

## FIRST DIVISION

[ G.R. NO. 164605, October 27, 2006 ]

**CATERPILLAR, INC., PETITIONER, VS. MANOLO P. SAMSON,  
RESPONDENT.**

### DECISION

**CHICO-NAZARIO, J.:**

This is a Petition For Review on *Certiorari* under Rule 45 of the 1997 Rules of Court, as amended, seeking to set aside the Decision<sup>[1]</sup> of the Court of Appeals dated 25 May 2004. The Court of Appeals in its assailed Decision upheld the Order<sup>[2]</sup> of the Regional Trial Court (RTC) of Mandaluyong City, Branch 214, dated 16 May 2003, in Search Warrant Cases Nos. 02-044 to 02-048 directing the immediate release of the articles seized pursuant to the search warrants issued therein; and the Order<sup>[3]</sup> dated 10 November 2003 denying the motion for reconsideration thereof.

Petitioner Caterpillar, Inc. is a foreign corporation engaged in the business of manufacturing shoes, clothing items, among others. Upon the request of petitioner, the Regional Intelligence Investigation Division-National Capital Region Police Office (RIID- NCRPO) filed on 22 August 2002 search warrant applications against respondent Manolo P. Samson for violations of unfair competition, provided under Section 168.3(a) in relation to Sections 131.3, 123(e) and 170 of Republic Act No. 8293, otherwise known as the Intellectual Property Code.<sup>[4]</sup> On the same day, the trial court issued five search warrants (Search Warrants Nos. 02-044 to 02-048) against respondent and his business establishments, namely: Itti Shoes Corporation, Kolm's Manufacturing, and Caterpillar Boutique and General Merchandise. Pursuant to the aforementioned search warrants, various merchandise-- garments, footwear, bags, wallets, deodorant sprays, shoe cleaners and accessories-- all bearing the trademarks "CAT," "CAT AND DESIGN," "CATERPILLAR," "CATERPILLAR AND DESIGN," "WALKING MACHINES" and/or "Track-type Tractor and Design" were seized on 27 August 2002.<sup>[5]</sup>

On 21 October 2002, respondent filed a Consolidated Motion to Quash Search Warrants Nos. 02-044 to 02-048. Pending the resolution thereof, RIID-NCRPO filed five complaints against the respondent and his affiliate entities before the Department of Justice (DOJ). On 16 May 2003, the trial court issued an order denying the respondent's motion to quash, but nevertheless directed the release of the articles seized on the ground that no criminal action had been commenced against respondent.<sup>[6]</sup> The dispositive portion of the said Order<sup>[7]</sup> is quoted hereunder:

WHEREFORE, all the foregoing considered, the consolidated motions (sic) to quash Search Warrants (SW-02-044 to SW-02-048) is DENIED. However, since no criminal action has been commenced yet, private

complainant is directed to immediately return to respondent the seized items, as (sic) per inventory submitted to this court, and now kept at the Nissan Gallery, 138 Quezon Avenue, Quezon City with the undertaking from the latter that said seized items be produced when required by the court.

The Motion for Partial Reconsideration filed by the petitioner on 30 May 2003 was denied by the trial court in an Order dated 10 November 2003.<sup>[8]</sup>

The petitioner filed an appeal *via certiorari* under Rule 65 of the 1997 Rules of Court. In a Decision dated 25 May 2004, the Court of Appeals denied the Petition for lack of merit ruling that there was no arbitrariness in the way the trial court exercised its discretionary power to release the items seized in the absence of a criminal action filed in court. The Court of Appeals also noted that the criminal complaints filed before the DOJ that underwent preliminary investigation were all dismissed by the investigating prosecutor. It further reasoned that even if the DOJ's order of dismissal is overturned, the respondent executed an undertaking to produce the said items in court, if so ordered. Moreover, the respondent never denied the existence of the items and raised as his defense his right as a prior registrant.<sup>[9]</sup>

Hence, this petition, where petitioner raised the following issues:

I.

THE COURT OF APPEALS COMMITTED SERIOUS REVERSIBLE ERROR IN UPHOLDING THE IMMEDIATE RETURN OF THE SEIZED ITEMS ON THE GROUND THAT NO CRIMINAL ACTION HAD BEEN FILED IN COURT AGAINST THE PRIVATE RESPONDENT.

II.

THE COURT OF APPEALS SERIOUSLY ERRED IN RULING THAT THE SUBSEQUENT DISMISSAL BY THE INVESTIGATING STATE PROSECUTOR OF THE CRIMINAL COMPLAINTS AGAINST RESPONDENT JUSTIFIES THE RETURN OF THE SEIZED ITEMS.<sup>[10]</sup>

This petition must be denied.

Pending the disposition of this case, the Chief State Prosecutor, in a Joint Resolution<sup>[11]</sup> dated 18 June 2004, denied the motion for reconsideration filed by the petitioner seeking to set aside the Joint Resolution issued by the State Prosecutor<sup>[12]</sup> dated 21 August 2003, dismissing the complaints filed against the respondent. The respondent alleged this in his Comment dated 30 September 2004<sup>[13]</sup> and again in his Memorandum, filed on 4 May 2005.<sup>[14]</sup> The records, however, show that the petitioner failed to allege that it filed a petition for review before the Secretary of Justice to appeal the aforementioned Joint Resolution, in accordance with the 2000 National Prosecution Service Rules on Appeal. Thus, it may be reasonably concluded that the Joint Resolution of the DOJ has become final, and no criminal case will be filed in connection with the five search warrants that were issued by the trial court. Furthermore, no civil case was filed in connection

with the articles seized. Since there is no pending criminal and civil case in connection with the articles seized, the return of the said articles to the respondent are, but, a matter of course.

Notwithstanding that the Joint Resolution, dated 18 June 2004, had rendered moot the issues raised by the petitioner before this Court, the issue of whether the trial court acted arbitrarily when it denied the motion to quash the Warrants of Search and Seizure and yet released the articles seized, would still need to be resolved. The petitioner asserts that the seized articles can only be returned when a criminal case can no longer possibly materialize since the seized articles are crucial to the eventual prosecution of the respondent.<sup>[15]</sup>

The petitioner's assertion is incongruent with the peculiar circumstances of this case. The articles seized - the thousands of articles of clothing, footwear, and accessories, among others - had little, if any, evidentiary value for the criminal action for unfair competition, which the petitioner expected to file.

An action for unfair competition is based on the proposition that no dealer in merchandise should be allowed to dress his goods in simulation of the goods of another dealer, so that purchasers desiring to buy the goods of the latter would be induced to buy the goods of the former.<sup>[16]</sup> The most usual devices employed in committing this crime are the simulation of labels and the reproduction of form, color and general appearance of the package used by the pioneer manufacturer or dealer.<sup>[17]</sup>

In this case, the petitioner specifically identified the device employed by the respondent in deceiving the public into believing the goods that the latter sells are those manufactured by the former - the imitation of the trademarks allegedly owned by the petitioner, namely, "CAT," "CATERPILLAR," "CATERPILLAR AND DESIGN," "WALKING MACHINES" and/or "Track-type Tractor and Design" and the depictions of heavy machinery and equipment, which the petitioner uses to market its products, as well as the statements "LICENSED MERCHANDISE CATERPILLAR, INC." and "WE SHAPE THE THINGS WE BUILD, THEREAFTER THEY SHAPE US" found on the articles themselves or on their packaging.

The respondent does not dispute the use of such trademarks and admitted that he owned the articles seized. He even raises the defense that he is the registered owner of the aforementioned trademarks, and that he had prior use of such trademarks for his line of products in the Philippines, which he extensively marketed. He also claims that, even at present, petitioner markets its products only in some Duty Free shops, therefore has not established any goodwill in the Philippines that will enable the consumers to confuse the respondent's products with those of the petitioner's.<sup>[18]</sup>

The admissions of the respondent are sufficient to establish that he used such trademarks in order to sell merchandise at a commercial scale, and that the actual products manufactured by the respondent need not be presented to prove such fact. In addition, the Court of Appeals correctly notes in its assailed Decision<sup>[19]</sup> that: