

Republic of the Philippines
SUPREME COURT
Manila

SECOND DIVISION

[G.R. No. 132604. March 6, 2002]

VENANCIO SAMBAR, doing business under the name and style of CVS Garment Enterprises, *petitioner*,

vs.

LEVI STRAUSS & CO., and LEVI STRAUSS (PHIL.), INC., *respondents*.

QUISUMBING, *J.*:

This petition for review on *certiorari* prays for the reversal of the decision dated January 30, 1998, of the Court of Appeals in CA-G.R. CV No. 51553. That decision affirmed the decision in Civil Case No. 88-2220 of the Regional Trial Court, Branch 66, Makati City, making permanent the writ of preliminary injunction, ordering CVS Garment and Industrial Company (CVSGIC) and petitioner Venancio Sambar to pay private respondents jointly and solidarily the sum of P50,000 as temperate and nominal damages, P10,000 as exemplary damages, and P25,000 as attorney's fees and litigation costs, and ordering the Director of the National Library to cancel Copyright Registration No. 1-1998 in the name of Venancio Sambar.

The facts are as follows:

On September 28, 1987, private respondents, through a letter from their legal officer, demanded that CVS Garment Enterprises (CVSGE) desist from using their stitched arcuate design on the Europress jeans which CVSGE advertised in the *Manila Bulletin*.

Atty. Benjamin Gruba, counsel of CVSGE, replied that the arcuate design on the back pockets of Europress jeans was different from the design on the back pockets of Levi's jeans. He further asserted that his client had a copyright on the design it was using.

Thereafter, private respondents filed a complaint against Sambar, doing business under the name and style of CVSGE. Private respondents also impleaded the Director of the National Library. Summons was sent to Sambar in his business address at 161-B Iriga corner Retiro, La Loma, Quezon City.

Atty. Gruba claimed that he erroneously received the original summons as he mistook it as addressed to his client, CVSGIC. He returned the summons and the pleadings and manifested in court that CVSGE, which was formerly doing business in the premises, already stopped operation and CVSGIC took over CVSGE's occupation of the premises. He also claimed he did not know the whereabouts of Sambar, the alleged owner of CVSGE.

Thereafter, private respondents amended their complaint to include CVSGIC. When private respondents learned the whereabouts of Sambar and CVSGE, the case was revived.

Private respondents alleged in their complaint that Levi Strauss and Co. (LS&Co.), an internationally known clothing manufacturer, owns the arcuate design trademark which was registered under U.S. Trademark Registration No. 404, 248 on November 16, 1943, and in the Principal Register of trademarks with the Philippine Patent Office under Certificate of Registration No. 20240 issued on October 8, 1973; that through a Trademark Technical Data and Technical Assistance Agreement with Levi Strauss (Phil.) Inc. (LSPI) in 1972, LS&Co. granted LSPI a non-exclusive license to use the arcuate trademark in its manufacture and sale of Levi's pants,

jackets and shirts in the Philippines; that in 1983, LS&Co. also appointed LSPI as its agent and attorney-in-fact to protect its trademark in the Philippines; and that sometime in 1987, CVSGIC and Venancio Sambar, without the consent and authority of private respondents and in infringement and unfair competition, sold and advertised, and despite demands to cease and desist, continued to manufacture, sell and advertise denim pants under the brand name "Europress" with back pockets bearing a design similar to the arcuate trademark of private respondents, thereby causing confusion on the buying public, prejudicial to private respondents' goodwill and property right.

In its answer, CVSGIC admitted it manufactured, sold and advertised and was still manufacturing and selling denim pants under the brand name of "Europress", bearing a back pocket design of two double arcs meeting in the middle. However, it denied that there was infringement or unfair competition because the display rooms of department stores where Levi's and Europress jeans were sold, were distinctively segregated by billboards and other modes of advertisement. CVSGIC avers that the public would not be confused on the ownership of such known trademark as Levi's, Jag, Europress, etc.. Also, CVSGIC claimed that it had its own original arcuate design, as evidenced by Copyright Registration No. 1-1998, which was very different and distinct from Levi's design. CVSGIC prayed for actual, moral and exemplary damages by way of counterclaim.

Petitioner Venancio Sambar filed a separate answer. He denied he was connected with CVSGIC. He admitted that Copyright Registration No. 1-1998 was issued to him, but he denied using it. He also said he did not authorize anyone to use the copyrighted design. He counterclaimed for moral and exemplary damages and payment of attorney's fees.

After hearing, the trial court issued a writ of preliminary injunction enjoining CVSGIC and petitioner from manufacturing, advertising and selling pants with the arcuate design on their back pockets. CVSGIC and petitioner did not appear during the October 13 and 27, 1993 hearings, when they were to present evidence. Consequently, the trial court ruled that they waived their right to present evidence.

On May 3, 1995, the trial court rendered its decision. The dispositive portion reads:

IN VIEW OF THE FOREGOING, judgment is hereby rendered:

- a) making the writ of preliminary injunction permanent;
- b) ordering the defendants CVS Garment and Industrial Company and Venancio Sambar to pay the plaintiffs jointly and solidarily the sum of P50,000.00 as temperate and nominal damages, the sum of P10,000.00 as exemplary damages, and the sum of P25,000.00 as attorney's fees and litigation expenses and to pay the costs.

SO ORDERED.^[1]

Private respondents moved for a reconsideration praying for the cancellation of petitioner's copyright registration. The trial court granted reconsideration in its July 14, 1995 order, thus:

IN VIEW OF THE FOREGOING, judgment is hereby rendered:

- a) making the writ of preliminary injunction permanent;
- b) ordering the defendants CVS Garment and Industrial Company and Venancio Sambar to pay the plaintiffs jointly and solidarily the sum of P50,000.00 as temperate and nominal damages, the sum of P10,000.00 as exemplary damages, and the sum of P25,000.00 as attorney's fees and litigation expenses and to pay the costs;

c) ordering the Director of the National Library to cancel the Copyright Registration No. 1-1998 issued in the name of Venancio Sambar.^[2]

Petitioner appealed to the Court of Appeals which on January 30, 1998 decided in favor of private respondents as follows:

WHEREFORE, the judgment appealed from is AFFIRMED in toto.

SO ORDERED.^[3]

In this instant petition, petitioner avers that the Court of Appeals erred in:

- I. ...RULING THAT THERE WAS AN INFRINGEMENT OF RESPONDENT'S ARCUATE MARK.
- II. ...RULING THAT PETITIONER IS JOINTLY AND SOLIDARILY LIABLE WITH CVS GARMENTS INDUSTRIAL CORPORATION FOR INFRINGEMENT OF RESPONDENT'S ARCUATE MARK.
- III. ...IN ORDERING, THERE BEING NO INFRINGEMENT OR UNFAIR COMPETITION, THE AWARD OF DAMAGES AND CANCELLATION OF COPYRIGHT REGISTRATION NO. 1-1998 ISSUED IN THE NAME OF PETITIONER.^[4]

Briefly, we are asked to resolve the following issues:

1. Did petitioner infringe on private respondents' arcuate design?
2. Must we hold petitioner solidarily liable with CVS Garments Industrial Corporation?
3. Are private respondents entitled to nominal, temperate and exemplary damages and cancellation of petitioner's copyright?

On the first issue, petitioner claims that he did not infringe on private respondents' arcuate design because there was no colorable imitation which deceived or confused the public. He cites *Emerald Garment Manufacturing Corporation vs. Court of Appeals*, G.R. No. 100098, 251 SCRA 600 (1995), as authority. He disagreed with the Court of Appeals that there were confusing similarities between Levi's and Europress' arcuate designs, despite the trial court's observation of differences in them. Petitioner maintains that although the backpocket designs had similarities, the public was not confused because Levi's jeans had other marks not found in Europress jeans. Further, he says Levi's long history and popularity made its trademark easily identifiable by the public.

In its comment, private respondents aver that the Court of Appeals did not err in ruling that there was infringement in this case. The backpocket design of Europress jeans, a double arc intersecting in the middle was the same as Levi's' mark, also a double arc intersecting at the center. Although the trial court found differences in the two designs, these differences were not noticeable. Further, private respondents said, infringement of trademark did not require exact similarity. Colorable imitation enough to cause confusion among the public, was sufficient for a trademark to be infringed. Private respondents explained that in a market research they conducted with 600 respondents, the result showed that the public was confused by Europress trademark *vis* the Levi's trademark.

We find that the first issue raised by petitioner is factual. The basic rule is that factual questions are beyond the province of this Court in a petition for review. Although there are exceptions to this rule, this case is not one of them.^[5] Hence, we find no reason to disturb the

findings of the Court of Appeals that Europress' use of the arcuate design was an infringement of the Levi's design.

On the second issue, petitioner claims that private respondents did not show that he was connected with CVSGIC, nor did they prove his specific acts of infringement to make him liable for damages. Again, this is a factual matter and factual findings of the trial court, concurred in by the Court of Appeals, are final and binding on this Court.^[6] Both the courts below found that petitioner had a copyright over Europress' arcuate design and that he consented to the use of said design by CVSGIC. We are bound by this finding, especially in the absence of a showing that it was tainted with arbitrariness or palpable error.^[7] It must be stressed that it was immaterial whether or not petitioner was connected with CVSGIC. What is relevant is that petitioner had a copyright over the design and that he allowed the use of the same by CVSGIC.

Petitioner also contends that the Court of Appeals erred when it said that he had the burden to prove that he was not connected with CVSGIC and that he did not authorize anyone to use his copyrighted design. According to petitioner, these are important elements of private respondents' cause of action against him, hence, private respondents had the ultimate burden of proof.

Pertinent is Section 1, Rule 131 of the Rules of Court^[8] which provides that the burden of proof is the duty of a party to prove the truth of his claim or defense, or any fact in issue by the amount of evidence required by law. In civil cases, the burden of proof may be on either the plaintiff or the defendant. It is on the latter, if in his answer he alleges an affirmative defense, which is not a denial of an essential ingredient in the plaintiff's cause of action, but is one which, if established, will be a good defense – i.e., an "avoidance" of the claim, which prima facie, the plaintiff already has because of the defendant's own admissions in the pleadings.^[9]

Petitioner's defense in this case was an affirmative defense. He did not deny that private respondents owned the arcuate trademark nor that CVSGIC used on its products a similar arcuate design. What he averred was that although he owned the copyright on the Europress arcuate design, he did not allow CVSGIC to use it. He also said he was not connected with CVSGIC. These were not alleged by private respondents in their pleadings, and petitioner therefore had the burden to prove these.

Lastly, are private respondents entitled to nominal, temperate and exemplary damages and cancellation of petitioner's copyright?

Petitioner insists that he had not infringed on the arcuate trademark, hence, there was no basis for nominal and temperate damages. Also, an award of nominal damages precludes an award of temperate damages. He cites *Ventanilla vs. Centeno*, G.R. No. L-14333, 1 SCRA 215 (1961) on this. Thus, he contends, assuming *arguendo* that there was infringement, the Court of Appeals still erred in awarding both nominal and temperate damages.

Petitioner likewise said that the grant of exemplary damages was inconsistent with the trial court's finding that the design of Europress jeans was not similar to Levi's design and that no pecuniary loss was suffered by respondents to entitle them to such damages.

Lastly, petitioner maintains that as Europress' arcuate design is not a copy of that of Levi's, citing the trial court's findings that although there are similarities, there are also differences in the two designs, cancellation of his copyright was not justified.

On this matter, private respondents assert that the lower courts found that there was infringement and Levi's was entitled to damages based on Sections 22 and 23 of RA No. 166 otherwise known as the Trade Mark Law,^[10] as amended, which was the law then governing. Said sections define infringement and prescribe the remedies therefor. Further, private respondents aver it was misleading for petitioner to claim that the trial court ruled that private respondents did not suffer pecuniary loss, suggesting that the award of damages was improper. According to the private respondents, the trial court did not make any such ruling. It

simply stated that there was no evidence that Levi's had suffered decline in its sales because of the use of the arcuate design by Europress jeans. They offer that while there may be no direct proof that they suffered a decline in sales, damages may still be measured based on a reasonable percentage of the gross sales of the respondents, pursuant to Section 23 of the Trademark law.^[11]

Finally, regarding the cancellation of petitioner's copyright, private respondents deny that the trial court ruled that the arcuate design of Europress jeans was not the same as Levi's arcuate design jeans. On the contrary, the trial court expressly ruled that there was similarity. The cancellation of petitioner's copyright was justified because petitioner's copyright cannot prevail over respondents' registration in the Principal Register of Bureau of Patents, Trademarks, and Technology Transfer. According to private respondents, the essence of copyright registration is originality and a copied design is inherently non-copyrightable. They insist that registration does not confer originality upon a copycat version of a prior design.

From the foregoing discussion, it is clear that the matters raised by petitioner in relation to the last issue are purely factual, except the matter of nominal and temperate damages. Petitioner claims that damages are not due private respondents and his copyright should not be cancelled because he had not infringed on Levi's trademark. Both the trial court and the Court of Appeals found there was infringement. Thus, the award of damages and cancellation of petitioner's copyright are appropriate.^[12] Award of damages is clearly provided in Section 23,^[13] while cancellation of petitioner's copyright finds basis on the fact that the design was a mere copy of that of private respondents' trademark. To be entitled to copyright, the thing being copyrighted must be original, created by the author through his own skill, labor and judgment, without directly copying or evasively imitating the work of another.^[14]

However, we agree with petitioner that it was error for the Court of Appeals to affirm the award of nominal damages combined with temperate damages^[15] by the Regional Trial Court of Makati. What respondents are entitled to is an award for temperate damages, not nominal damages. For although the exact amount of damage or loss cannot be determined with reasonable certainty, the fact that there was infringement means they suffered losses for which they are entitled to moderate damages.^[16] We find that the award of P50,000.00 as temperate damages fair and reasonable, considering the circumstances herein as well as the global coverage and reputation of private respondents Levi Strauss & Company and Levi Strauss (Phil.), Inc.

WHEREFORE, the decision dated January 30, 1998, of the Court of Appeals, in CA-G.R. CV No. 51553 AFFIRMING the judgment of the Regional Trial Court of Makati, Branch 66, dated July 14, 1995, is hereby MODIFIED so that nominal damages are deleted but the amount of P50,000 is hereby awarded only as TEMPERATE DAMAGES. In all other respects, said judgment is hereby AFFIRMED, to wit:

- a) the writ of preliminary injunction is made permanent;
- b) the defendants CVS Garment and Industrial Company and Venancio Sambar are ordered also to pay the plaintiffs jointly and solidarily the sum of P10,000.00 as exemplary damages, and the sum of P25,000.00 as attorney's fees and litigation expenses, and to pay the costs; and
- c) the Director of the National Library is ordered to cancel the Copyright Registration No. 1-1998 issued in the name of Venancio Sambar.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, Buena, and De Leon, Jr., JJ., concur.

FOOTNOTES:

^[1] RTC Records, p. 260.

^[2] *Id.* at 274-275.

^[3] *Rollo*, p. 20.

^[4] *Id.* at 34.

^[5] *Salcedo vs. People*, G.R. No. 137143, 347 SCRA 499, 504-505 (2000).

^[6] *Id.* at 1.

^[7] *David vs. Manila Bulletin Publishing Company, Inc.*, G.R. No. 139272, 347 SCRA 68, 69 (2000).

^[8] Section 1, Rule 131: Burden of Proof. - Burden of proof is the duty of a party to present evidence on the facts in issue necessary to establish his claim or defense by the amount of evidence required by law.

^[9] Paras. Rules of Court 448 (Third Edition, 2000).

^[10] Section 22. Infringement, what constitutes. Any person who shall use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or trade-name in connection with the sale, offering for sale, or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source of such business; or reproduce, counterfeit, copy or colorably imitate any such mark or trade-name and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services, shall be liable to a civil action by the registrant for any or all the remedies herein provided.

Section 23. Actions, and damages and injunction for infringement. - Any person entitled to the exclusive use of a registered mark or trade-name may recover damages in a civil action from any person who infringes his rights, and the measure of the damages suffered shall be either the reasonable profit which the complaining party would have made, had the defendant not infringed his said rights, or the profit which the defendant actually made out of the infringement, or in the event such measure of damages cannot be readily ascertained with reasonable certainty, then the court may award as damages a reasonable percentage based upon the amount of gross sales of the defendant of the value of the services in connection with which the mark or trade-name was used in the infringement of the rights of the complaining party. In cases where actual intent to mislead the public or to defraud the complaining party shall be shown, in the discretion of the court, the damages may be doubled.

The complaining party, upon proper showing, may also be granted injunction.

^[11] *Ibid.*

^[12] *Heirs of Crisanta Y. Gabriel-Almoradie vs. Court of Appeals*, G.R. No. 91385, 229 SCRA 15, 30 & 34 (1994).

^[13] See note 10.

^[14] *Hoffman vs. Le Traunik*, 209 Federal Reporter 375, 379 (1913).

^[15] *Ventanilla vs. Centeno*, No. L-14333, 1 SCRA 215, 216 (1961).

^[16] Art. 2224, Civil Code: Temperate or moderate damages, which are more than nominal but less than compensatory damages, may be recovered where the court finds that some pecuniary loss has been suffered but its amount cannot, from the nature of the case, be proved with certainty.