

FIRST DIVISION

[G.R. NO. 132993, June 29, 2005]

LEVI STRAUSS (PHILS.), INC., PETITIONER, VS. VOGUE TRADERS CLOTHING COMPANY, RESPONDENT.

DECISION

AZCUNA, J.:

This is a petition for review on *certiorari* seeking to annul the decision^[1] of the Court of Appeals, dated August 13, 1997, which annulled and set aside the orders, ^[2] dated December 10, 1996 and April 11, 1997, issued by the Regional Trial Court of Manila, Branch 1 and which directed the trial court to desist from proceeding with the said case until the Bureau of Patents, Trademarks and Technology Transfer (BPTTT) has finally resolved Inter Partes Cases Nos. 4216 and 4217, and the resolution of the Court of Appeals, dated March 5, 1998, denying petitioner's motion for reconsideration.

The factual antecedents are as follows:

In 1972, per "Trademark, Technical Data, and Technical Assistance Agreement,"^[3] Levi Strauss & Co., the principal based in Delaware, United States of America, granted petitioner Levi Strauss (Phils.) a non-exclusive license to use LEVI'S trademark, design, and name in the manufacturing, marketing, distribution, and sale of its clothing and other goods.^[4] The licensing agreement was renewed several times, the recent one being under Certificate of Registration No. 1379-A.^[5] Levi Strauss & Co. obtained certificates of registration from the BPTTT for the following trademarks: "LEVI'S"^[6]; "501"^[7]; "Two Horse Design"^[8]; "Two Horse Label"^[9]; "Two Horse Patch"^[10]; "Two Horse Label with Patterned Arcuate Design"^[11]; "Arcuate Design"^[12]; and the composite trademarks,^[13] namely, "Arcuate," "Tab," and "Two Horse Patch."

Petitioner discovered the existence of some trademark registrations belonging to respondent which, in its view, were confusingly similar to its trademarks. Thus, it instituted two cases before the BPTTT for the cancellation of respondent's trademark registrations, to wit: Inter Partes Case No. 4216, a petition for cancellation of Certificate of Registration No. 53918 (for "LIVE'S") and Inter Partes Case No. 4217, a petition for cancellation of Certificate of Registration No. 8868 (for "LIVE'S" Label Mark).

Petitioner then applied for the issuance of a search warrant on the premises of respondent Vogue Traders Clothing Company, owned by one Tony Lim, with the Regional Trial Court of Manila, Branch 3. On December 12, 1995, said trial court issued Search Warrant No. 95-757^[14] and Search Warrant No. 95-758^[15] based on its finding of probable cause that the respondent had violated Article 189 of the

Revised Penal Code^[16] in manufacturing, selling, and incorporating designs or marks in its jeans which were confusingly similar to petitioner's "LEVI'S jeans." These search warrants commanded the seizure of certain goods bearing copies or imitations of the trademarks which belonged to petitioner.^[17] On December 13, 1995, the search warrants were enforced and several goods belonging to respondent were seized.^[18] Meanwhile, it appears that criminal charges were filed against Tony Lim of respondent company in the Department of Justice,^[19] but the same were eventually dismissed and the search warrants were quashed.

Consequently, on February 1, 1996, respondent filed a complaint^[20] for damages in the Regional Trial Court of Manila, Branch 50, against petitioner. The complaint alleged that since January 1, 1988, respondent, through Antonio Sevilla, with business address at 1082 Carmen Planas Street, Tondo, Manila, had been a lawful assignee and authorized user of: (a) the trademark "LIVE'S" under Certificate of Registration No. 53918 issued by the BPTTT, (b) the trademark "LIVE'S LABEL MARK" under Certificate of Registration No. SR 8868 issued by the BPTTT, and (c) the copyright registrations of "LIVE'S ORIGINAL JEANS," its pocket design, and hand tag; that the goods, articles, and effects seized from respondent's establishment were manufactured and used in its legitimate business of manufacturing and selling of the duly registered trademark "LIVE'S" and "LIVE'S ORIGINAL JEANS;" and that the trademarks of respondent did not have any deceptive resemblance with the trademarks of petitioner. Respondent sought to recover the seized assorted sewing materials, equipment, and finished products or the value thereof, in case the same had been destroyed or impaired as a result of the seizure. Respondent also prayed that, after due trial, judgment be rendered ordering the petitioner to pay compensatory damages of P320,000 with an additional amount of damages of P11,000 per day until the seized properties are restored; P2,000,000 as exemplary damages; P100,000 for attorney's fees with an additional amount of P100,000 in the event of an appeal plus P1,500 per court appearance and the costs of the suit.

In its amended answer with counterclaim,^[21] petitioner countered that respondent's LIVE'S brand infringed upon its licensed brand name LEVI'S. It sought to cancel respondent's Copyright Registration No. I-3838 and enjoin the respondent from further manufacturing, selling, offering for sale, and advertising the denim jeans or slacks by using a design substantially, if not exactly similar to, or a colorable imitation of the trademarks^[22] of petitioner.

Upon manifestation/motion^[23] by petitioner, the RTC of Manila, Branch 50 issued an order dated May 9, 1996,^[24] forwarding the case to the Executive Judge (RTC of Manila, Branch 23) for re-affle among the courts designated as Special Courts to try and decide cases involving violations of Intellectual Property Rights pursuant to Administrative Order No. 113-95, dated October 2, 1995. On May 17, 1996, Branch 23 issued an order^[25] directing that the case be forwarded to Branch 1 (a designated Special Court per said administrative order) for further proceedings.

On the scheduled hearing on December 4, 1996 in the RTC of Manila, Branch 1, respondent (as therein plaintiff) failed to appear. Upon motion of petitioner, the trial court declared respondent to have waived its right to present evidence to controvert petitioner's application for a writ of preliminary injunction.^[26]

In an order dated December 10, 1996, the trial court found that the respondent intended to appropriate, copy, and slavishly imitate the genuine appearance of authentic LEVI'S jeans and pass off its LIVE'S jeans as genuine LEVI'S jeans. Thus,

In opposing defendant's application for preliminary injunction, plaintiff alleges that it has obtained Certificates of Registration for the trademarks "LIVE[S]," "LIVE[S] LABEL MARK," "[LIVE[S] ORIGINAL JEANS]" as well as the patch pocket design and hand tag. It did not, however, present any evidence to support the same.

In any event, plaintiff's backpocket design is not copyrightable, as it is neither an original work nor a novel design. Rather it is a copy or slavish imitation of LS & Co./LSPI's Arcuate trademark which was first used by LS & Co. worldwide in 1873 and the Philippines Registration of which is based on LS & Co.'s US Certificate of Registration No. 404243, issued on November 16, 1943. Thus, no rights attendant to a copyright can ever attach to plaintiff's infringing backpocket design.

Also, it could not have been pure chance or coincidence that plaintiff's LIVE'S jeans use a trademark, symbol or design which is substantially, if not exactly similar to, or a colorable imitation of LS & CO./LSPI trademarks, since there is a practically limitless array of other marks, words, numbers, devices, symbols and designs which plaintiff could have used on its products to identify and distinguish them from those of defendant and other manufacturers. All told, from the mass of evidence adduced, plaintiff's intent to appropriate, copy, and slavishly imitate the genuine appearance of authentic LEVI'S jeans and pass off its LIVE'S jeans as genuine LEVI'S jeans in much too stark.

As above-discussed, through more than a century's use and continuous substantial promotions and advertising of the LEVI'S TRADEMARKS on its products — on jeans and trousers in particular — LS & Co. has cultivated, gained and established an invaluable goodwill in its name "LEVI'S STRAUSS & COMPANY" and in the products which carry such name and the LEVI'S TRADEMARKS. Hence, unless plaintiff is immediately enjoined from further manufacturing, selling, offering for sale and advertising denims, jeans or slacks using a design substantially, if not exactly similar to, or a colorable imitation of the LS & Co./LSPI trademarks, it will continue to have a free ride on, and erode such invaluable goodwill and reputation by the mere effortless expedient of imitating the overall visual impression of genuine LEVI'S JEANS on its own designs, employing minute points of distinction sufficient to muddle the overall conclusion which is actually generated, but do not dispel the similitude between the trademarks. Well has been said that the most successful form of copying is to employ enough points of similarity to confuse the public with enough points of difference to confuse the court. [(Del Monte Corporation vs. Court of Appeals, 181 SCRA 418)].

There is no question that the above-discussed circumstances call for the intervention of equity to prevent further irreparable harm to defendant's goodwill and reputation. In consonance with Section 3 (a), (b) and (c), Rule 58 of the Rules, defendant is thus entitled to the ancillary relief

demanded either for a limited period or perpetually.

Corollarily, defendant is hereby directed to execute a bond to the party enjoined to the effect that defendant will pay to plaintiff all damages it may sustain by reason of the injunction if the court should finally decide that defendant is not entitled thereto.

WHEREFORE, upon the filing of a bond in the sum of FIVE HUNDRED THOUSAND PESOS (P500,000.00), let a writ of preliminary injunction issue restraining plaintiff, its officers, employees, agents, representatives, dealers, retailers or assigns from manufacturing, distributing, selling, offering for sale, advertising or otherwise using denims or jeans with a design which is substantially, if not exactly similar to defendant's trademarks.

Meanwhile, the hearing on the main cause of action is hereby set on February 5 and 12, 1997, both at 9:00 a.m.

SO ORDERED. [27]

On motion for reconsideration, respondent prayed that the petitioner's counterclaim be dismissed and that the order dated December 10, 1996, be set aside. In an order dated April 11, 1997, the trial court denied the motion, stating that:

Considering:

(1) That the defendant's application for injunctive relief was properly directed against the real property in interest, the self-proclaimed lawful assignee and authorized user of the subject trademarks, hence, the party who would be benefited or injured by this court's final decision on the application;

(2) That the acts which plaintiff was enjoined from doing are within the scope of the reliefs demanded by defendant;

(3) That the institution of defendant's counterclaim for infringement and damages does not amount to forum-shopping in that the elements of *litis pendentia* which form the basis for a charge for forum-shopping are not all present in the instant case;

(4) That the injunctive order sought to be reconsidered, by its very nature, is merely provisional and does not dispose of the case on the merits. Hence, it would not amount to a prejudgment considering that the defendant still has the burden of proving during trial on the merits that it is entitled to protection and that confusion does, in fact, or likely to exist, and, on the other hand, plaintiff would have its opportunity to prove that confusion does not exist or is not likely to happen; and

(5) That the evidence on record justifies the injunctive relief granted by this court in favor of defendant.

WHEREFORE, in view of all the foregoing, plaintiff's motion for

reconsideration and supplemental motion for reconsideration are DENIED for lack of merit.

SO ORDERED. [28]

Respondent took the matter to the Court of Appeals. On August 13, 1997, the Court of Appeals rendered a decision in favor of the respondent, enjoining the trial court from further proceeding with the case. The dispositive portion thereof reads:

WHEREFORE, the petition is **GRANTED**. The assailed Orders dated December 10, 1996 and April 11, 1997 are annulled and set aside for having been issued with grave abuse of discretion and in excess of jurisdiction. Respondent court is ordered to desist from proceeding with Civil Case No. 96-76944, entitled "Vogue Traders Clothing Company, Plaintiff, versus Levi Strauss (Phil.), Inc., Defendant.", until the Bureau of Patents, Trademarks and Technology Transfer has finally resolved Inter Partes Cases Nos. 4216 and 4217.

No costs.

SO ORDERED. [29]

After its motion for reconsideration was denied, petitioner filed the present petition for review on *certiorari*, raising the following assignment of errors:

I

THE COURT OF APPEALS COMMITTED CLEARLY REVERSIBLE ERROR IN HOLDING THAT THE DOCTRINE OF PRIMARY JURISDICTION OPERATES TO SUSPEND ANY AND ALL PROCEEDINGS IN CIVIL CASE NO. 96-76944, PARTICULARLY THE ABILITY OF THE TRIAL COURT TO ISSUE PRELIMINARY INJUNCTIVE RELIEF, AND THAT THE TRIAL COURT JUDGE THEREFORE COMMITTED ABUSE OF DISCRETION IN GRANTING SUCH RELIEF.

II

THE COURT OF APPEALS ERRED IN FAILING TO HOLD THAT THE CERTIFICATION AGAINST FORUM-SHOPPING ATTACHED BY RESPONDENT TO ITS PETITION FOR *CERTIORARI* AND PROHIBITION IS FATALLY DEFECTIVE.

III

THE COURT OF APPEALS ERRED IN HOLDING THAT THE TRIAL COURT JUDGE COMMITTED GRAVE ABUSE OF DISCRETION IN DECLARING RESPONDENT TO HAVE WAIVED ITS RIGHT TO ADDUCE EVIDENCE TO COUNTER PETITIONER'S EVIDENCE IN SUPPORT OF ITS APPLICATION FOR PRELIMINARY INJUNCTIVE RELIEF.

IV

THE COURT OF APPEALS ERRED IN HOLDING THAT THE PRELIMINARY