

FIRST DIVISION

[G.R. No. 233073, February 14, 2018]

L.C. BIG MAK BURGER, INC., PETITIONER, V. MCDONALD'S CORPORATION, RESPONDENT.

DECISION

TIJAM, J.:

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

The Factual Antecedents

The instant petition stemmed from Civil Case No. 90-1507, which McDonald's Corporation (respondent) filed against L.C. Big Mak Burger, Inc. (petitioner) for trademark infringement and unfair competition raffled to the Regional Trial Court (RTC) of Makati City, Branch 137 (Infringement Court).^[4]

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

a) using for its fast food restaurant business the name "Big Mak" or any other mark, word, name, or device, which by colorable imitation is likely to confuse, mislead or deceive the public into believing that the [petitioner's] goods and services originate from, or are sponsored by or affiliated with those of [respondent's], and from otherwise unfairly trading on the reputation and goodwill of the McDonald's Marks, in particular the mark "BIG MAC";

b) selling, distributing, advertising, offering for sale or procuring to be sold, or otherwise disposing of any article described as or purporting to be manufactured by [respondent];

c) directly or indirectly using any mark, or doing any set or thing, likely to induce the belief on the part of the public that [petitioner] and their products and services are in any way connected with [respondent's] and their products and services

in such places within the jurisdiction of the National Capital Judicial Region.

x x x x

SO ORDERED.^[6]

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

WHEREFORE, judgment is rendered in favor of [respondent] McDonald's Corporation and McGeorge Food Industries Inc. and against [petitioner] L.C. Big Mak Burgers, Inc. as follows:

1. The writ of preliminary injunction issued in this case on 11 November 1190 [sic] is made permanent;
2. [Petitioner] L.C. Mak Burger, Inc. is ordered to pay [respondent] actual damages in the amount of P400,000.00, exemplary damages in the amount of P100,000.00 and attorneys fees and expenses of litigation in the amount of P100,000.00;
3. The complaint against defendants Francis B. Dy, Edna A. Dy, Rene B. Dy, William B. Dy, Jesus Aycardo, Araceli Aycardo and Grace Huerto, as well as all counter-claims, are dismissed for lack of merit as well as for insufficiency of evidence.

SO ORDERED.^[8]

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

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

SO ORDERED.^[11]

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

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

In its Answer with Compulsory Counterclaims,^[15] petitioner denied refusing to settle its judgment debt, averring that as a matter of fact, it offered and tendered

payment to the respondent through the sheriff but respondent refused to accept the same and demanded that payment be made directly to it. Petitioner further argued that it is evident from the August 18, 2004 Decision of the Supreme Court, that the prohibition covers only the use of the mark "Big Mak" and not the name "L.C. Big Mak Burger, Inc." Petitioner then averred that at that time, its stalls were using its company name "L.C. Big Mak Burger, Inc." and not the mark "Big Mak" and that it had already stopped selling "Big Mak" burgers for several years already. Moreover, petitioner averred that it has already changed the name of some of its stalls and products to "Supermak" as evidenced by pictures of its stalls in Metro Manila. Also, petitioner pointed out that the preliminary injunction issued in Civil Case No. 90-1507 was enforceable only within the National Capital Judicial Region as can be gleaned from its express provision.^[16]

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

WHEREFORE, premises considered, judgment is hereby rendered in favor of [petitioner] L.C. BIG MAK BURGER, INC. and FRANCIS DY, and against [respondent] **DISMISSING** this instant petition for lack of merit. [Respondent] is also ordered to pay the [petitioner and Francis Dy] the following sums:

1. P500,000.00 to [petitioner] L.C. Big Mak Burger, Inc. for the damages it suffered to its business reputation;
2. P500,000.00 to xxx Francis Dy as moral damages;
3. P100,000.00 for exemplary damages; and
4. P100,000.00 as and for attorney's fees. Costs against [respondent].

SO ORDERED.^[18]

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

WHEREFORE, premises considered, the present appeal is **GRANTED**. The Decision dated April 7, 2014 issued by the RTC, Branch 59, Makati City in *Civil Case No. 08-370* is **REVERSED** and a new one is entered finding [petitioner] L.C. Big Mak Burger, Inc. **guilty** of indirect contempt.

Accordingly, [petitioner] L.C. Big Mak Burger, Inc. is ordered to pay a **FINE** in the amount of Thirty Thousand Pesos (P30,000.00) and is enjoined to faithfully comply with the ruling of the Supreme Court in *G.R. No. 143993* as implemented by RTC, Branch 59, [sic] Makati City.

SO ORDERED.^[20]

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

WHEREFORE, the Motion for Reconsideration filed by [petitioner and Francis Dy] is hereby **DENIED**.

The Decision promulgated on February 2, 2017 **stays**.

SO ORDERED.^[22]

Hence, this petition.

The Issue

Is petitioner guilty of indirect contempt?

The Ruling of this Court

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

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

SEC. 3. Indirect Contempt to be punished after charge and hearing -
After a charge in writing has been filed, and an opportunity given to the respondent to comment thereon within such period as may be fixed by the court and to be heard by himself or counsel, a person guilty of any of the following acts may be punished for indirect contempt:

x x x x

b) Disobedience of or resistance to a lawful writ, process, order, or judgment of a court, including the act of a person who, after being dispossessed or ejected from any real property by the judgment or process of any court of competent jurisdiction, enters or attempts or induces another to enter into or upon such real property, for the purpose of executing acts of ownership or possession, or in any manner disturbs the possession given to the person adjudged to be entitled thereto;

c) Any abuse of or any unlawful interference with the processes or proceedings of a court not constituting direct contempt under section 1 of this Rule:

d) Any improper conduct tending, directly or indirectly, to impede, obstruct, or degrade the administration of justice;

x x x x

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

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

We resolve.

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

a) using for its fast food restaurant business the name "Big Mak" or any other mark, word, name, or device, which by colorable imitation is likely to confuse, mislead or deceive the public into believing that the [petitioner's] goods and services originate from, or are sponsored by or affiliated with those of [respondent's], and from otherwise unfairly trading on the reputation and goodwill of the McDonald's Marks, in particular the mark "BIG MAC";

b) selling, distributing, advertising, offering for sale or procuring to be sold, or otherwise disposing of any article described as or purporting to be manufactured by [respondent];

c) directly or indirectly using any mark, or doing any set or thing, likely to induce the belief on the part of the public that [petitioner] and their products and services are in any way connected with [respondent's] and their products and services

in such places within the jurisdiction of the National Capital Judicial Region.

x x x x

SO ORDERED.^[23]

In ruling that there was disobedience tantamount to an indirect contempt on the part of the petitioner, the CA found that: (1) there is an express admission on Francis Dy's judicial affidavit^[24] that the company complied with the court's order only in 2009 or after the petition for indirect contempt was filed against them;^[25] (2) that petitioner's use of its corporate name is likewise an infringement of respondent's mark, a defiance therefore to the subject injunction order.^[26]

We do not agree.

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

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

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

29. Q: What did you do when you received the Writ of Execution?

A: We issued 6 checks each for P100,000.00 to pay the