

FIRST DIVISION

[G.R. No. 139983, March 26, 2008]

**MANUEL P. SAMSON, PETITIONER, VS. COURT OF APPEALS AND
WILFRO LUMINLUN, RESPONDENTS.**

D E C I S I O N

CARPIO, J.:

The Case

This is a petition for review of the Decision^[1] dated 6 September 1999 of the Court of Appeals in CA-G.R. CV No. 31904 reversing the Decision^[2] dated 15 May 1990 and the Order dated 7 December 1990 of the Regional Trial Court, Branch 160, Pasig City in Civil Case No. 58052.

The Antecedent Facts

On 26 February 1982, petitioner Manuel P. Samson (Samson) applied for the registration of the "OTTO" trademark with the Philippine Patent Office on belts, bags, t-shirts, blouses, briefs, pants, jackets, jeans, and bra. On 21 January 1983, respondent Wilfro Luminlun (Luminlun) likewise filed for the registration of the "OTTO" trademark on jeans, sportswear, skirts, and socks.

On 29 December 1983, Samson executed the following document ^[3] granting Luminlun the authority to use the "OTTO" trademark for jeans only:

AUTHORITY TO USE TRADEMARK

KNOW ALL MEN BY THESE PRESENTS:

I, MANUEL P. SAMSON, Filipino, of legal age and a resident of Doña Betang Subdivision, Santolan, Metro Manila, am the registered owner of the trademark OTTO for bags, shoes, sandals and slippers under Registration Certificate No. 29840 issued on September 29, 1981, and the applicant in Application hearing Serial No. 47626 for the same trademark OTTO filed on February 26, 1982 for belts, bags, t-shirts, blouses, briefs, pants, jackets, jeans and bras, which application was duly approved for publication in the Official Gazette last November 18, 1982;

That for valuable consideration, I hereby grant unto WILFRO P. LUMINLUN, Filipino, of legal age and with business address at No. 959 Soler Street, Binondo, Manila, a non-transferable, non-assignable, non-exclusive right and license to use said trademark OTTO for jeans only. This authority shall remain valid and existing for as long as I remain the

owner of the trademark OTTO unless said WILFRO P. LUMINLUN should do or cause to be done any act which in any way prejudice or discredit the trademark OTTO not only in connection with its use for jeans but as well as for other products enumerated in my registration certificates/application documents.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 29th day of December, 1983.

SGD. MANUEL P. SAMSON

On 19 March 1984, the Philippine Patent Office issued to Samson a Certificate of Registration for the mark "OTTO" in the principal register for use on belts, bags, t-shirts, blouses, briefs, pants, jackets, jeans, and bra.

In a letter^[4] dated 29 March 1989, Samson, through counsel, informed Luminlun that he was revoking the latter's authority to use the trademark "OTTO." Samson advised Luminlun to "cease and desist from further manufacturing and distributing OTTO jeans" otherwise he would confiscate jeans using the unauthorized "OTTO" trademark. Samson likewise demanded the payment of royalties, thus:

Dear Mr. Luminlun:

On behalf of my client, Mr. Manuel P. Samson, this is to demand that you CEASE and DESIST from further manufacturing and distributing OTTO jeans effective as of receipt of this notice considering that my aforesaid client had already revoked the authority granted to you for the use of the trademark `OTTO' in jeans. A copy of the Revocation of Authority To Use Trademark filed in the Patent Office on March 21, 1989 is attached.

Further, you have to account for the sale of OTTO jeans beginning January 1984 up to March 1989 as we will get a percentage thereof for the royalty due to my client of not less than P5,000,000.00 for your use of said trademark for more than five (5) years.

Kindly give us the name and address of your sales outlet in order that they maybe properly appraised (sic) of this development.

Should you fail to heed this advice, we will be constrained to file an action for damages and we will pray for issuance of injunction against you and for the confiscation and removal of jeans with the use of an unauthorized trademark `OTTO'.

I trust for your compliance within five (5) days from receipt hereof to obviate being embroiled in a costly and cumbersome litigation.

Very truly yours,

SGD. NELSON Y. NG

Samson also filed with the Philippine Patent Office a Revocation of Authority to Use Trademark.^[5]

As a result, Luminlun filed a complaint before the Regional Trial Court, Pasig City questioning the validity of Samson's revocation of his authority to use the "OTTO" trademark. Luminlun likewise prayed that he be compensated for the loss of sales he suffered since the sales outlets refused to accept his deliveries for fear that the goods would be confiscated and removed from their stores.

On 10 April 1989, the trial court issued an Order restraining Samson from "proceeding and carrying out the confiscation and the removal of jeans with trademark 'OTTO' pending hearing on the petition for preliminary injunction." On 19 April 1989, Samson filed an "Opposition to Motion for Issuance of preliminary injunction and/or Motion to Lift Restraining Order."

After presentation of evidence and submission of memoranda by both parties, on 28 April 1989, the trial court issued an Order granting Luminlun's prayer for preliminary injunction.

On 9 May 1989, Samson filed his Answer. Samson raised, among others, the defenses that: (1) Luminlun failed to pay royalties for the use of the trademark; and (2) Luminlun violated the terms and conditions of the Authority to Use Trademark when he used the "OTTO" trademark for other products.

The Ruling of the Trial Court

In its Decision dated 15 May 1990, the trial court dismissed Luminlun's complaint. The dispositive portion of the decision reads:

WHEREFORE, foregoing considered, the complaint is ordered DISMISSED.
With costs against plaintiff.

The writ of preliminary injunction earlier issued by the Court is set aside and recalled.

On the counterclaim, plaintiff is ordered to pay defendant attorney's fees of P25,000.00.

SO ORDERED.^[6]

The trial court ruled that Samson was justified in revoking the authority of Luminlun to use the trademark. The trial court found that Luminlun's acts of manufacturing and selling products bearing the trademark "OTTO LTD." like skirts, shorts, pants, jeans, as well as products with the trademark "OTTO" like belts, buttons, and bags, clearly violated the authority granted by Samson to use the "OTTO" trademark for jeans only. The trial court, however, ruled that Samson failed to prove that he was entitled to royalties.

Upon motion for reconsideration of both parties, the trial court in an Order dated 7 December 1990^[7] affirmed its decision with the modification of an award of moral damages of P20,000 in favor of Samson.

The Ruling of the Court of Appeals

On appeal, the Court of Appeals reversed the ruling of the trial court. The appellate court found that Samson revoked the authority on the sole ground that Luminlun failed to pay royalties. According to the appellate court, Samson could not validly revoke the authority based on this ground since he failed to prove that royalties were due him. The appellate court further ruled that Luminlun suffered losses as a result of the revocation and thus awarded damages. The dispositive portion of the Court of Appeals' decision reads:

WHEREFORE, judgment is hereby rendered setting aside the decision appealed from and a new one issue making the injunction permanent and ordering appellee to pay appellant the following sums of money:

- a) actual and compensatory damages in the amount of P2,257,872.20.
- b) attorney's fees in the amount of P50,000.00.

Costs against appellee.

SO ORDERED.^[8]

The Issues

Thus, in this petition, Samson raises the following assignment of errors:^[9]

- (a) The Court of Appeals erred in concluding that the revocation of the Authority to Use Trademark made by Samson was unjustified;
- (b) The Court of Appeals erred in awarding actual or compensatory damages of P2,257,872.20 in spite of the total absence of evidence to show that Luminlun sustained such damages as a consequence of the revocation of the Authority to Use Trademark;
- (c) The Court of Appeals erred in awarding attorney's fees of P50,000 in spite of the absence of any legal ground for such award; and
- d) The Court of Appeals erred in not sustaining the trial court's award of moral damages and attorney's fees in favor of Samson.

The Court's Ruling

The resolution of this case hinges on whether Samson was justified in revoking Luminlun's authority to use the "OTTO" trademark.

We rule in the affirmative.

In finding for respondent Luminlun, the appellate court rationalized: