



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

CENTURY CHINESE
MEDICINE CO., MING SENG
CHINESE DRUGSTORE,
XIANG JIAN CHINESE DRUG
STORE, TEK SAN CHINESE
DRUG STORE, SIM SIM
CHINESE DRUG STORE, BAN
SHONG TAY CHINESE DRUG
STORE and/or WILCENDO
TAN MENDEZ, SHUANG YING
CHINESE DRUGSTORE, and
BACLARAN CHINESE DRUG
STORE,

Petitioners,

G.R. No. 188526

Present:

VELASCO, JR., J., Chairperson,
PERALTA,
ABAD,
MENDOZA, and
LEONEN, JJ.

- versus -

PEOPLE OF THE PHILIPPINES
and LING NA LAU,

Respondents.

Promulgated:

November 11, 2013

X-----X

DECISION

PERALTA, J.:

Before us is a petition for review on *certiorari* which seeks to reverse and set aside the Decision¹ dated March 31, 2009 of the Court of Appeals in CA-G.R. CV No. 88952 and the Resolution² dated July 2, 2009, which denied reconsideration thereof. The CA reversed the Order³ dated

¹ Penned by Associate Justice Isaias Dicedan, with Associate Justices Bienvenido L. Reyes (now a member of this Court) and Marlene Gonzales-Sison, concurring; *rollo*, pp. 46-62.

² *Id.* at 9-14.

³ Per Judge Zenaida T. Galapate-Laguilles; *rollo*, pp. 66-71.

September 25, 2006 of the Regional Trial Court (RTC), Branch 143, Makati City, quashing Search Warrants Nos. 05-030, 05-033, 05-038, 05-022, 05-023, 05-025, 05-042 and 05-043, and the Order⁴ dated March 7, 2007 denying reconsideration thereof.

The antecedent facts are as follows:

Respondent Ling Na Lau, doing business under the name and style Worldwide Pharmacy,⁵ is the sole distributor and registered trademark owner of TOP GEL T.G. & DEVICE OF A LEAF papaya whitening soap as shown by Certificate of Registration 4-2000-009881 issued to her by the Intellectual Property Office (IPO) for a period of ten years from August 24, 2003.⁶ On November 7, 2005, her representative, Ping Na Lau, (Ping) wrote a letter⁷ addressed to National Bureau of Investigation (NBI) Director Reynaldo Wycoco, through Atty. Jose Justo Yap and Agent Joseph G. Furing (Agent Furing), requesting assistance for an investigation on several drugstores which were selling counterfeit whitening papaya soaps bearing the general appearance of their products.

Agent Furing was assigned to the case and he executed an affidavit⁸ stating that: he conducted his own investigation, and on November 9 and 10, 2005, he, together with Junayd Esmael (Esmael), were able to buy whitening soaps bearing the trademark "TOP-GEL", "T.G." & "DEVICE OF A LEAF" with corresponding receipts from a list of drugstores which included herein petitioners Century Chinese Medicine Co., Min Seng Chinese Drugstore, Xiang Jiang Chinese Drug Store, Tek San Chinese Drug Store, Sim Sim Chinese Drug Store, Ban Shiong Tay Drugstore, Shuang Ying Chinese Drugstore, and Baclaran Chinese Drug Store; while conducting the investigation and test buys, he was able to confirm Ping's complaint to be true as he personally saw commercial quantities of whitening soap bearing the said trademarks being displayed and offered for sale at the said drugstores; he and Esmael took the purchased items to the NBI, and Ping, as the authorized representative and expert of Worldwide Pharmacy in determining counterfeit and unauthorized reproductions of its products, personally examined the purchased samples, and issued a Certification⁹ dated November 18, 2005 wherein he confirmed that, indeed, the whitening soaps bearing the trademarks "TOP-GEL", "T.G." & "DEVICE OF A LEAF" from the subject drugstores were counterfeit.

⁴ Records, Vol. III, pp. 732-736.

⁵ Records, Vol. II, p. 275.

⁶ Records, Vol. I, pp. 97-98.

⁷ *Id.* at 75.

⁸ *Id.* at 73-74.

⁹ Records, Vol. I, pp. 83-84.

Esmael also executed an affidavit¹⁰ corroborating Agent Furing's statement. Ping's affidavit¹¹ stated that upon his personal examination of the whitening soaps purchased from petitioners bearing the subject trademark, he found that the whitening soaps were different from the genuine quality of their original whitening soaps with the trademarks "TOP-GEL", "T.G." & "DEVICE OF A LEAF" and certified that they were all counterfeit.

On November 21, 2005, Agent Furing applied for the issuance of search warrants before the Regional Trial Court (RTC), Branch 143, Makati City, against petitioners and other establishments for violations of Sections 168 and 155, both in relation to Section 170 of Republic Act (RA) No. 8293, otherwise known as the *Intellectual Property Code of the Philippines*. Section 168, in relation to Section 170, penalizes unfair competition; while Section 155, in relation to Section 170, punishes trademark infringement.

On November 23, 2005, after conducting searching questions upon Agent Furing and his witnesses, the RTC granted the applications and issued Search Warrants Nos. 05-030, 05-033, and 05-038 for unfair competition and Search Warrants Nos. 05-022, 05-023, 05-025, 05-042 and 05-043 for trademark infringement against petitioners.

On December 5, 2005, Agent Furing filed his Consolidated Return of Search Warrants.¹²

On December 8, 2005, petitioners collectively filed their Motion to Quash¹³ the Search Warrants contending that their issuances violated the rule against forum shopping; that Benjamin Yu (Yu) is the sole owner and distributor of the product known as "TOP-GEL"; and there was a prejudicial question posed in Civil Case No. 05-54747 entitled *Zenna Chemical Industry v. Ling Na Lau, et al.*, pending in Branch 93 of the RTC of Quezon City, which is a case filed by Yu against respondent for damages due to infringement of trademark/tradename, unfair competition with prayer for the immediate issuance of a temporary restraining order and/or preliminary prohibitory injunction.

On January 9, 2006, respondent filed her Comment/Opposition¹⁴ thereto arguing the non-existence of forum shopping; that Yu is not a party-respondent in these cases and the pendency of the civil case filed by him is immaterial and irrelevant; and that Yu cannot be considered the sole owner

¹⁰ *Id.* at 96.

¹¹ *Id.* at 88-89.

¹² *Id.* at 172-175.

¹³ Records, Vol. II, pp. 239-259.

¹⁴ *Id.* at 611-620.

and distributor of “TOP GEL T.G. & DEVICE OF A LEAF.” The motion was then submitted for resolution in an Order dated January 30, 2006.

During the pendency of the case, respondent, on April 20, 2006, filed a Submission¹⁵ in relation to the Motion to Quash attaching an Order¹⁶ dated March 21, 2006 of the IPO in IPV Case No. 10-2005-00001 filed by respondent against Yu, doing business under the name and style of MCA Manufacturing and Heidi S. Cua, proprietor of South Ocean Chinese Drug Stores for trademark infringement and/or unfair competition and damages with prayer for preliminary injunction. The Order approved therein the parties' Joint Motion To Approve Compromise Agreement filed on March 8, 2006. We quote in its entirety the Order as follows:

The Compromise Agreement between the herein complainant and respondents provides as follows:

1. Respondents acknowledge the exclusive right of Complainant over the trademark TOP GEL T.G. & DEVICE OF A LEAF for use on papaya whitening soap as registered under Registration No. 4-2000-009881 issued on August 24, 2003.

2. Respondents acknowledge the appointment by Zenna Chemical Industry Co., Ltd. of Complainant as the exclusive Philippine distributor of its products under the tradename and trademark TOP GEL MCA & MCA DEVICE (A SQUARE DEVICE CONSISTING OF A STYLIZED REPRESENTATION OF A LETTER “M” ISSUED ” OVER THE LETTER “CA”) as registered under Registration No. 4-1996-109957 issued on November 17, 2000, as well as the assignment by Zenna Chemical Industry Co., Ltd. to Complainant of said mark for use on papaya whitening soap.

3. Respondents admit having used the tradename and trademark aforesaid but after having realized that Complainant is the legitimate assignee of TOP GEL MCA & MCA DEVICE and the registered owner of TOP GEL T.G. & DEVICE OF A LEAF, now undertake to voluntarily cease and desist from using the aforesaid tradename and trademark and further undertake not to manufacture, sell, distribute, and otherwise compete with Complainant, now and at anytime in the future, any papaya whitening soap using or bearing a mark or name identical or confusingly similar to, or constituting a colorable imitation of, the tradename and trademark TOP GEL MCA & MCA DEVICE and/or TOP GEL T.G. & DEVICE OF A LEAF as registered and described above.

¹⁵ *Id.* at 624-628.

¹⁶ Per Bureau of Legal Affairs Director Estrellita Beltran- Abelardo; *id.* at 629-632.

4. Respondents further undertake to withdraw and/or dismiss their counterclaim and petition to cancel and/or revoke Registration No. 4-2000-009881 issued to Complainant. Respondents also further undertake to pull out within 45 days from approval of the Compromise Agreement all their products bearing a mark or name identical or confusingly similar to, or constituting a colorable imitation of, the tradename and trademark TOP GEL MCA & MCA DEVICE and/or TOP GEL T.G. & DEVICE OF A LEAF, from the market nationwide.

5. Respondents finally agree and undertake to pay Complainant liquidated damages in the amount of FIVE HUNDRED THOUSAND (Php500,000.00) PESOS for every breach or violation of any of the foregoing undertakings which complainant may enforce by securing a writ of execution from this Office, under this case.

6. Complainant, on the other hand, agrees to waive all her claim for damages against Respondents as alleged in her complaint filed in the Intellectual Property Office only.

7. The Parties hereby agree to submit this Compromise Agreement for Approval of this Office and pray for issuance of a decision on the basis thereof.

Finding the Compromise Agreement to have been duly executed and signed by the parties and/or their representatives/counsels and the terms and conditions thereof to be in conformity with the law, morals, good customs, public order and public policy, the same is hereby **APPROVED**. Accordingly, the above-entitled case is **DISMISSED** as all issues raised concerning herein parties have been rendered **MOOT AND ACADEMIC**.

SO ORDERED.¹⁷

On September 25, 2006, the RTC issued its Order¹⁸ sustaining the Motion to Quash the Search Warrants, the dispositive portion of which reads as follows:

WHEREFORE, finding that the issuance of the questioned search warrants were not supported by probable cause, the Motion to Quash is **GRANTED**. Search warrants nos. 05-030, 05-033, 05-038, 05-022, 05-023, 05-025, 05-042, 05-043 are ordered lifted and recalled.

The NBI Officers who effected the search warrants are hereby ordered to return the seized items to herein respondents within ten (10) days from receipt of this Order.

So Ordered.¹⁹

¹⁷ *Id.* at 631-632. (Emphasis in the original)

¹⁸ *Rollo*, pp. 66-71

¹⁹ *Id.* at 71.

In quashing the search warrants, the RTC applied the Rules on Search and Seizure for Civil Action in Infringement of Intellectual Property Rights.²⁰ It found the existence of a prejudicial question which was pending before Branch 93 of RTC Quezon City, docketed as Civil Case No. 05-54747, on the determination as to who between respondent and Yu is the rightful holder of the intellectual property right over the trademark TOP GEL T.G. & DEVICE OF A LEAF; and there was also a case for trademark infringement and/or unfair competition filed by respondent against Yu before the IPO which was pending at the time of the application for the search warrants. It is clear, therefore, that at the time of the filing of the application for the search warrants, there is yet no determination of the alleged right of respondent over the subject trademark/tradename. Also, the RTC found that petitioners relied heavily on Yu's representation that he is the sole owner/distributor of the Top Gel whitening soap, as the latter even presented Registration No. 4-1996-109957 from the IPO for a term of 20 years from November 17, 2000 covering the same product. There too was the notarized certification from Zenna Chemical Industry of Taiwan, owner of Top Gel MCA, with the caveat that the sale, production or representation of any imitated products under its trademark and tradename shall be dealt with appropriate legal action.

The RTC further said that in the determination of probable cause, the court must necessarily resolve whether or not an offense exists to justify the issuance of a search warrant or the quashal of the one already issued. In this case, respondent failed to prove the existence of probable cause, which warranted the quashal of the questioned search warrants.

On November 13, 2006, respondent filed an Urgent Motion to Hold in Abeyance the Release of Seized Evidence.²¹

Respondent filed a motion for reconsideration, which the RTC denied in its Order²² dated March 7, 2007.

²⁰ SECTION 6. *Grounds for the issuance of the order.* - Before the Order can be issued, the evidence proffered by the applicant and personally evaluated by the judge must show that:

- (a) he is the right holder or his duly authorized representative;
- (b) there is probable cause to believe that the applicant's right is being infringed or that such infringement is imminent and there is a *prima facie* case for final relief against the alleged infringing defendant or expected adverse party;
- (c) damage, potential or actual, likely to be caused to the applicant is irreparable;
- (d) there is demonstrable risk of evidence that the alleged infringing defendant or expected adverse party may destroy, hide or remove the documents or articles before any application *inter partes* can be made; and
- (e) the documents and articles to be seized constitute evidence of the alleged infringing defendant's or expected adverse party's infringing activity or that they infringe upon the intellectual property right of the applicant or that they are used or intended to be used as means of infringing the applicant's intellectual property right.

²¹ Records, Vol. III, pp. 639-644.

²² *Id.* at 733-737.

Respondent then filed her appeal with the CA. After respondent filed her appellant's brief and petitioners their appellee's brief, the case was submitted for decision.

On March 31, 2009, the CA rendered its assailed Decision, the dispositive portion of which reads:

WHEREFORE, in view of the foregoing premises, judgment is hereby rendered by us **GRANTING** the appeal filed in this case and **SETTING ASIDE** the Order dated March 7, 2007 issued by Branch 143 of the Regional Trial Court of the National Capital Judicial Region stationed in Makati City in the case involving Search Warrants Nos. 05-030, 05-033, 05-038, 05-022, 05-023, 05-025, 05-042, 05-043.²³

In reversing the RTC's quashal of the search warrants, the CA found that the search warrants were applied for and issued for violations of Sections 155 and 168, in relation to Section 170, of the Intellectual Property Code and that the applications for the search warrants were in anticipation of criminal actions which are to be instituted against petitioners; thus, Rule 126 of the Rules of Criminal Procedure was applicable. It also ruled that the basis for the applications for issuance of the search warrants on grounds of trademarks infringement and unfair competition was the trademark TOP GEL T.G. & DEVICE OF A LEAF; that respondent was the registered owner of the said trademark, which gave her the right to enforce and protect her intellectual property rights over it by seeking assistance from the NBI.

The CA did not agree with the RTC that there existed a prejudicial question, since Civil Case No. 05-54747 was already dismissed on June 10, 2005, *i.e.*, long before the search warrants subject of this appeal were applied for; and that Yu's motion for reconsideration was denied on September 15, 2005 with no appeal having been filed thereon as evidenced by the Certificate of Finality issued by the said court.

Petitioners' motion for reconsideration was denied by the CA in a Resolution dated July 2, 2009.

Hence, this petition filed by petitioners raising the issue that:

(A) THE COURT OF APPEALS ERRED AND GRAVELY ABUSED ITS DISCRETION IN REVERSING THE FINDINGS OF THE REGIONAL TRIAL COURT AND HELD THAT THE LATTER APPLIED THE RULES ON SEARCH AND SEIZURE IN CIVIL

²³

Rollo, p. 62. (Emphasis in the original)

ACTIONS FOR INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS.²⁴

(B) THE COURT OF APPEALS ERRED AND GRAVELY ABUSED ITS DISCRETION WHEN IT BASED ITS RULING ON THE ARGUMENT WHICH WAS BROUGHT UP FOR THE FIRST TIME IN RESPONDENT LING NA LAU'S APPELLANT'S BRIEF.²⁵

Petitioners contend that the products seized from their respective stores cannot be the subject of the search warrants and seizure as those Top Gel products are not fruits of any crime, infringed product nor intended to be used in any crime; that they are legitimate distributors who are authorized to sell the same, since those genuine top gel products bore the original trademark/tradename of TOP GEL MCA, owned and distributed by Yu. Petitioners also claim that despite the RTC's order to release the seized TOP GEL products, not one had been returned; that one or two samples from each petitioner's drugstore would have sufficed in case there is a need to present them in a criminal prosecution, and that confiscation of thousands of these products was an overkill.

Petitioners also argue that the issue that the RTC erred in applying the rules on search and seizure in anticipation of a civil action was never raised in the RTC.

The issue for resolution is whether or not the CA erred in reversing the RTC's quashal of the assailed search warrants.

We find no merit in the petition.

The applications for the issuance of the assailed search warrants were for violations of Sections 155 and 168, both in relation to Section 170 of Republic Act (RA) No. 8293, otherwise known as the *Intellectual Property Code of the Philippines*. Section 155, in relation to Section 170, punishes trademark infringement; while Section 168, in relation to Section 170, penalizes unfair competition, to wit:

Sec 155. *Remedies; Infringement.* – Any person who shall, without the consent of the owner of the registered mark:

155.1 Use in commerce any reproduction, counterfeit, copy or colorable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps

²⁴ *Id.* at 32.

²⁵ *Id.* at 39.

necessary to carry out the sale of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

While

Sec. 168. *Unfair Competition, Rights, Regulation and Remedies.* -

x x x x

168.3. In particular, and without in any way limiting the scope of protection against unfair competition, the following shall be deemed guilty of unfair competition:

(a) Any person, who is selling his goods and gives them the general appearance of goods of another manufacturer or dealer, either as to the goods themselves or in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance, which would be likely to influence purchasers to believe that the goods offered are those of a manufacturer or dealer, other than the actual manufacturer or dealer, or who otherwise clothes the goods with such appearance as shall deceive the public and defraud another of his legitimate trade, or any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose;

And

SEC. 170. *Penalties.* - Independent of the civil and administrative sanctions imposed by law, a criminal penalty of imprisonment from two (2) years to five (5) years and a fine ranging from Fifty thousand pesos (₱50,000.00) to Two hundred thousand pesos (₱200,000.00) shall be imposed on any person who is found guilty of committing any of the acts mentioned in Section 155 [Infringement], Section 168 [Unfair Competition] and Subsection 169.1 [False Designation of Origin and False Description or Representation].

Thus, we agree with the CA that A.M. No. 02-1-06-SC, which provides for the Rules on the Issuance of the Search and Seizure in Civil Actions for Infringement of Intellectual Property Rights, is not applicable in this case as the search warrants were not applied based thereon, but in anticipation of criminal actions for violation of intellectual property rights under RA 8293. It was established that respondent had asked the NBI for assistance to conduct investigation and search warrant implementation for possible apprehension of several drugstore owners selling imitation or counterfeit TOP GEL T.G. & DEVICE OF A LEAF papaya whitening soap. Also, in his affidavit to support his application for the issuance of the search

warrants, NBI Agent Furing stated that “the items to be seized will be used as relevant evidence in the criminal actions that are likely to be instituted.” Hence, Rule 126 of the Rules of Criminal Procedure applies.

Rule 126 of the Revised Rules of Court, which governs the issuance of the assailed Search Warrants, provides, to wit:

SEC. 3. *Personal property to be seized.* - A search warrant may be issued for the search and seizure of personal property:

- (a) Subject of the offense;
- (b) Stolen or embezzled and other proceeds or fruits of the offense; or
- (c) Used or intended to be used as the means of committing an offense.

SEC. 4. *Requisites for issuing search warrant.* - A search warrant shall not issue except upon probable cause in connection with one specific offense to be determined personally by the judge after examination under oath or affirmation of the complainant and the witnesses he may produce, and particularly describing the place to be searched and the things to be seized which may be anywhere in the Philippines.

SEC. 5. *Examination of complainant; record.* - The judge must, before issuing the warrant, personally examine in the form of searching questions and answers, in writing and under oath, the complainant and the witnesses he may produce on facts personally known to them and attach to the record their sworn statements together with the affidavits submitted.

A core requisite before a warrant shall validly issue is the existence of a probable cause, meaning “*the existence of such facts and circumstances which would lead a reasonably discreet and prudent man to believe that an offense has been committed and that the objects sought in connection with the offense are in the place to be searched.*”²⁶ And when the law speaks of facts, the reference is to facts, data or information personally known to the applicant and the witnesses he may present. Absent the element of personal knowledge by the applicant or his witnesses of the facts upon which the issuance of a search warrant may be justified, the warrant is deemed not based on probable cause and is a nullity, its issuance being, in legal contemplation, arbitrary.²⁷ The determination of probable cause does not call for the application of rules and standards of proof that a judgment of conviction requires after trial on the merits.²⁸ As implied by the words themselves, “probable cause” is concerned with probability, not absolute or even moral certainty. The prosecution need not present at this stage proof

²⁶ *Sony Music Entertainment (Phils.), Inc. v. Español*, 493 Phil. 507, 517 (2005), citing *People v. Aruta*, G.R. No. 120915, April 3, 1998, 288 SCRA 626.

²⁷ *Id.*, citing *Columbia Pictures, Inc. v. Court of Appeals*, 329 Phil. 875, 918 (1996), citing 79 CJS, Search and Seizures, Section 74, 862.

²⁸ *Microsoft Corporation v. Maxicorp, Inc.*, 481 Phil. 550, 566 (2004).

beyond reasonable doubt. The standards of judgment are those of a reasonably prudent man,²⁹ not the exacting calibrations of a judge after a full-blown trial.³⁰

The RTC quashed the search warrants, saying that (1) there exists a prejudicial question pending before Branch 93 of the RTC of Quezon City, docketed as Civil Case No. 05-54747, *i.e.*, the determination as to who between respondent and Yu is the rightful holder of the intellectual property right over the trademark TOP GEL T.G. & DEVICE OF A LEAF; and there was also a case for trademark infringement and/or unfair competition filed by respondent against Yu pending before the IPO, docketed as IPV Case No. 10-2005-00001; and (2) Yu's representation that he is the sole distributor of the Top Gel whitening soap, as the latter even presented Registration No. 4-1996-109957 issued by the IPO to Zenna Chemical Industry as the registered owner of the trademark TOP GEL MCA & DEVICE MCA for a term of 20 years from November 17, 2000 covering the same product.

We do not agree. We affirm the CA's reversal of the RTC Order quashing the search warrants.

The affidavits of NBI Agent Furing and his witnesses, Esmael and Ling, clearly showed that they are seeking protection for the trademark "TOP GEL T.G. and DEVICE OF A LEAF" registered to respondent under Certificate of Registration 4-2000-009881 issued by the IPO on August 24, 2003, and no other. While petitioners claim that the product they are distributing was owned by Yu with the trademark TOP GEL MCA and MCA DEVISE under Certificate of Registration 4-1996-109957, it was different from the trademark TOP GEL T.G. and DEVICE OF A LEAF subject of the application. We agree with the CA's finding in this wise:

x x x It bears stressing that the basis for the applications for issuances of the search warrants on grounds of trademark infringement and unfair competition is the trademark TOP GEL T.G. & DEVICE OF A LEAF. Private complainant-appellant was issued a Certificate of Registration No. 4-2000-009881 of said trademark on August 24, 2003 by the Intellectual Property Office, and is thus considered the lawful holder of the said trademark. Being the registrant and the holder of the same, private complainant-appellant had the authority to enforce and protect her intellectual property rights over it. This prompted her to request for assistance from the agents of the NBI, who thereafter conducted a series of investigation, test buys and inspection regarding the alleged trademark infringement by herein respondents-appellees. Subsequently, Ping Na Lau, private complainant-appellant's representative, issued a certification with the finding that the examined goods were counterfeit. This prompted the NBI agents to apply for the issuances of

²⁹ *Id.* at 566-567, citing *People v. Sy Juco*, 64 Phil. 667 (1937).

³⁰ *Id.* at 567.

search warrants against the respondents-appellees. Said applications for the search warrants were granted after by Judge Laguilles after examining under oath the applicant Agent Furing of the NBI and his witnesses Ping Na Lau and Junayd R. Ismael.

Based on the foregoing, it is clear that the requisites for the issuance of the search warrants had been complied with and that there is probable cause to believe that an offense had been committed and that the objects sought in connection with the offense were in the places to be searched. The offense pertains to the alleged violations committed by respondents-appellees upon the intellectual property rights of herein private complainant-appellant, as holder of the trademark TOP GEL T.G. & DEVICE OF A LEAF under Certificate of Registration No. 4-2000-009881, issued on August 24, 2003 by the Intellectual Property Office.³¹

Notably, at the time the applications for the issuance of the search warrants were filed on November 21, 2005, as the CA correctly found, Civil Case No. Q-05-54747, which the RTC found to be where a prejudicial question was raised, was already dismissed on June 10, 2005,³² because of the pendency of a case involving the same issues and parties before the IPO. Yu's motion for reconsideration was denied in an Order³³ dated September 15, 2005. In fact, a Certificate of Finality³⁴ was issued by the RTC on January 4, 2007.

Moreover, the IPO case for trademark infringement and unfair competition and damages with prayer for preliminary injunction filed by respondent against Yu and Heidi Cua, docketed as IPV Case No. 10-2005-00001, would not also be a basis for quashing the warrants. In fact, prior to the applications for the issuance of the assailed search warrants on November 21, 2005, the IPO had issued an Order³⁵ dated October 20, 2005 granting a writ of preliminary injunction against Yu and Cua, the dispositive portion of which reads:

WHEREFORE, the **WRIT OF PRELIMINARY INJUNCTION** is hereby issued against Respondent, Benjamin Yu, doing business under the name and style of MCA Manufacturing and Heidi S. Cua, Proprietor of South Ocean Chinese Drug Store, and their agents, representatives, dealers and distributors and all persons acting in their behalf, to cease and desist using the trademark "TOP GEL T.G. & DEVICE OF A LEAF" or any colorable imitation thereof on Papaya whitening soaps they manufacture, sell, and/or offer for sale, and otherwise, from packing their Papaya Whitening Soaps in boxes with the same general appearance as those of complainant's boxes within a period of **NINETY (90) DAYS**, effective

³¹ *Rollo*, pp 60-61.

³² Records, Vol. III, pp. 670-671; per Judge Apolinario D. Bruselas, Jr.

³³ *Id.* at 672; per pairing Judge Samuel H. Gaerlan.

³⁴ *Id.* at 731; per Atty. Cecilia L. Cuevas-Torrijos, Clerk of Court of RTC, Branch 93, Quezon City.

³⁵ *Id.* at 674-681; per Hearing Officer Adoracion R. Umipig, Bureau of Legal Affairs, concurred in by Director Estrellita Beltran-Abelardo.

upon the receipt of respondent of the copy of the COMPLIANCE filed with this Office by the Complainant stating that it has posted a CASH BOND in the amount of **ONE HUNDRED THOUSAND PESOS** (Php100,000.00) together with the corresponding Official Receipt Number and date thereof. Consequently, complainant is directed to inform this Office of actual date of receipt by Respondent of the aforementioned COMPLIANCE.³⁶

To inform the public of the issuance of the writ of preliminary injunction, respondent's counsel had the dispositive portion of the Order published in *The Philippine Star* newspaper on October 30, 2005.³⁷ Thus, it was clearly stated that Yu, doing business under the name and style of MCA Manufacturing, his agents, representatives, dealers and distributors and all persons acting in his behalf, were to cease and desist from using the trademark "TOP GEL & DEVICE OF A LEAF" or any colorable imitation thereof on Papaya Whitening soaps they manufacture, sell and/or offer for sale. Petitioners, who admitted having derived their TOP GEL products from Yu, are, therefore, notified of such injunction and were enjoined from selling the same.

Notwithstanding, at the time of the application of the search warrants on November 21, 2005, and while the injunction was in effect, petitioners were still selling the alleged counterfeit products bearing the trademark TOP GEL T.G. & DEVICE OF A LEAF. There exists a probable cause for violation of respondent's intellectual property rights, which entitles her as the registered owner of the trademark TOP GEL and DEVICE OF A LEAF to be protected by the issuance of the search warrants.

More importantly, during the pendency of petitioners' motion to quash in the RTC, respondent submitted the Order dated March 8, 2006 of the IPO in IPV Case No. 10-2005-00001, where the writ of preliminary injunction was earlier issued, approving the compromise agreement entered into by respondent with Yu and Cua where it was stated, among others, that:

1. Respondents acknowledge the exclusive right of Complainant over the trademark TOP GEL T.G. & DEVICE OF A LEAF for use on papaya whitening soap as registered under Registration No. 4-2000-009881 issued on August 24, 2003.
2. Respondents acknowledge the appointment by Zenna Chemical Industry Co., Ltd. of Complainant as the exclusive Philippine distributor of its products under the tradename and trademark TOP GEL MCA & MCA DEVICE (A SQUARE DEVICE CONSISTING OF A STYLIZED REPRESENTATION OF A LETTER "M" OVER THE LETTER "CA") as registered under Registration No 4-1996-109957 issued on November 17,

³⁶ *Id.* at 681.

³⁷ *Id.* at 682.

2000, as well as the assignment by Zenna Chemical Industry Co., Ltd. to Complainant of said mark for use on papaya whitening soap.

3. Respondents admit having used the tradename and trademark aforesaid, but after having realized that Complainant is the legitimate assignee of TOP GEL MCA & MCA DEVICE and the registered owner of TOP GEL T.G. & DEVICE OF A LEAF, now undertake to voluntarily cease and desist from using the aforesaid tradename and trademark, and further undertake not to manufacture, sell and distribute and otherwise compete with complainant, now and at anytime in the future, any papaya whitening soap using or bearing a mark or name identical or confusingly similar to, or constituting a colorable imitation of the tradename and trademark TOP GEL MCA & MCA DEVICE and/or TOP GEL T.G. & DEVICE OF A LEAF as registered and described above.³⁸

Hence, it appears that there is no more controversy as to who is the rightful holder of the trademark TOP GEL T.G. & DEVICE OF A LEAF. Therefore, respondent, as owner of such registered trademark has the right to the issuance of the search warrants.

Anent petitioners' claim that one or two samples of the Top Gel products from each of them, instead of confiscating thousands of the products, would have sufficed for the purpose of an anticipated criminal action, citing our ruling in *Summerville General Merchandising Co. v. Court of Appeals*,³⁹ is not meritorious.

We do not agree.

The factual milieu of the two cases are different. In *Summerville*, the object of the violation of Summerville's intellectual property rights, as assignee of Royal playing cards and Royal brand playing cards case, was limited to the design of Summerville's Royal plastic container case which encased and wrapped the Crown brand playing cards. In the application for the search warrant which the RTC subsequently issued, one of the items to be seized were the Crown brand playing cards using the copyright plastic and Joker of Royal brand. Thus, numerous boxes containing Crown playing cards were seized and upon the RTC's instruction were turned over to Summerville, subject to the condition that the key to the said warehouse be turned over to the court sheriff. Respondents moved for the quashal of the search warrant and for the return of the seized properties. The RTC partially granted the motion by ordering the release of the seized Crown brand playing cards and the printing machines; thus, only the Royal plastic container cases of the playing cards were left in the custody of Summerville. The CA sustained the RTC order. On petition with us, we affirmed the CA.

³⁸ Records, Vol. II, pp. 631-632.

³⁹ G.R. No. 158767, June 26, 2007, 525 SCRA 602.

We found therein that the Crown brand playing cards are not the subject of the offense as they are genuine and the Crown trademark was registered to therein respondents' names; that it was the design of the plastic container/case that is alleged to have been utilized by respondents to deceive the public into believing that the Crown brand playing cards are the same as those manufactured by Summerville. We then said that assuming that the Crown playing cards could be considered subject of the offense, a sample or two are more than enough to retain should there have been a need to examine them along with the plastic container/case; and that there was no need to hold the hundreds of articles seized. We said so in the context that since what was in dispute was the design of the Royal plastic cases/containers of playing cards and not the playing card *per se*, a small number of Crown brand playing cards would suffice to examine them with the Royal plastic cases/containers. And the return of the playing cards would better serve the purposes of justice and expediency.

However, in this case, the object of the violation of respondent's intellectual property right is the alleged counterfeit TOP GEL T.G. & DEVICE OF A LEAF papaya whitening soap being sold by petitioners, so there is a need to confiscate all these articles to protect respondent's right as the registered owner of such trademark.

Petitioners next contend that the CA's ruling on the applicability of Rule 126 of the Rules of Court that the search warrants were issued in anticipation of a criminal action was only based on respondent's claim which was only brought for the first time in her appellant's brief.

We are not persuaded.

We find worth quoting respondent's argument addressing this issue in its Comment, thus:

In the assailed Decision, the Court of Appeals found that the Rule correctly applicable to the subject search warrants was Rule 126 of the Rules of Court. Petitioners fault the appellate court for ruling that the Regional Trial Court incorrectly applied the Rules on Search and Seizure in Civil Actions for Infringement of Intellectual Property Rights on the basis of an argument that private respondent brought up for the first time in her Appellant's Brief.

A cursory perusal of the Appellant's Brief shows that the following issues/errors were raised, that: (1) the Honorable Trial Court erred in holding that the "Rules on Search and Seizure for Infringement of Intellectual Property Rights" apply to the search warrants at bar; (2) x x x.

It must be remembered that there was no trial on the merits to speak of in the trial court, and the matter of the application of the wrong

set of Rules only arose in the Order dated 25th September 2006 which sustained the Motion to Quash. *A thorough examination of the Appellee's Brief filed by petitioners (respondents-appellees in the Court of Appeals) reveals, however, that petitioners NEVER assailed the first issue/error on the ground that the same was raised for the first time on appeal. It is only now, after the appellate court rendered a Decision and Resolution unfavorable to them, that petitioners questioned the alleged procedural error. Petitioners should now be considered in estoppel to question the same.*⁴⁰

Indeed, perusing the appellee's (herein petitioners) brief filed with the CA, the matter of the non-applicability of the rules on search and seizure in civil action for infringement of intellectual property rights was never objected as being raised for the first time. On the contrary, petitioners had squarely faced respondent's argument in this wise:

Appellant (herein respondent) contends that the rule (SC Adm. Memo 1-06, No. 02-1-06, Rule on Search and Seizure in Civil Actions for Infringement of Intellectual Property Rights) does [not] apply to the search warrants in the [case] at bar, for the reason that the search warrants themselves reveal that the same were applied for and issued for violations of "Section 155 in relation to Section 170 of RA 8293" and violations of "Section 168 in relation to Section 170 of RA 8293," and that a perusal of the records would show that there is no mention of a civil action or anticipation thereof, upon which the search warrants are applied for.

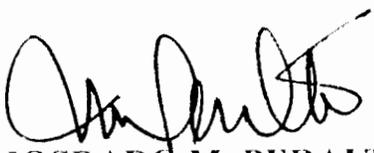
Appellees (herein petitioners) cannot agree with the contention of the appellant. Complainant NBI Agent Joseph G. Furing, who applied for the search warrants, violated the very rule on search and seizure for infringement of Intellectual Property Rights. The search warrants applied for by the complainants cannot be considered a criminal action. There was no criminal case yet to speak of when complainants applied for issuance of the search warrants. There is distinction here because the search applied for is civil in nature and no criminal case had been filed. The complaint is an afterthought after the respondents-appellees filed their Motion to Quash Search Warrant before the Regional Trial Court of Manila, Branch 24. The grounds enumerated in the rule must be complied with in order to protect the constitutional mandate that "no person shall be deprived of life liberty or property without due process of law nor shall any person be denied the equal protection of the law." Clearly, the application of the search warrants for violation of unfair competition and infringement is in the nature of a civil action.⁴¹

WHEREFORE, the petition for review is **DENIED**. The Decision dated March 31, 2009 and the Resolution dated July 2, 2009 of the Court of Appeals, in CA-G.R. CV No. 88952, are hereby **AFFIRMED**.

⁴⁰ *Rollo*, p. 154.

⁴¹ *CA rollo*, pp. 116-117.

SO ORDERED.



DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:



PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson



ROBERTO A. ABAD
Associate Justice



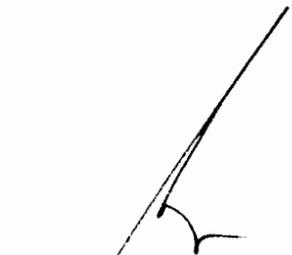
JOSE CATRAL MENDOZA
Associate Justice



MARVIC MARIO VICTOR F. LEONEN
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice