it is the actual owner of the abovementioned trademarks used on clothings and other goods specifically sporting apparels sold in many parts of the world and which have been marketed in the Philippines since 1964, The main basis of the private respondent's case is its claim of alleged prior registration.

In 1975, Hemandas & Co., a duly licensed domestic firm applied for and was issued Reg. No. SR-2225 (SR stands for Supplemental Register) for the trademark "CHEMISE LACOSTE & CROCODILE DEVICE" by the Philippine Patent Office for use on T-shirts, sportswear and other garment products of the company. Two years later, it applied for the registration of the same trademark under the Principal Register. The Patent Office eventually issued an order dated March 3, 1977 which states that:

... Considering that the mark was already registered in the Supplemental Register in favor of herein applicant, the Office has no other recourse but to allow the application, however, Reg. No. SR-2225 is now being contested in a Petition for Cancellation docketed as IPC No. 1046, still registrant is presumed to be the owner of the mark until after the registration is declared cancelled.

Thereafter, Hemandas & Co. assigned to respondent Gobindram Hemandas all rights, title, and interest in the trademark "CHEMISE LACOSTE & DEVICE".

On November 21, 1980, the petitioner filed its application for registration of the trademark "Crocodile Device" (Application Serial No. 43242) and "Lacoste" (Application Serial No. 43241). The former was approved for publication while the latter was opposed by Games and Garments in Inter Partes Case No. 1658. In 1982, the petitioner filed a Petition for the Cancellation of Reg. No. SR-2225 docketed as Inter Partes Case No. 1689. Both cases have now been considered by this Court in *Hemandas v. Hon. Roberto Ongpin* (G.R. No. 65659).

On March 21, 1983, the petitioner filed with the National Bureau of Investigation (NBI) a letter-complaint alleging therein the acts of unfair competition being committed by Hemandas and requesting their assistance in his apprehension and prosecution. The NBI conducted an investigation and subsequently filed with the respondent court two applications for the issuance of search warrants which would authorize the search of the premises used and occupied by the Lacoste Sports Center and Games and Garments both owned and operated by Hemandas.

The respondent court issued Search Warrant Nos. 83-128 and 83-129 for violation of Article 189 of the Revised Penal Code, "it appearing to the satisfaction of the judge after examining under oath applicant and his witnesses that there are good and sufficient reasons to believe that Gobindram Hemandas ... has in his control and possession in his premises the ... properties subject of the offense," (Rollo, pp. 67 and 69) The NBI agents executed the two search warrants and as a result of the search found and seized various goods and articles described in the warrants.

Hemandas filed a motion to quash the search warrants alleging that the trademark used by him was different from petitioner's trademark and that pending the resolution of IPC No. 1658 before the Patent Office, any criminal or civil action on the same subject matter and between the same parties would be premature.

The petitioner filed its opposition to the motion arguing that the motion to quash was fatally defective as it cited no valid ground for the quashal of the search warrants and that the grounds alleged in the motion were absolutely without merit. The State Prosecutor likewise filed his opposition on the grounds that the goods seized were instrument of a crime and necessary for the resolution of the case on preliminary investigation and that the release of the said goods would be fatal to the case of the People should prosecution follow in court.

The respondent court was, however, convinced that there was no probable cause to justify the issuance of the search warrants. Thus, in its order dated March 22, 1983, the search warrants were recalled and set aside and the NBI agents or officers in custody of the seized items were ordered to return the same to Hemandas. (Rollo, p. 25)

The petitioner anchors the present petition on the following issues:

Did respondent judge act with grave abuse of discretion amounting to lack of jurisdiction,

(i) in reversing the finding of probable cause which he himself had made in issuing the search warrants, upon allegations which are matters of defense and as such can be raised and resolved only upon trial on the merits; and

(ii) in finding that the issuance of the search warrants is premature in the face of the fact that (a) Lacoste's registration of the subject trademarks is still pending with the Patent Office with opposition from Hemandas; and (b) the subject trademarks had been earlier registered by Hemandas in his name in the Supplemental Register of the Philippine Patent Office?

Respondent, on the other hand, centers his arguments on the following issues:

I

THE PETITIONER HAS NO CAPACITY TO SUE BEFORE PHILIPPINE COURTS.

II

THE RESPONDENT JUDGE DID NOT COMMIT A GRAVE ABUSE OF DISCRETION TANTAMOUNT TO LACK OF JURISDICTION IN ISSUING THE ORDER DATED APRIL 22, 1983.

Hemandas argues in his comment on the petition for *certiorari* that the petitioner being a foreign corporation failed to allege essential facts bearing upon its capacity to sue before Philippine courts. He states that not only is the petitioner not doing business in the Philippines but it also is not licensed to do business in the Philippines. He also cites the case of *Leviton Industries v. Salvador* (114 SCRA 420) to support his contention. The *Leviton* case, however, involved a complaint for unfair competition under Section 21-A of Republic Act No. 166 which provides:

Sec. 21 — A. Any foreign corporation or juristic person to which a mark or tradename has been registered or assigned under this Act may bring an action hereunder for infringement, for unfair competition, or false designation of origin and false description, whether or not it has been licensed to do business in the Philippines under Act numbered Fourteen Hundred and Fifty-Nine, as amended, otherwise known as the Corporation Law, at the time it brings the complaint; *Provided*, That the country of which the said foreign corporation or juristic person is a citizen, or in which it is domiciled, by treaty, convention or law, grants a similar privilege to corporate or juristic persons of the Philippines.

We held that it was not enough for *Leviton*, a foreign corporation organized and existing under the laws of the State of New York, United States of America, to merely allege that it is a foreign corporation. It averred in Paragraph 2 of its complaint that its action was being filed under the provisions of Section 21-A of Republic Act No. 166, as amended. Compliance with the requirements imposed by the abovesited provision was necessary because Section 21-A of Republic Act No. 166 having explicitly laid down certain conditions in a specific proviso, the same must be expressly averred before a successful prosecution may ensue. It is therefore, necessary for the foreign corporation to comply with these requirements or aver why it should be exempted from them, if such was the case. The foreign corporation may have the right to sue before Philippine courts, but our rules on pleadings require that the qualifying circumstances necessary for the assertion of such right should first be affirmatively pleaded.

In contradistinction, the present case involves a complaint for violation of Article 189 of the Revised Penal Code. The *Leviton* case is not applicable.

Asserting a distinctly different position from the *Leviton* argument, Hemandas argued in his brief that the petitioner was doing business in the Philippines but was not licensed to do so. To support this argument, he states that the applicable ruling is the case of *Mentholatum Co., Inc. v.*

Mangaliman: (72 Phil. 524) where Mentholatum Co. Inc., a foreign corporation and Philippine-American Drug Co., the former's exclusive distributing agent in the Philippines filed a complaint for infringement of trademark and unfair competition against the Mangalimans.

The argument has no merit. *The Mentholatum* case is distinct from and inapplicable to the case at bar. Philippine American Drug Co., Inc., was admittedly selling products of its principal Mentholatum Co., Inc., in the latter's name or for the latter's account. Thus, this Court held that "whatever transactions the Philippine-American Drug Co., Inc. had executed in view of the law, the Mentholatum Co., Inc., did it itself. And, the Mentholatum Co., Inc., being a foreign doing business in the Philippines without the license required by Section 68 of the Corporation Law, it may not prosecute this action for violation of trademark and unfair competition."

In the present case, however, the petitioner is a foreign corporation not doing business in the Philippines. The marketing of its products in the Philippines is done through an exclusive distributor, Rustan Commercial Corporation The latter is an independent entity which buys and then markets not only products of the petitioner but also many other products bearing equally well-known and established trademarks and tradenames. in other words, Rustan is not a mere agent or conduit of the petitioner.

The rules and regulations promulgated by the Board of Investments pursuant to its rule-making power under Presidential Decree No. 1789, otherwise known as the Omnibus Investment Code, support a finding that the petitioner is not doing business in the Philippines. Rule I, Sec. 1 (g) of said rules and regulations defines "doing business" as one" which includes, *inter alia*:

(1) ... A foreign firm which does business through middlemen acting on their own names, such as indentors, commercial brokers or commission merchants, shall not be deemed doing business in the Philippines. But such indentors, commercial brokers or commission merchants shall be the ones deemed to be doing business in the Philippines.

(2) Appointing a representative or distributor who is domiciled in the Philippines, unless said representative or distributor has an independent status, i.e., it transacts business in its name and for its account, and not in the name or for the account of a principal Thus, where a foreign firm is represented by a person or local company which does not act in its name but in the name of the foreign firm the latter is doing business in the Philippines.

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Applying the above provisions to the facts of this case, we find and conclude that the petitioner is not doing business in the Philippines. Rustan is actually a middleman acting and transacting business in its own name and or its own account and not in the name or for the account of the petitioner.

But even assuming the truth of the private respondent's allegation that the petitioner failed to allege material facts in its petition relative to capacity to sue, the petitioner may still maintain the present suit against respondent Hemandas. As early as 1927, this Court was, and it still is, of the view that a foreign corporation not doing business in the Philippines needs no license to sue before Philippine courts for infringement of trademark and unfair competition. Thus, in *Western Equipment and Supply Co. v. Reyes* (51 Phil. 115), this Court held that a foreign corporation which has never done any business in the Philippines and which is unlicensed and unregistered to do business here, but is widely and favorably known in the Philippines through the use therein of its products bearing its corporate and tradename, has a legal right to maintain an action in the Philippines to restrain the residents and inhabitants thereof from organizing a corporation therein bearing the same name as the foreign corporation, when it appears that they have personal knowledge of the existence of such a foreign corporation, and it is apparent that the purpose of

the proposed domestic corporation is to deal and trade in the same goods as those of the foreign corporation.

We further held:

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... That company is not here seeking to enforce any legal or control rights arising from, or growing out of, any business which it has transacted in the Philippine Islands. The sole purpose of the action:

Is to protect its reputation, its corporate name, its goodwill, whenever that reputation, corporate name or goodwill have, through the natural development of its trade, established themselves.' And it contends that its rights to the use of its corporate and trade name:

Is a property right, a right *in rem*, which it may assert and protect against all the world, in any of the courts of the world-even in jurisdictions where it does not transact business-just the same as it may protect its tangible property, real or personal, against trespass, or conversion. Citing sec. 10, Nims on Unfair Competition and Trademarks and cases cited; secs. 21-22, Hopkins on TradeMarks, Trade Names and Unfair Competition and cases cited.' That point is sustained by the authorities, and is well stated in *Hanover Star Mining Co. v. Allen and Wheeler Co.* (208 Fed., 513). in which the syllabus says:

Since it is the trade and not the mark that is to be protected, a trade-mark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader's goods have become known and Identified by the use of the mark.

Our recognizing the capacity of the petitioner to sue is not by any means novel or precedent setting. Our jurisprudence is replete with cases illustrating instances when foreign corporations not doing business in the Philippines may nonetheless sue in our courts. In *East Board Navigation Ltd, v. Ysmael and Co., Inc.* (102 Phil. 1), we recognized a right of foreign corporation to sue on isolated transactions. In *General Garments Corp. v. Director of Patents* (41 SCRA 50), we sustained the right of Puritan Sportswear Corp., a foreign corporation not licensed to do and not doing business in the Philippines, to file a petition for cancellation of a trademark before the Patent Office.

More important is the nature of the case which led to this petition. What preceded this petition for *certiorari* was a letter complaint filed before the NBI charging Hemandas with a criminal offense, i.e., violation of Article 189 of the Revised Penal Code. If prosecution follows after the completion of the preliminary investigation being conducted by the Special Prosecutor the information shall be in the name of the People of the Philippines and no longer the petitioner which is only an aggrieved party since a criminal offense is essentially an act against the State. It is the latter which is principally the injured party although there is a private right violated. Petitioner's capacity to sue would become, therefore, of not much significance in the main case. We cannot snow a possible violator of our criminal statutes to escape prosecution upon a far-fetched contention that the aggrieved party or victim of a crime has no standing to sue.

In upholding the right of the petitioner to maintain the present suit before our courts for unfair competition or infringement of trademarks of a foreign corporation, we are moreover recognizing our duties and the rights of foreign states under the Paris Convention for the Protection of Industrial Property to which the Philippines and France are parties. We are simply interpreting and enforcing a solemn international commitment of the Philippines embodied in a multilateral treaty to which we are a party and which we entered into because it is in our national interest to do so.

The Paris Convention provides in part that:

ARTICLE 1

(1) The countries to which the present Convention applies constitute themselves into a Union for the protection of industrial property.

(2) The protection of industrial property is concerned with patents, utility models, industrial designs, trademarks service marks, trade names, and indications of source or appellations of origin, and the repression of unfair competition.

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ARTICLE 2

(2) Nationals of each of the countries of the Union shall as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals, without prejudice to the rights specially provided by the present Convention.

Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided they observe the conditions and formalities imposed upon nationals.

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ARTICLE 6

(1) The countries of the Union undertake, either administratively if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration and to prohibit the use of a trademark which constitutes a reproduction, imitation or translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of the present Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

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ARTICLE 8

A trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark.

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ARTICLE 10bis

(1) The countries of the Union are bound to assure to persons entitled to the benefits of the Union effective protection against unfair competition.

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ARTICLE 10ter

(1) The countries of the Union undertake to assure to nationals of the other countries of the Union appropriate legal remedies to repress effectively all the acts referred to in Articles 9, 10 and 10bis.

(2) They undertake, further, to provide measures to permit syndicates and associations which represent the industrialists, producers or traders concerned and the existence of which is not contrary to the laws of their countries, to take action in the Courts or before the administrative authorities, with a view to the repression of the acts referred to in Articles 9, 10 and 10bis, in so far as the law of the country in which protection is claimed allows such action by the syndicates and associations of that country.

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ARTICLE 17

Every country party to this Convention undertakes to adopt, in accordance with its constitution, the measures necessary to ensure the application of this Convention.

It is understood that at the time an instrument of ratification or accession is deposited on behalf of a country; such country will be in a position under its domestic law to give effect to the provisions of this Convention. (61 O.G. 8010)

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In *Vanity Fair Mills, Inc. v. T Eaton Co.* (234 F. 2d 633) the United States Circuit Court of Appeals had occasion to comment on the extraterritorial application of the Paris Convention It said that:

[11] The International Convention is essentially a compact between the various member countries to accord in their own countries to citizens of the other contracting parties' trademark and other rights comparable to those accorded their own citizens by their domestic law. The underlying principle is that foreign nationals should be given the same treatment in each of the member countries as that country makes available to its own citizens. In addition, the Convention sought to create uniformity in certain respects by obligating each member nation 'to assure to nationals of countries of the Union an effective protection against unfair competition.'

[12] The Convention is not premised upon the Idea that the trade-mark and related laws of each member nation shall be given extra-territorial application, but on exactly the converse principle that each nation's law shall have only territorial application. Thus a foreign national of a member nation using his trademark in commerce in the United States is accorded extensive protection here against infringement and other types of unfair competition by virtue of United States membership in the Convention. But that protection has its source in, and is subject to the limitations of, American law, not the law of the foreign national's own country. ...

By the same token, the petitioner should be given the same treatment in the Philippines as we make available to our own citizens. We are obligated to assure to nationals of "countries of the Union" an effective protection against unfair competition in the same way that they are obligated to similarly protect Filipino citizens and firms.

Pursuant to this obligation, the Ministry of Trade on November 20, 1980 issued a memorandum addressed to the Director of the Patents Office directing the latter:

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... to reject all pending applications for Philippine registration of signature and other world famous trademarks by applicants other than its original owners or users.

The conflicting claims over internationally known trademarks involve such name brands as Lacoste, Jordache, Gloria Vanderbilt, Sasson, Fila, Pierre Cardin, Gucci, Christian Dior, Oscar de la Renta, Calvin Klein, Givenchy, Ralph Lauren, Geoffrey Beene, Lanvin and Ted Lapidus.

It is further directed that, in cases where warranted, Philippine registrants of such trademarks should be asked to surrender their certificates of registration, if any, to avoid suits for damages and other legal action by the trademarks' foreign or local owners or original users.

The memorandum is a clear manifestation of our avowed adherence to a policy of cooperation and amity with all nations. It is not, as wrongly alleged by the private respondent, a personal policy of Minister Luis Villafuerte which expires once he leaves the Ministry of Trade. For a treaty or convention is not a mere moral obligation to be enforced or not at the whims of an incumbent head of a Ministry. It creates a legally binding obligation on the parties founded on the generally accepted principle of international law of *pacta sunt servanda* which has been adopted as part of the law of our land. (Constitution, Art. II, Sec. 3). The memorandum reminds the Director of Patents of his legal duty to obey both law and treaty. It must also be obeyed.

Hemandas further contends that the respondent court did not commit grave abuse of discretion in issuing the questioned order of April 22, 1983.

A review of the grounds invoked by Hemandas in his motion to quash the search warrants reveals the fact that they are not appropriate for quashing a warrant. They are matters of defense which should be ventilated during the trial on the merits of the case. For instance, on the basis of the facts before the Judge, we fail to understand how he could treat a bare allegation that the respondent's trademark is different from the petitioner's trademark as a sufficient basis to grant the motion to quash. We will treat the issue of prejudicial question later. Granting that respondent Hemandas was only trying to show the absence of probable cause, we, nonetheless, hold the arguments to be untenable.

As a mandatory requirement for the issuance of a valid search warrant, the Constitution requires in no uncertain terms the determination of probable cause by the judge after examination under oath or affirmation of the complainant and the witnesses he may produce (Constitution, Art. IV, Sec. 3). Probable cause has traditionally meant such facts and circumstances antecedent to the issuance of the warrant that are in themselves sufficient to induce a cautious man to rely upon them and act in pursuance thereof (People v. Sy Juco, 64 Phil. 667).

This concept of probable cause was amplified and modified by our ruling in *Stonehill v. Diokno*, (20 SCRA 383) that probable cause "presupposes the introduction of competent proof that the party against whom it is sought has performed *particular* acts, or committed specific omissions, violating a given provision of our criminal laws."

The question of whether or not probable cause exists is one which must be decided in the light of the conditions obtaining in given situations (Central Bank v. Morfe, 20 SCRA 507). We agree that there is no general formula or fixed rule for the determination of the existence of probable cause since, as we have recognized in *Luna v. Plaza*(26 SCRA 310), the existence depends to a large degree upon the finding or opinion of the judge conducting the examination. However, the

findings of the judge should not disregard the facts before him nor run counter to the clear dictates of reason. More so it is plain that our country's ability to abide by international commitments is at stake.

The records show that the NBI agents at the hearing of the application for the warrants before respondent court presented three witnesses under oath, sworn statements, and various exhibits in the form of clothing apparels manufactured by Hemandas but carrying the trademark Lacoste. The respondent court personally interrogated Ramon Esguerra, Samuel Fiji, and Mamerto Espatero by means of searching questions. After hearing the testimonies and examining the documentary evidence, the respondent court was convinced that there were good and sufficient reasons for the issuance of the warrant. And it then issued the warrant.

The respondent court, therefore, complied with the constitutional and statutory requirements for the issuance of a valid search warrant. At that point in time, it was fully convinced that there existed probable cause. But after hearing the motion to quash and the oppositions thereto, the respondent court executed a complete turnabout and declared that there was no probable cause to justify its earlier issuance of the warrants.

True, the lower court should be given the opportunity to correct its errors, if there be any, but the rectification must, as earlier stated be based on sound and valid grounds. In this case, there was no compelling justification for the about face. The allegation that vital facts were deliberately suppressed or concealed by the petitioner should have been assessed more carefully because the object of the quashal was the return of items already seized and easily examined by the court. The items were alleged to be fake and quite obviously would be needed as evidence in the criminal prosecution. Moreover, an application for a search warrant is heard *ex parte*. It is neither a trial nor a part of the trial. Action on these applications must be expedited for time is of the essence. Great reliance has to be accorded by the judge to the testimonies under oath of the complainant and the witnesses. The allegation of Hemandas that the applicant withheld information from the respondent court was clearly no basis to order the return of the seized items.

Hemandas relied heavily below and before us on the argument that it is the holder of a certificate of registration of the trademark "CHEMISE LACOSTE & CROCODILE DEVICE". Significantly, such registration is only in the Supplemental Register.

A certificate of registration in the Supplemental Register is not *prima facie* evidence of the validity of registration, of the registrant's exclusive right to use the same in connection with the goods, business, or services specified in the certificate. Such a certificate of registration cannot be filed, with effect, with the Bureau of Customs in order to exclude from the Philippines, foreign goods bearing infringement marks or trade names (Rule 124, Revised Rules of Practice Before the Phil. Pat. Off. in Trademark Cases; Martin, Philippine Commercial Laws, 1981, Vol. 2, pp.513-515).

Section 19-A of Republic Act 166 as amended not only provides for the keeping of the supplemental register in addition to the principal register but specifically directs that:

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The certificates of registration for marks and trade names registered on the supplemental register shall be conspicuously different from certificates issued for marks and trade names on the principal register.

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The reason is explained by a leading commentator on Philippine Commercial Laws:

The registration of a mark upon the supplemental register is not, as in the case of the principal register, *prima facie* evidence of (1) the validity of registration; (2)

registrant's ownership of the mark; and (3) registrant's exclusive right to use the mark. It is not subject to opposition, although it may be cancelled after its issuance. Neither may it be the subject of interference proceedings. Registration on the supplemental register is not constructive notice of registrant's claim of ownership. A supplemental register is provided for the registration of marks which are not registrable on the principal register because of some defects (conversely, defects which make a mark unregistrable on the principal register, yet do not bar them from the supplemental register.) (Agbayani, II Commercial Laws of the Philippines, 1978, p. 514, citing *Uy Hong Mo v. Titay & Co., et al.*, Dec. No. 254 of Director of Patents, Apr. 30, 1963);

Registration in the Supplemental Register, therefore, serves as notice that the registrant is using or has appropriated the trademark. By the very fact that the trademark cannot as yet be entered in the Principal Register, all who deal with it should be on guard that there are certain defects, some obstacles which the user must still overcome before he can claim legal ownership of the mark or ask the courts to vindicate his claims of an exclusive right to the use of the same. It would be deceptive for a party with nothing more than a registration in the Supplemental Register to posture before courts of justice as if the registration is in the Principal Register.

The reliance of the private respondent on the last sentence of the Patent office action on application Serial No. 30954 that "registrant is presumed to be the owner of the mark until after the registration is declared cancelled" is, therefore, misplaced and grounded on shaky foundation. The supposed presumption not only runs counter to the precept embodied in Rule 124 of the Revised Rules of Practice before the Philippine Patent Office in Trademark Cases but considering all the facts ventilated before us in the four interrelated petitions involving the petitioner and the respondent, it is devoid of factual basis. And even in cases where presumption and precept may factually be reconciled, we have held that the presumption is rebuttable, not conclusive, (*People v. Lim Hoa*, G.R. No. L10612, May 30, 1958, Unreported). One may be declared an unfair competitor even if his competing trademark is registered (*Parke, Davis & Co. v. Kiu Foo & Co., et al.*, 60 Phil. 928; *La Yebana Co. v. Chua Seco & Co.*, 14 Phil. 534).

By the same token, the argument that the application was premature in view of the pending case before the Patent Office is likewise without legal basis.

The proceedings pending before the Patent Office involving IPC Co. 1658 do not partake of the nature of a prejudicial question which must first be definitely resolved.

Section 5 of Rule 111 of the Rules of Court provides that:

A petition for the suspension of the criminal action based upon the pendency of a pre-judicial question in a civil case, may only be presented by any party before or during the trial of the criminal action.

The case which suspends the criminal prosecution must be a civil case which is determinative of the innocence or, subject to the availability of other defenses, the guilt of the accused. The pending case before the Patent Office is an administrative proceeding and not a civil case. The decision of the Patent Office cannot be finally determinative of the private respondent's innocence of the charges against him.

In *Flordelis v. Castillo* (58 SCRA 301), we held that:

As clearly delineated in the aforecited provisions of the new Civil Code and the Rules of Court, and as uniformly applied in numerous decisions of this Court, (*Berbari v. Concepcion*, 40 Phil. 837 (1920); *Aleria v. Mendoza*, 83 Phil. 427 (1949); *People v. Aragon*, 94 Phil. 357 (1954); *Brito-Sy v. Malate Taxicab & Garage, Inc.*, 102 Phil 482 (1957); *Mendiola v. Macadael*, 1 SCRA 593; *Benitez v. Concepcion*, 2 SCRA 178; *Zapante v. Montesa*, 4 SCRA 510; *Jimenez v.*

Averia, 22 SCRA 1380.) In *Buenaventura v. Ocampo* (55 SCRA 271) the doctrine of prejudicial question was held inapplicable because no criminal case but merely an administrative case and a civil suit were involved. The Court, however, held that, in view of the peculiar circumstances of that case, the respondents' suit for damages in the lower court was premature as it was filed during the pendency of an administrative case against the respondents before the POLCOM. 'The possibility cannot be overlooked,' said the Court, 'that the POLCOM may hand down a decision adverse to the respondents, in which case the damage suit will become unfounded and baseless for wanting in cause of action.' the doctrine of pre-judicial question comes into play generally in a situation where a civil action and a criminal action both pended and there exists in the former an issue which must be preemptively resolved before the criminal action may proceed, because howsoever the issue raised in the civil action is resolved would be determinative *juris et de jure* of the guilt or innocence of the accused in the criminal case.

In the present case, no civil action pends nor has any been instituted. What was pending was an administrative case before the Patent Office.

Even assuming that there could be an administrative proceeding with exceptional or special circumstances which render a criminal prosecution premature pending the promulgation of the administrative decision, no such peculiar circumstances are present in this case.

Moreover, we take note of the action taken by the Patents Office and the Minister of Trade and affirmed by the Intermediate Appellate Court in the case of *La Chemise Lacoste S. A. v. Ram Sadhwani* (AC-G.R. No. SP-13356, June 17, 1983).

The same November 20, 1980 memorandum of the Minister of Trade discussed in this decision was involved in the appellate court's decision. The Minister as the "implementing authority" under Article 6bis of the Paris Convention for the protection of Industrial Property instructed the Director of Patents to reject applications for Philippine registration of signature and other world famous trademarks by applicants other than its original owners or users. The brand "Lacoste" was specifically cited together with Jordache, Gloria Vanderbilt, Sasson, Fila, Pierre Cardin, Gucci, Christian Dior, Oscar dela Renta, Calvin Klein, Givenchy, Ralph Laurence, Geoffrey Beene, Lanvin, and Ted Lapidus. The Director of Patents was likewise ordered to require Philippine registrants of such trademarks to surrender their certificates of registration. Compliance by the Director of Patents was challenged.

The Intermediate Appellate Court, in the *La Chemise Lacoste S.A. v. Sadhwani* decision which we cite with approval sustained the power of the Minister of Trade to issue the implementing memorandum and, after going over the evidence in the records, *affirmed the decision of the Director of Patents declaring La Chemise Lacoste & A. the owner of the disputed trademark and crocodile or alligator device*. The Intermediate Appellate Court speaking through Mr. Justice Vicente V. Mendoza stated:

In the case at bar, the Minister of Trade, as 'the competent authority of the country of registration,' has found that among other well-known trademarks 'Lacoste' is the subject of conflicting claims. For this reason, applications for its registration must be rejected or refused, pursuant to the treaty obligation of the Philippines.

Apart from this finding, the annexes to the opposition, which La Chemise Lacoste S.A. filed in the Patent Office, show that it is the owner of the trademark 'Lacoste' and the device consisting of a representation of a crocodile or alligator by the prior adoption and use of such mark and device on clothing, sports apparel and the like. La Chemise Lacoste S.A. obtained registration of these mark and device

and was in fact issued renewal certificates by the French National Industry Property Office.

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Indeed, due process is a rule of reason. In the case at bar the order of the Patent Office is based not only on the undisputed fact of ownership of the trademark by the appellee but on a prior determination by the Minister of Trade, as the competent authority under the Paris Convention, that the trademark and device sought to be registered by the appellant are well-known marks which the Philippines, as party to the Convention, is bound to protect in favor of its owners. It would be to exalt form over substance to say that under the circumstances, due process requires that a hearing should be held before the application is acted upon.

The appellant cites section 9 of Republic Act No. 166, which requires notice and hearing whenever an opposition to the registration of a trademark is made. This provision does not apply, however, to situations covered by the Paris Convention, where the appropriate authorities have determined that a well-known trademark is already that of another person. In such cases, the countries signatories to the Convention are obliged to refuse or to cancel the registration of the mark by any other person or authority. In this case, it is not disputed that the trademark Lacoste is such a well-known mark that a hearing, such as that provided in Republic Act No. 166, would be superfluous.

The issue of due process was raised and fully discussed in the appellate court's decision. The court ruled that due process was not violated.

In the light of the foregoing, it is quite plain that the prejudicial question argument is without merit.

We have carefully gone over the records of all the cases filed in this Court and find more than enough evidence to sustain a finding that the petitioner is the owner of the trademarks "LACOSTE", "CHEMISE LACOSTE", the crocodile or alligator device, and the composite mark of LACOSTE and the representation of the crocodile or alligator. Any pretensions of the private respondent that he is the owner are absolutely without basis. Any further ventilation of the issue of ownership before the Patent Office will be a superfluity and a dilatory tactic.

The issue of whether or not the trademark used by the private respondent is different from the petitioner's trade mark is a matter of defense and will be better resolved in the criminal proceedings before a court of justice instead of raising it as a preliminary matter in an administrative proceeding.

The purpose of the law protecting a trademark cannot be overemphasized. They are to point out distinctly the origin or ownership of the article to which it is affixed, to secure to him, who has been instrumental in bringing into market a superior article of merchandise, the fruit of his industry and skill, and to prevent fraud and imposition (*Etepha v. Director of Patents*, 16 SCRA 495).

The legislature has enacted laws to regulate the use of trademarks and provide for the protection thereof. Modern trade and commerce demands that depredations on legitimate trademarks of non-nationals including those who have not shown prior registration thereof should not be countenanced. The law against such depredations is not only for the protection of the owner of the trademark but also, and more importantly, for the protection of purchasers from confusion, mistake, or deception as to the goods they are buying. (*Asari Yoko Co., Ltd. v. Kee Boc*, 1 SCRA 1; *General Garments Corporation v. Director of Patents*, 41 SCRA 50).

The law on trademarks and tradenames is based on the principle of business integrity and common justice' This law, both in letter and spirit, is laid upon the premise that, while it encourages fair trade in every way and aims to foster, and not to hamper, competition, no one, especially a trader, is justified in damaging or jeopardizing another's business by fraud, deceit, trickery or unfair methods of any sort. This necessarily precludes the trading by one dealer upon the good name and reputation built up by another (Baltimore v. Moses, 182 Md 229, 34 A (2d) 338).

The records show that the goodwill and reputation of the petitioner's products bearing the trademark LACOSTE date back even before 1964 when LACOSTE clothing apparels were first marketed in the Philippines. To allow Hemandas to continue using the trademark Lacoste for the simple reason that he was the first registrant in the Supplemental Register of a trademark used in international commerce and not belonging to him is to render nugatory the very essence of the law on trademarks and tradenames.

We now proceed to the consideration of the petition in *Gobindram Hemandas Suianani u. Hon. Roberto V Ongpin, et al.* (G.R. No. 65659).

Actually, three other petitions involving the same trademark and device have been filed with this Court.

In *Hemandas & Co. v. Intermediate Appellate Court, et al.* (G.R. No. 63504) the petitioner asked for the following relief:

IN VIEW OF ALL THE FOREGOING, it is respectfully prayed (a) that the Resolutions of the respondent Court of January 3, 1983 and February 24, 1983 be nullified; and that the Decision of the same respondent Court of June 30, 1983 be declared to be the law on the matter; (b) that the Director of Patents be directed to issue the corresponding registration certificate in the Principal Register; and (c) granting upon the petitioner such other legal and equitable remedies as are justified by the premises.

On December 5, 1983, we issued the following resolution:

Considering the allegations contained, issues raised and the arguments adduced in the petition for review, the respondent's comment thereon, and petitioner's reply to said comment, the Court Resolved to DENY the petition for lack of merit.

The Court further Resolved to CALL the attention of the Philippine Patent Office to the pendency in this Court of G.R. No. 563796-97 entitled 'La Chemise Lacoste, S.A. v. Hon. Oscar C. Fernandez and Gobindram Hemandas' which was given due course on June 14, 1983 and to the fact that G.R. No. 63928-29 entitled 'Gobindram Hemandas v. La Chemise Lacoste, S.A., et al.' filed on May 9, 1983 was dismissed for lack of merit on September 12, 1983. Both petitions involve the same dispute over the use of the trademark 'Chemise Lacoste'.

The second case of *Gobindram Hemandas vs. La Chemise Lacoste, S.A., et al.* (G.R. No. 63928-29) prayed for the following:

I. On the petition for issuance of writ of preliminary injunction, an order be issued after due hearing:

I. Enjoining and restraining respondents Company, attorneys-in-fact, and Estanislao Granados from further proceedings in the unfair competition charges pending with the Ministry of Justice filed against petitioner;

2. Enjoining and restraining respondents Company and its attorneys-in-fact from causing undue publication in newspapers of general circulation on their unwarranted claim that petitioner's products are FAKE pending proceedings hereof; and

3. Enjoining and restraining respondents Company and its attorneys-in-fact from sending further threatening letters to petitioner's customers unjustly stating that petitioner's products they are dealing in are FAKE and threatening them with confiscation and seizure thereof.

II. On the main petition, judgment be rendered:

I. Awarding and granting the issuance of the Writ of Prohibition, prohibiting, stopping, and restraining respondents from further committing the acts complained of;

2. Awarding and granting the issuance of the Writ of Mandamus, ordering and compelling respondents National Bureau of Investigation, its aforementioned agents, and State Prosecutor Estanislao Granados to immediately comply with the Order of the Regional Trial Court, National Capital Judicial Region, Branch XLIX, Manila, dated April 22, 1983, which directs the immediate return of the seized items under Search Warrants Nos. 83-128 and 83-129;

3. Making permanent any writ of injunction that may have been previously issued by this Honorable Court in the petition at bar: and

4. Awarding such other and further relief as may be just and equitable in the premises.

As earlier stated, this petition was dismissed for lack of merit on September 12, 1983. Acting on a motion for reconsideration, the Court on November 23, 1983 resolved to deny the motion for lack of merit and declared the denial to be final.

Hemandas v. Hon. Roberto Ongpin (G.R. No. 65659) is the third petition.

In this last petition, the petitioner prays for the setting aside as null and void and for the prohibiting of the enforcement of the following memorandum of respondent Minister Roberto Ongpin:

MEMORANDUM:
FOR: THE DIRECTOR OF PATENTS
Philippine Patent Office

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Pursuant to Executive Order No. 913 dated 7 October 1983 which strengthens the rule-making and adjudicatory powers of the Minister of Trade and Industry and provides inter alia, that 'such rule-making and adjudicatory powers should be revitalized in order that the Minister of Trade and Industry can ...apply more swift and effective solutions and remedies to old and new problems ... such as the infringement of internationally-known tradenames and trademarks ...'and in view of the decision of the Intermediate Appellate Court in the case of *LA CHEMISE LACOSTE, S.A., versus RAM SADWHANI* [AC-G.R. Sp. No. 13359 (17) June 1983] which affirms the validity of the MEMORANDUM of then Minister Luis R. Villafuerte dated 20 November 1980 confirming our obligations under the PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY to which the Republic of the Philippines is a signatory, you are hereby directed to implement measures necessary to effect compliance with our obligations under said convention

in general, and, more specifically, to honor our commitment under *Section 6 bis* thereof, as follows:

1. Whether the trademark under consideration is well-known in the Philippines or is a mark already belonging to a person entitled to the benefits of the CONVENTION, this should be established, pursuant to Philippine Patent Office procedures in inter partes and ex parte cases, according to any of the following criteria or any combination thereof:

(a) a declaration by the Minister of Trade and Industry that the trademark being considered is already well-known in the Philippines such that permission for its use by other than its original owner will constitute a reproduction, imitation, translation or other infringement;

(b) that the trademark is used in commerce internationally, supported by proof that goods bearing the trademark are sold on an international scale, advertisements, the establishment of factories, sales offices, distributorships, and the like, in different countries, including volume or other measure of international trade and commerce;

(c) that the trademark is duly registered in the industrial property office(s) of another country or countries, taking into consideration the dates of such registration;

(d) that the trademark has been long established and obtained goodwill and general international consumer recognition as belonging to one owner or source;

(e) that the trademark actually belongs to a party claiming ownership and has the right to registration under the provisions of the aforesaid PARIS CONVENTION.

2. The word trademark, as used in this MEMORANDUM, shall include tradenames, service marks, logos, signs, emblems, insignia or other similar devices used for Identification and recognition by consumers.

3. The Philippine Patent Office shall refuse all applications for, or cancel the registration of, trademarks which constitute a reproduction, translation or imitation of a trademark owned by a person, natural or corporate, who is a citizen of a country signatory to the PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY.

4. The Philippine Patent Office shall give due course to the Opposition in cases already or hereafter filed against the registration of trademarks entitled to protection of *Section 6 bis* of said PARIS CONVENTION as outlined above, by remanding applications filed by one not entitled to such protection for final disallowance by the Examination Division.

5. All pending applications for Philippine registration of signature and other world famous trademarks filed by applicants other than their original owners or users shall be rejected forthwith. Where such applicants have already obtained registration contrary to the abovementioned PARIS CONVENTION and/or Philippine Law, they shall be directed to surrender their Certificates of Registration to the Philippine Patent Office for immediate cancellation proceedings.

6. Consistent with the foregoing, you are hereby directed to expedite the hearing and to decide without delay the following cases pending before your Office:

1. INTER PARTES CASE NO. 1689-Petition filed by La Chemise Lacoste, S.A. for the cancellation of Certificate of Registration No. SR-2225 issued to Gobindram Hemandas, assignee of Hemandas and Company;

2. INTER PARTES CASE NO. 1658-Opposition filed by Games and Garments Co. against the registration of the trademark Lacoste sought by La Chemise Lacoste, S.A.;

3. INTER PARTES CASE NO. 1786-Opposition filed by La Chemise Lacoste, S.A. against the registration of trademark Crocodile Device and Skive sought by one Wilson Chua.

Considering our discussions in G.R. Nos. 63796-97, we find the petition in G.R. No. 65659 to be patently without merit and accordingly deny it due course.

In complying with the order to decide without delay the cases specified in the memorandum, the Director of Patents shall limit himself to the ascertainment of facts in issues not resolved by this decision and apply the law as expounded by this Court to those facts.

One final point, it is essential that we stress our concern at the seeming inability of law enforcement officials to stem the tide of fake and counterfeit consumer items flooding the Philippine market or exported abroad from our country. The greater victim is not so much the manufacturer whose product is being faked but the Filipino consuming public and in the case of exportations, our image abroad. No less than the President, in issuing Executive Order No. 913 dated October 7, 1983 to strengthen the powers of the Minister of Trade and Industry for the protection of consumers, stated that, among other acts, the dumping of substandard, imitated, hazardous, and cheap goods, the infringement of internationally known tradenames and trademarks, and the unfair trade practices of business firms has reached such proportions as to constitute economic sabotage. We buy a kitchen appliance, a household tool, perfume, face powder, other toilet articles, watches, brandy or whisky, and items of clothing like jeans, T-shirts, neck, ties, etc. — the list is quite length — and pay good money relying on the brand name as guarantee of its quality and genuine nature only to explode in bitter frustration and genuine nature on helpless anger because the purchased item turns out to be a shoddy imitation, albeit a clever looking counterfeit, of the quality product. Judges all over the country are well advised to remember that court processes should not be used as instruments to, unwittingly or otherwise, aid counterfeiters and intellectual pirates, tie the hands of the law as it seeks to protect the Filipino consuming public and frustrate executive and administrative implementation of solemn commitments pursuant to international conventions and treaties.

WHEREFORE, the petition in G.R. NOS. 63797-97 is hereby GRANTED. The order dated April 22, 1983 of the respondent regional trial court is REVERSED and SET ASIDE. Our Temporary Restraining Order dated April 29, 1983 is ma(i.e. PERMANENT. The petition in G.R. NO. 65659 is DENIED due course for lack of merit. Our Temporary Restraining Order dated December 5, 1983 is LIFTED and SET ASIDE, effective immediately.

SO ORDERED.

Teehankee (Chairman), Melencio-Herrera, Plana, Relova and De la Fuente, JJ., concur