

THIRD DIVISION

[G.R. No. 162311, December 04, 2008]

**LEVI STRAUSS (PHILS.), INC., PETITIONER, VS. TONY LIM,
RESPONDENT.**

D E C I S I O N

REYES, R.T., J.:

THE remedy of a party desiring to elevate to the appellate court an adverse resolution of the Secretary of Justice is a petition for *certiorari* under Rule 65. A Rule 43 petition for review is a wrong mode of appeal.^[1]

During preliminary investigation, the prosecutor is vested with authority and discretion to determine if there is sufficient evidence to justify the filing of an information. If he finds probable cause to indict the respondent for a criminal offense, it is his duty to file the corresponding information in court. However, it is equally his duty not to prosecute when after an investigation, the evidence adduced is not sufficient to establish a *prima facie* case.^[2]

Before the Court is a petition for review on *certiorari*^[3] of the Decision^[4] and Resolution^[5] of the Court of Appeals (CA), affirming the resolutions of the Department of Justice (DOJ) finding that there is no probable cause to indict respondent Tony Lim, a.k.a. Antonio Guevarra, for unfair competition.

The Facts

Petitioner Levi Strauss (Phils.), Inc. is a duly-registered domestic corporation. It is a wholly-owned subsidiary of Levi Strauss & Co. (LS & Co.) a Delaware, USA company.

In 1972, LS & Co. granted petitioner a non-exclusive license to use its registered trademarks and trade names^[6] for the manufacture and sale of various garment products, primarily pants, jackets, and shirts, in the Philippines.^[7] Presently, it is the only company that has authority to manufacture, distribute, and sell products bearing the LEVI'S trademarks or to use such trademarks in the Philippines. These trademarks are registered in over 130 countries, including the Philippines,^[8] and were first used in commerce in the Philippines in 1946.^[9]

Sometime in 1995, petitioner lodged a complaint^[10] before the Inter-Agency Committee on Intellectual Property Rights, alleging that a certain establishment in Metro Manila was manufacturing garments using colorable imitations of the LEVI'S trademarks.^[11] Thus, surveillance was conducted on the premises of respondent Tony Lim, doing business under the name Vogue Traders Clothing Company.^[12] The investigation revealed that respondent was engaged in the manufacture, sale, and

distribution of products similar to those of petitioner and under the brand name "LIVE'S."^[13]

On December 13, 1995, operatives of the Philippine National Police (PNP) Criminal Investigation Unit^[14] served search warrants^[15] on respondent's premises at 1042 and 1082 Carmen Planas Street, Tondo, Manila. As a result, several items^[16] were seized from the premises.^[17]

The PNP Criminal Investigation Command (PNP CIC) then filed a complaint^[18] against respondent before the DOJ for unfair competition^[19] under the old Article 189 of the Revised Penal Code, prior to its repeal by Section 239 of Republic Act (RA) No. 8293.^[20] The PNP CIC claimed that a "confusing similarity" could be noted between petitioner's LEVI'S jeans and respondent's LIVE'S denim jeans and pants.

In his counter-affidavit,^[21] respondent alleged, among others, that (1) his products bearing the LIVE'S brand name are not fake LEVI'S garments; (2) "LIVE'S" is a registered trademark,^[22] while the patch pocket design for "LIVE'S" pants has copyright registration,^[23] thus conferring legal protection on his own intellectual property rights, which stand on equal footing as "LEVI'S"; (3) confusing similarity, the central issue in the trademark cancellation proceedings^[24] lodged by petitioner, is a prejudicial question that complainant, the police, and the court that issued the search warrants cannot determine without denial of due process or encroachment on the jurisdiction of the agencies concerned; and (4) his goods are not clothed with an appearance which is likely to deceive the ordinary purchaser exercising ordinary care.^[25]

In its reply-affidavit, petitioner maintained that there is likelihood of confusion between the competing products because: (1) a slavish imitation of petitioner's "arcuate" trademark has been stitched on the backpocket of "LIVE'S" jeans; (2) the appearance of the mark "105" on respondent's product is obviously a play on petitioner's "501" trademark; (3) the appearance of the word/phrase "LIVE'S" and "LIVE'S ORIGINAL JEANS" is confusingly similar to petitioner's "LEVI'S" trademark; (4) a red tab, made of fabric, attached at the left seam of the right backpocket of petitioner's standard five-pocket jeans, also appears at the same place on "LIVE'S" jeans; (5) the patch used on "LIVE'S" jeans (depicting three men on each side attempting to pull apart a pair of jeans) obviously thrives on petitioner's own patch showing two horses being whipped by two men in an attempt to tear apart a pair of jeans; and (6) "LEVI'S" jeans are packaged and sold with carton tickets, which are slavishly copied by respondent in his own carton ticket bearing the marks "LIVE'S," "105," the horse mark, and basic features of petitioner's ticket designs, such as two red arrows curving and pointing outward, the arcuate stitching pattern, and a rectangular portion with intricate border orientation.^[26]

DOJ Rulings

On October 8, 1996, Prosecution Attorney Florencio D. Dela Cruz recommended the dismissal^[27] of the complaint. The prosecutor agreed with respondent that his products are not clothed with an appearance which is likely to deceive the ordinary purchaser exercising ordinary care. The recommendation was approved by

Assistant Chief State Prosecutor Lualhati R. Buenafe.

On appeal, then DOJ Secretary Teofisto Guingona affirmed the prosecutor's dismissal of the complaint on January 9, 1998.^[28] Prescinding from the basic rule that to be found guilty of unfair competition, a person shall, by imitation or any unfair device, induce the public to believe that his goods are those of another, Secretary Guingona stated:

In the case at bar, complainant has not shown that anyone was actually deceived by respondent. Respondent's product, which bears the trademark LIVE's, has an entirely different spelling and meaning with the trademark owned by complainant which is LEVI's. Complainant's trademark comes from a Jewish name while that of respondent is merely an adjective word. Both, when read and pronounced, would resonate different sounds. While respondent's "LIVE's" trademark may appear similar, such could not have been intended by the respondent to deceive since he had the same registered with the appropriate government agencies. Granting *arguendo*, that respondent's trademark or products possessed similar characteristics with the trademark and products of complainant, on that score alone, without evidence or proof that such was a device of respondent to deceive the public to the damage of complainant no unfair competition is committed.^[29]

On February 13, 1998, petitioner filed a motion for reconsideration of Secretary Guingona's resolution, alleging, among others, that only a likelihood of confusion is required to sustain a charge of unfair competition. It also submitted the results of a consumer survey^[30] involving a comparison of petitioner's and respondent's products.

On June 5, 1998, Justice Secretary Silvestre Bello III, Guingona's successor, granted petitioner's motion and directed the filing of an information against respondent.^[31]

WHEREFORE, our resolution dated 9 January 1998 is hereby reversed and set aside. You are directed to file an information for unfair competition under Article 189 of the Revised Penal Code, as amended, against respondent Tony Lim. Report the action taken thereon within ten (10) days from receipt hereof.^[32]

Secretary Bello reasoned that under Article 189 of the Revised Penal Code, as amended, exact similarity of the competing products is not required. However, Justice Guingona's resolution incorrectly dwelt on the specific differences in the details of the products.^[33] Secretary Bello's own factual findings revealed:

x x x [I]t is not difficult to discern that respondent gave his products the general appearance as that of the product of the complainant. This was established by the respondent's use of the complainant's arcuate backpocket design trademark; the 105 mark which apparently is a spin-off of the 501 mark of the complainant; the patch which was clearly patterned after that of the complainant's two horse patch design trademark; the red tab on the right backpocket; the wordings which were crafted to look similar with the Levis trademark of the complainant; and even the packaging. In appropriating himself the general appearance of

the product of the complainant, the respondent clearly intended to deceive the buying public. Verily, any person who shall employ deception or any other means contrary to good faith by which he shall pass off the goods manufactured by him or in which he deals, or his business, or services for those of the one having established good will shall be guilty of unfair competition.

Respondent's registration of his trademark can not afford him any remedy. Unfair competition may still be prosecuted despite such registration.^[34] (Citation omitted)

Respondent then filed his own motion for reconsideration of the Bello resolution. On May 7, 1999, new DOJ Secretary Serafin Cuevas granted respondent's motion and ordered the dismissal of the charges against him.^[35]

CA Disposition

Dissatisfied with the DOJ rulings, petitioner sought recourse with the CA via a petition for review under Rule 43 of the 1997 Rules of Civil Procedure. On October 17, 2003, the appellate court affirmed the dismissal of the unfair competition complaint.

WHEREFORE, premises considered, the petition for review is DENIED and is accordingly DISMISSED for lack of merit.

SO ORDERED.^[36]

The CA pointed out that to determine the likelihood of confusion, mistake or deception, all relevant factors and circumstances should be taken into consideration, such as the circumstances under which the goods are sold, the class of purchasers, and the actual occurrence or absence of confusion.^[37]

Thus, the existence of some similarities between LIVE'S jeans and LEVI'S garments would not *ipso facto* equate to fraudulent intent on the part of respondent. The CA noted that respondent used affirmative and precautionary distinguishing features in his products for differentiation. The appellate court considered the spelling and pronunciation of the marks; the difference in the designs of the back pockets; the dissimilarity between the carton tickets; and the pricing and sale of petitioner's products in upscale exclusive specialty shops. The CA also disregarded the theory of post-sale confusion propounded by petitioner, relying instead on the view that the probability of deception must be determined at the point of sale.^[38]

Issues

Petitioner submits that the CA committed the following errors:

I.

THE COURT OF APPEALS GRAVELY ERRED IN RULING THAT ACTUAL CONFUSION IS NECESSARY TO SUSTAIN A CHARGE OF UNFAIR COMPETITION, AND THAT THERE MUST BE DIRECT EVIDENCE OR PROOF OF INTENT TO DECEIVE THE PUBLIC.

II.

THE COURT OF APPEALS GRAVELY ERRED IN RULING THAT RESPONDENT'S LIVE'S JEANS DO NOT UNFAIRLY COMPETE WITH LEVI'S ® JEANS AND/OR THAT THERE IS NO POSSIBILITY THAT THE FORMER WILL BE CONFUSED FOR THE LATTER, CONSIDERING THAT RESPONDENT'S LIVE'S JEANS BLATANTLY COPY OR COLORABLY IMITATE NO LESS THAN SIX (6) TRADEMARKS OF LEVI'S JEANS.

III.

THE COURT OF APPEALS GRAVELY ERRED IN DISREGARDING THE EVIDENCE ON RECORD, CONSISTING OF THE SCIENTIFICALLY CONDUCTED MARKET SURVEY AND THE AFFIDAVIT OF THE EXPERT WITNESS ON THE RESULTS THEREOF, WHICH SHOW THAT RESPONDENT'S LIVE'S JEANS ARE, IN FACT, BEING CONFUSED FOR LEVI'S JEANS.

IV.

THE COURT OF APPEALS GRAVELY ERRED IN RULING THAT THE ISSUE OF CONFUSION SHOULD ONLY BE DETERMINED AT THE POINT OF SALE.

V.

THE COURT OF APPEALS GRAVELY ERRED IN FAILING TO DIRECT THE SECRETARY OF JUSTICE TO CAUSE THE FILING OF THE APPROPRIATE INFORMATION IN COURT AGAINST THE RESPONDENT.^[39] (Underscoring supplied)

Our Ruling

In essence, petitioner asks this Court to determine if probable cause exists to charge respondent with the crime of unfair competition under Article 189(1) of the Revised Penal Code, prior to its repeal by Section 239 of RA No. 8293.

However, that is a factual issue^[40] the resolution of which is improper in a Rule 45 petition.^[41] The only legal issue left for the Court to determine is whether the issue of confusion should be determined only at the point of sale.

Nonetheless, there is sufficient reason for this Court to dismiss this petition merely by looking at the procedural avenue petitioner used to have the DOJ resolutions reviewed by the CA.

Petitioner filed with the CA a petition for review under Rule 43 of the 1997 Rules of Civil Procedure.^[42] Rule 43 governs all appeals from [the Court of Tax Appeals and] quasi-judicial bodies to the CA. Its Section 1 provides:

Section 1. *Scope.* - This Rule shall apply to appeals from [judgments or final orders of the Court of Tax Appeals and from] awards, judgments, final orders or resolutions of or authorized by any quasi-judicial agency in