



Republic of the Philippines
Court of Appeals
Manila

SPECIAL TENTH DIVISION

ROBERTO PO ONG and SAM PO ONG, CA-G.R. SP. NO. 125702

Petitioners,

Members:

-versus-

* ACOSTA, F.P., *Acting Chairperson*
LANTION, J.C. &
ANTONIO-VALENZUELA, N.G., *JJ.*

**ATTY. JOSEPHINE C. ALON,
in her capacity as Hearing
Officer of the BUREAU OF
LEGAL AFFAIRS,
INTELLECTUAL PROPERTY
OFFICE and PAYLESS
SHOESOURCE
WORLDWIDE, INC.,**

Promulgated:

28 August 2014

Respondents.

DECISION

ANTONIO-VALENZUELA, J.:

This is the Petition¹ filed by Robert Po Ong and Sam Po Ong (“petitioners Ong”), imputing grave abuse of discretion on the part of Atty. Josephine C. Alon (“public respondent Atty. Alon”), Hearing Officer of the Bureau of Legal Affairs, Intellectual Property Office (IPO) for issuing: 1) the Order dated 9 May 2012² in IPC No. 14-2010-00295; and 2) the Order dated 9 May 2012³ in IPC No. 14-2010-00296, which declared in default petitioners Ong for failure to file answer to the petitions for cancellation of

* Vice J. Veloso per Office Order No. 360-14-RSF dated 15 August 2014.

1 C.A. Rollo, pp. 3-157.

2 Annex A to the Petition, C.A. Rollo, pp. 37-40.

3 Annex B to the Petition, C.A. Rollo, pp. 41-44.

trademarks filed by Payless Shoesource Worldwide, Inc. (private respondent Payless).

The undisputed facts are as follows: petitioners Ong are the registered owners of the “AMERICAN BEAGLE” trademark⁴ and the “AMERICAN EAGLE” trademark.⁵

On 3 December 2010, private respondent Payless filed petitions for cancellation⁶ of the “AMERICAN BEAGLE” and “AMERICAN EAGLE” trademarks, docketed as IPC Numbers 14-2010-00295 and 14-2010-00296, respectively, before the IPO.

The IPO issued Notices to Answer (“NTAs”) to petitioners Ong. Petitioners Ong failed to file answer. On 18 January 2012, public respondent Atty. Alon issued the Order declaring that petitioners Ong waived their right to file answer, and submitted the case for resolution.⁷

Petitioners Ong filed the Urgent Motion to Set Aside Order of Default (dated 18 January 2012)⁸ (“Motion to Set Aside Order of Default”) and alleged: petitioners Ong failed to file answer due to mistake of fact and excusable negligence; there was improper service of the NTA dated 18 January 2011, because it was served at the 2nd floor, The Plaza Royale, 120 L.P. Leviste Street, Salcedo Village, Makati City (Carag Jamora & Somera Villareal Law Offices), and not to either petitioners Ong's address in the trademark application at No. 11, West 4th St., cor. Doña Hemady Street, New Manila, Quezon City, or at the new address at No. 49, 5th St., cor. Doña Hemady Street, New Manila, Quezon City; on another occasion, the NTA dated 4 October 2011 was served upon Mr. Wellington Young, at Unit 2, Monarch Square, No. 77 Scout De Guia, Laging Handa, Quezon City however, the said address was neither petitioners Ong's address in the trademark application nor their current address on record; petitioners Ong only knew about private respondent Payless' petitions for cancellation upon inquiry from the IPO; the improper service of the NTAs prevented petitioners Ong from filing their answer.

4 Registration Number 4-1995-101129.

5 Registration Number 4-1995-101128.

6 Annex F to the Petition, C.A. Rollo, pp. 52-61.

7 Annex G to the Petition, C.A. Rollo, p. 62.

8 Annex H to the Petition, C.A. Rollo, pp. 63-72.

Private respondent Payless filed the Opposition (to the Urgent Motion to Set Aside Order of Default dated 17 February 2012)⁹ and countered: petitioners Ong failed to file answer because of gross and inexcusable negligence; the IPO issued three separate NTAs to petitioners Ong, however petitioners Ong's address on record did not exist and could not be located; the last NTA dated 4 October 2011 was sent to all addresses in the name of petitioners Ong, including their new address; petitioners Ong are obliged to inform the IPO of changes to their contact information, and under Rule 602 of the Trademark Regulations, it is the duty of the applicant/registrant to look after his/her own interests; despite the subsequent knowledge of petitioners Ong of the cancellation proceedings, petitioners Ong did not act until they were declared in default.

Petitioners Ong filed the Consolidated Reply to Petitioner's Opposition (to the Urgent Motion to Set Aside Order of Default dated 17 February 2012).¹⁰

On 9 May 2012, public respondent Atty. Alon issued the assailed Orders which denied petitioners Ong's Motion to Set Aside Order of Default.

Thus, this Petition,¹¹ with the following lone assignment of error,:

PUBLIC RESPONDENT HEARING OFFICER OF THE BUREAU OF LEGAL AFFAIRS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION WHEN SHE ISSUED THE ORDERS DATED 9 MAY 2012 IN IPC NOS. 4-2010-00295 AND 4-2010-00296 DENYING PETITIONERS' URGENT MOTION TO SET ASIDE ORDER OF DEFAULT FOR LACK OF MERIT.

The issue is whether public respondent Atty. Alon committed grave abuse of discretion in denying petitioners Ong's Motion to Set Aside Order of Default.

9 C.A. Rollo, pp. 73-79.

10 C.A. Rollo, pp. 82-89.

11 *Supra* note 1.

THE PETITIONERS' ARGUMENTS

Petitioners Ong answer in the affirmative. Public respondent Atty. Alon committed grave abuse of discretion in denying petitioners Ong's Motion to Set Aside Order of Default.

The Petition thrusts: public respondent Atty. Alon abused her discretion when she held that there was proper substituted service of the NTAs upon Mr. Wellington Young; the requisites for a valid substituted service were not complied with (*i.e.*, there were no several attempts to personally serve the summons to petitioners Ong; Mr. Wellington Young is not a competent person to receive the summons); petitioners Ong filed subsequent applications with IPO, using the address at No. 49, 5th St. cor. Doña Hemady St., New Manila, Quezon City, thus there was no basis to serve the NTAs elsewhere; the order of default should be lifted because there was no evidence to show that petitioners Ong deliberately refused to comply with the NTAs issued by the IPO; the lifting of the order of default was justified in order that the competing claims of the parties may be disposed; as the registered owners of the subject trademarks, petitioners Ong had the right to protect their intellectual property rights and it would be unjust if they would be divested of their right to protect their trademarks based on mere technicality.

Petitioners Ong filed the Reply¹² which reiterated their arguments.

THE PRIVATE RESPONDENT'S ARGUMENTS

Private respondent Payless answers in the negative. Public respondent Atty. Alon did not commit grave abuse of discretion in denying petitioners Ong's Motion to Set Aside Order of Default.

The Comment¹³ parries: there was a valid substituted service of the NTAs upon petitioners Ong; there were several attempts to personally serve the NTAs because the IPO issued three separate NTAs, and it was petitioners Ong's failure to update their contact information that made it impossible to personally serve the NTAs upon them; considering petitioners Ong's gross

¹² C.A. Rollo, pp. 195-209.

¹³ C.A. Rollo, pp. 161-185.

and inexcusable negligence, there was no basis to lift the order of default against petitioners Ong.

Both parties filed their respective memoranda.¹⁴

THE COURT'S RULING

We grant the Petition. Public respondent Atty. Alon committed grave abuse of discretion in denying petitioners Ong's Motion to Set Aside Order of Default.

Public respondent Atty. Alon declared petitioners Ong in default for failure to file answer despite receipt of the NTAs. According to public respondent Atty. Alon, substituted service of the NTAs to Mr. Wellington Young at Unit 2, Monarch Square, #77 Scout De Guia, Laging Handa, Quezon City was justified because petitioners Ong “did not bother to notify this Office (IPO) of their new business address which led this Bureau (Bureau of Legal Affairs) to direct petitioner (private respondent Payless) to submit addresses where the NTA may be accurately served.” Thus, as a result, the service of the NTAs to Mr. Wellington Young was deemed a valid substituted service.

We do not agree.

The Rules and Regulations on *Inter Partes* proceedings concern *inter partes* proceedings regarding petitions for cancellations of a mark, patent, utility model, industry design, opposition to registration of a mark & compulsory licensing. In the conduct of hearing of *inter partes* cases, the rules on *inter partes* proceedings shall be primarily applied. In the absence of any applicable rules, the Rules of Court, unless inconsistent, may be applied in suppletory character.¹⁵

Perusal of the Rules and Regulations on *Inter Partes* Proceedings shows that it does not provide for specific provisions on service of the NTAs and relief from an order of default. Thus, in the absence of the pertinent

14 C.A. Rollo, pp. 254-273 (Private respondent Payless' Memorandum); pp. 275-289 (Petitioners Ong's Memorandum).

15 Rule 2, Section 5 of Rules and Regulations on *Inter Partes* Proceedings.

provisions, the Rules of Court may be suppletorily applied.

Contrary to public respondent Atty. Alon's ruling, there was no valid substituted service of NTAs to petitioners Ongs.

Applicable is Rule 14, Section 7 of the Rules of Court which provides:

Section 7. Substituted service. — If, for justifiable causes, the defendant cannot be served within a reasonable time as provided in the preceding section, service may be effected (a) by leaving copies of the summons at the defendant's residence with some person of suitable age and discretion then residing therein, or (b) by leaving the copies at defendant's office or regular place of business with some competent person in charge thereof. (8a)

If a resident defendant cannot be personally served with summons within a reasonable time, substituted service may be effected (1) by leaving copies of the summons at the defendant's residence with some person of suitable age and discretion then residing therein, or (2) by leaving the copies at defendant's office or regular place of business with some competent person in charge thereof in accordance with Rule 14 Section 7, of the Rules of Court.¹⁶

The NTAs were served at Unit 2, Monarch Square, #77 Scout De Guia, Laging Handa, which was not petitioners Ong's place of residence or regular place of business. The NTAs were also served to Mr. Wellington Young who did not appear to be a competent person to receive the NTAs on behalf of petitioners Ong.

In *Manotoc v. Court of Appeals, et al.*,¹⁷ the Supreme Court explained that if the substituted service will be done at defendant's office or regular place of business, then it should be served on a competent person in charge of the place. Thus, the person on whom the substituted service will be made must be the one managing the office or business of defendant, such as the president or manager; and such individual must have sufficient knowledge to understand the obligation of the defendant in the summons, its importance, and the prejudicial effects arising from inaction on the summons. In this

¹⁶ Ma. Theresa Chaves Biaco vs. Phil. Countryside Rural Bank, G.R. No. 161417, 8 February 2007.

¹⁷ G.R. No. 130974, 16 August 2006.

case, there was no showing that Mr. Wellington Young was a competent person to receive NTAs intended for petitioners Ong.

Thus, public respondent Atty. Alon committed grave abuse of discretion when she denied petitioners Ong's Motion to Set Aside Order of Default through the assailed Orders.

The remedy to set aside the order of default is provided in Rule 9, Section 3(b) of the Rules of Court. It states:

Section 3. Default, declaration of - xxx xxx xxx

xxx xxx xxx

(b) Relief from order of default. - A party declared in default may at any time after notice thereof and before judgment file a motion under oath to set aside the order of default upon proper showing that his failure to answer was due to fraud, accident, mistake or excusable negligence and that he has a meritorious defense. In such case, the order of default may be set aside on such terms and conditions as the judge may impose in the interest of justice. (3a, R18)

xxx xxx xxx

As above-quoted, to obtain relief from an order of default, the party declared in default may at any time, after notice of the order of default, and before judgment, file a motion under oath to set aside order of default, upon proper showing that his failure to answer was due to fraud, accident, mistake, or excusable negligence, and that he has a meritorious defense.

Petitioners Ong complied with the requirements of Rule 9, Section 3(b) of the Rules of Court.

Petitioners Ong's Motion to Set Aside Order of Default was under oath and was accompanied by the Joint Affidavit of Merit.¹⁸ Petitioners Ong proved that their failure to file answer was due to mistake of fact and excusable negligence. Petitioners Ong's Joint Affidavit of Merit sufficiently explained that petitioners Ong failed to file answer because they had not received the NTAs from the IPO. As explained by petitioners Ong, the NTA

¹⁸ C.A. Rollo, pp. 70-72.

dated 18 January 2011 in IPC No. 14-2010-00295 was served upon the Carag Jamora Somera & Villareal Law Offices instead of their address which appears on the trademark application, or to their new address. On the other hand, the NTA dated 4 October 2011 was served on Mr. Wellington Young who was not shown to be connected or authorized to receive the NTAs on behalf of petitioners Ong.

Petitioners Ong have a meritorious defense. The term meritorious defense implies that the applicant has the burden of proving such a defense in order to have the judgment set aside.¹⁹ In this case, petitioners Ong are the registered owners of the “AMERICAN BEAGLE” trademark and the “AMERICAN EAGLE” trademark which private respondent Payless sought to be cancelled. The cancellation of registration of a trademark has the effect of depriving the registrant of protection from infringement from the moment the judgment or order of cancellation has become final.²⁰ Thus, it was imperative that petitioners Ong, as the registered owners of the trademarks, should be given opportunity to answer the allegations in private respondent Payless' petitions for cancellation.

We **SET ASIDE** the Order dated 9 May 2012 in IPC No. 14-2010-00295 and the Order dated 9 May 2012 in IPC No. 14-2010-00296, issued by Atty. Josephine C. Alon, Hearing Officer of the Bureau of Legal Affairs, Intellectual Property Office, and order the public respondent Atty. Josephine C. Alon to continue with the proceedings in the petitions for cancellation of trademarks.

IT IS SO ORDERED.

Original Signed
NINA G. ANTONIO-VALENZUELA
Associate Justice

¹⁹ Velayo-Fong v. Spouses Velayo, G.R. No. 155488, 6 December 2006.

²⁰ Superior Commercial Enterprises, Inc., v. Kunnan Enterprises Ltd. And Sports Concept & Distributor, Inc., G.R. No. 169974, 20 April 2010 *citing* Heirs of Crisanta Y. Gabriel-Almoradie v. Court of Appeals, G.R. No. 91385, January 4, 1994, 229 SCRA 15, 32-33.

WE CONCUR:

Original Signed
FRANCISCO P. ACOSTA
Associate Justice

Original Signed
JANE AURORA C. LANTION
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified that the conclusions in the above decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

Original Signed
FRANCISCO P. ACOSTA
Associate Justice
Acting Chairperson, Special Tenth Division