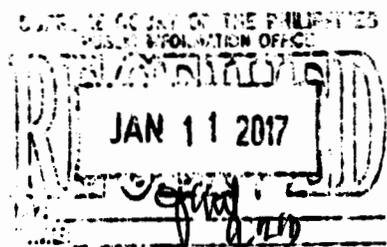




Republic of the Philippines  
**Supreme Court**  
 Manila



**FIRST DIVISION**

**CATERPILLAR, INC.,**  
 Petitioner,

**G.R. No. 205972**

- versus -

**MANOLO P. SAMSON,**  
 Respondent.

X-----X

**CATERPILLAR, INC.,**  
 Petitioner,

**G.R. No. 164352**

Present:

SERENO, *C.J.*,  
 LEONARDO-DE CASTRO,  
 BERSAMIN,  
 PERLAS-BERNABE, and  
 CAGUIOA, *JJ.*

- versus -

Promulgated:

**MANOLO P. SAMSON,**  
 Respondent.

**NOV 09 2016**

X-----X

**DECISION**

**BERSAMIN, J.:**

The determination of probable cause to charge a person in court for a criminal offense is exclusively lodged in the Executive Branch of the Government, through the Department of Justice. Initially, the determination is done by the investigating public prosecutor, and on review by the Secretary of Justice or his duly authorized subordinate. The courts will respect the determination, unless the same shall be shown to have been made in grave abuse of discretion amounting to lack or excess of jurisdiction.

### The Cases

Before us are the consolidated cases of G.R. No. 205972<sup>1</sup> and G.R. No. 164352.<sup>2</sup>

G.R. No. 164352 involves the appeal by petition for review on *certiorari* of Caterpillar, Inc. (Caterpillar) to reverse the decision promulgated on January 21, 2004<sup>3</sup> by the Court of Appeals (CA) in CA-G.R. SP No. 75526, and the resolution promulgated on June 30, 2004 denying the motion for reconsideration thereof.<sup>4</sup>

G.R. No. 205972 relates to the appeal brought by Caterpillar to assail the decision and resolution promulgated in CA-G.R. SP No. 102316 respectively on May 8, 2012<sup>5</sup> and February 12, 2013,<sup>6</sup> whereby the CA affirmed the resolutions of the Department of Justice (DOJ) finding that there was no probable cause to indict Manolo P. Samson (Samson) for unfair competition.

### Antecedents

Caterpillar is a foreign corporation engaged in the manufacture and distribution of footwear, clothing and related items, among others. Its products are known for six core trademarks, namely, "CATERPILLAR", "CAT", "CATERPILLAR & DESIGN", "CAT AND DESIGN", "WALKING MACHINES" and "TRACK-TYPE TRACTOR & DESIGN (Core Marks),<sup>7</sup> all of which are alleged as internationally known. On the other hand, Samson, doing business under the names and styles of Itti Shoes Corporation, Kolm's Manufacturing Corporation and Caterpillar Boutique and General Merchandise, is the proprietor of various retail outlets in the Philippines selling footwear, bags, clothing, and related items under the trademark "CATERPILLAR", registered in 1997 under Trademark Registration No. 64705 issued by the Intellectual Property Office (IPO).<sup>8</sup>

### G.R. No. 164352

On July 26, 2000, upon application of the National Bureau of Investigation (NBI), the Regional Trial Court (RTC), Branch 56, in Makati

<sup>1</sup> *Rollo* (G.R. No. 205972), pp. 61-104.

<sup>2</sup> *Rollo* (G.R. No. 164352), pp. 16-61.

<sup>3</sup> *Id.* at 73-76; penned by Associate Justice Jose L. Sabio, Jr., with Associate Justice Delilah Vidallon-Magtolis and Associate Justice Hakim S. Abdulwahid concurring.

<sup>4</sup> *Id.* at 88.

<sup>5</sup> *Rollo* (G.R. No. 205972), pp. 112-117; penned by Associate Justice Juan Q. Enriquez, Jr., with Associate Justice Apolinario D. Bruselas, Jr. and Associate Justice Manuel M. Barrios concurring.

<sup>6</sup> *Id.* at 120-122.

<sup>7</sup> *Rollo* (G.R. No. 164352), p. 19.

<sup>8</sup> *Id.* at 477.

City issued Search Warrants Nos. 00-022 to 00-032, inclusive, all for unfair competition,<sup>9</sup> to search the establishments owned, controlled and operated by Samson. The implementation of the search warrants on July 27, 2000 led to the seizure of various products bearing Caterpillar's Core Marks.

Caterpillar filed against Samson several criminal complaints for unfair competition in the Department of Justice (DOJ), docketed as I.S. Nos. 2000-1354 to 2000-1364, inclusive.

Additionally, on July 31, 2000, Caterpillar commenced a civil action against Samson and his business entities, with the IPO as a nominal party<sup>10</sup> – for *Unfair Competition, Damages and Cancellation of Trademark with Application for Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction* – docketed as Civil Case No. Q-00-41446 of the RTC in Quezon City. In said civil action, the RTC denied Caterpillar's application for the issuance of the TRO on August 17, 2000.

The DOJ, through Senior State Prosecutor Jude R. Romano, issued a joint resolution dated November 15, 2001<sup>11</sup> recommending that Samson be criminally charged with unfair competition under Section 168.3 (a),<sup>12</sup> in relation to Section 123.1(e),<sup>13</sup> Section 131.1<sup>14</sup> and Section 170,<sup>15</sup> all of Republic Act No. 8293, or the *Intellectual Property Code of the Philippines* (IP Code).

However, because Samson and his affiliate companies allegedly continued to sell and distribute products clothed with the general appearance

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<sup>9</sup> Id. at 121-128.

<sup>10</sup> Id. at 129-144.

<sup>11</sup> Id. at 172-197.

<sup>12</sup> 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;

<sup>13</sup> 123.1. A mark cannot be registered if it:

(e) Is identical with, or confusingly similar to, or constitutes a translation of a mark which is considered by the competent authority of the Philippines to be well-known internationally and in the Philippines, whether or not it is registered here, as being already the mark of a person other than the applicant for registration, and used for identical or similar goods or services: *Provided*, That in determining whether a mark is well-known, account shall be taken of the knowledge of the relevant sector of the public, rather than of the public at large, including knowledge in the Philippines which has been obtained as a result of the promotion of the mark;

<sup>14</sup> 131.1. An application for registration of a mark filed in the Philippines by a person referred to in Section 3, and who previously duly filed an application for registration of the same mark in one of those countries, shall be considered as filed as of the day the application was first filed in the foreign country.

<sup>15</sup> Section 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) to Two hundred thousand pesos (₱200,000), shall be imposed on any person who is found guilty of committing any of the acts mentioned in Section 155, Section 168 and Subsection 169.1.

of its own products, Caterpillar again applied for another set of search warrants against Samson and his businesses. The RTC, Branch 172, in Valenzuela City issued Search Warrants Nos. 12-V-00,<sup>16</sup> 13-V-00,<sup>17</sup> 20-V-00<sup>18</sup> and 29-V-00<sup>19</sup> upon application of the NBI, by virtue of the implementation of which several goods were seized and confiscated by the NBI agents.

As a consequence, Caterpillar filed 26 criminal complaints for unfair competition on January 31, 2001, docketed as I.S. Nos. 2001-42 to 2001-67, against Samson and/or the occupants of his affiliate entities before the DOJ.<sup>20</sup> In due course, the DOJ, through State Prosecutor Zenaida M. Lim, issued a joint resolution dated September 28, 2001<sup>21</sup> recommending the filing of criminal complaints for unfair competition under Section 168.3(a), in relation to Section 123.1, Section 131.1 and Section 170 of the IP Code. Accordingly, six criminal complaints were filed in the RTC, Branch 256, in Muntinlupa City, presided by Judge Alberto L. Lerma, docketed as Criminal Cases Nos. 02-238 to 02-243.

On January 17 and 22, 2002, Samson filed a petitions for review with the Office of the Secretary of Justice to appeal the joint resolutions in I.S. Nos. 2000-1354 to 2000-1364<sup>22</sup> and I.S. Nos. 2001-042 to 2001-067.<sup>23</sup>

On May 30, 2002, Samson filed a *Motion to Suspend Arraignment* in Criminal Cases Nos. 02-238 to 243,<sup>24</sup> citing the following as grounds:<sup>25</sup>

I.

THERE EXISTS PREJUDICIAL QUESTIONS PENDING LITIGATION BEFORE THE REGIONAL TRIAL COURT OF QUEZON CITY, BRANCH 90, IN CIVIL CASE NO. Q-00-41446 ENTITLED: "CATERPILLAR, INC., ET AL. VS. ITTI SHOES CORPORATION, ET AL.," THE FINAL RESOLUTIONS OF WHICH WILL DETERMINE THE OUTCOME OF THE INSTANT CRIMINAL CASES.

II.

ACCUSED HAS FILED PETITIONS FOR REVIEW WITH THE DEPARTMENT OF JUSTICE ASSAILING THE RESOLUTIONS OF THE CHIEF STATE PROSECUTOR WHO CAUSED THE FILING OF THE INSTANT CASES AND ARE STILL PENDING THEREIN UP TO THE PRESENT.

<sup>16</sup> *Rollo* (G.R. No. 164352), pp. 148-153.

<sup>17</sup> *Id.* at 154-159.

<sup>18</sup> *Id.* at 160-165.

<sup>19</sup> *Id.* at 166-171.

<sup>20</sup> *Id.* at 29.

<sup>21</sup> *Id.* at 199-227.

<sup>22</sup> *Id.* at 262-276.

<sup>23</sup> *Id.* at 242-259.

<sup>24</sup> *Id.* at 278-285.

<sup>25</sup> *Id.* at 278.

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In the meanwhile, on July 10, 2002, the DOJ, through Secretary Hernando B. Perez, issued a resolution<sup>26</sup> denying Samson's petition for review in I.S. Nos. 2000-1354 to 2000-1364. Samson's motion for reconsideration was likewise denied on May 26, 2003.

On September 23, 2002, Presiding Judge Lerma of the RTC granted Samson's *Motion to Suspend Arraignment*, and suspended the arraignment and all other proceedings in Criminal Cases Nos. 02-240 to 02-243 until Civil Case No. Q-00-41446 was finally resolved,<sup>27</sup> holding:

After a careful scrutiny of the case, this Court finds that private complainant, in Civil Case No. Q-00-41446, seeks for the cancellation of the trademark "CATERPILLAR" which is registered in the name of the accused and to prevent the latter from using the said trademark ("CATERPILLAR"), while the issue in the instant case is the alleged unlawful use by the accused of the trademark "CATERPILLAR" which is claimed to be owned by the private complainant. From the foregoing, this Court believes that there exists a prejudicial question since the determination of who is really the lawful or registered user of the trademark "CATERPILLAR" will ultimately determine whether or not the instant criminal action shall proceed. Clearly, the issues raised in Civil Case No. Q-00-41446 is similar or intimately related to the issue in the case at bar for if the civil case will be resolved sustaining the trademark registration of the accused for the trademark CATERPILLAR, then the latter would have all the authority to continue the use of the said trademark as a consequence of a valid registration, and by reason of which there may be no more basis to proceed with the instant criminal action.<sup>28</sup>

After the RTC denied its motion for reconsideration<sup>29</sup> on December 5, 2002,<sup>30</sup> Caterpillar elevated the matter to the CA by petition for *certiorari* on February 14, 2003,<sup>31</sup> docketed as C.A.-G.R. SP No. 75526 entitled *Caterpillar, Inc. v. Hon. Alberto L. Lerma, in his capacity as Presiding Judge of Branch 256 of the Regional Trial Court, Muntinlupa City, and Manolo P. Samson*, alleging grave abuse of discretion amounting to lack or excess of jurisdiction on the part of the RTC in suspending the arraignment and other proceedings in Criminal Cases Nos. 02-238 to 02-243 on the ground of the existence of an alleged prejudicial question in Civil Case No. Q-00-41446 then pending in the RTC in Quezon City whose resolution would determine the outcome of the criminal cases.

Meanwhile, on January 13, 2003, Acting Justice Secretary Ma. Mercedes N. Gutierrez reversed and set aside the resolution issued by State Prosecutor Lim in I.S. No. 2001-042 to 2001-067, and directed the Chief

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<sup>26</sup> Id. at 329-330.

<sup>27</sup> Id. at 345-346

<sup>28</sup> Id. at 345.

<sup>29</sup> Id. at 347-352.

<sup>30</sup> Id. at 362-363.

<sup>31</sup> Id. at 364-399.

State Prosecutor to cause the withdrawal of the criminal informations filed against Samson in court,<sup>32</sup> disposing as follows:

**ACCORDINGLY**, the assailed joint resolution is hereby **REVERSED** and **SET ASIDE**. The Chief State Prosecutor is directed to forthwith cause the withdrawal of the informations filed in court against respondent Manolo P. Samson and to report action taken hereon within ten (10) days from receipts hereof.<sup>33</sup>

Acting Justice Secretary Gutierrez based her resolution on the order dated June 26, 2001, whereby the RTC of Valenzuela City, Branch 172, had quashed the 26 search warrants upon motion of Samson.<sup>34</sup> Consequently, the goods seized and confiscated by virtue of the quashed search warrants could no longer be admitted in evidence

Correspondingly, Presiding Judge Lerma of the RTC ordered the withdrawal of Criminal Cases Nos. 02-240 to 02-243 on February 4, 2003.<sup>35</sup>

Aggrieved, Caterpillar assailed the order of Judge Lerma for the withdrawal of Criminal Cases Nos. 02-240 to 02-2432003 by petition for *certiorari* in the CA on October 16, 2003, docketed as CA-G.R. SP No. 79937,<sup>36</sup> and the CA ultimately granted the petition for *certiorari*,<sup>37</sup> setting aside the assailed January 13, 2003 resolution of the Acting Justice Secretary and directing the re-filing of the withdrawn informations against Samson. The Court ultimately affirmed the CA's decision through the resolution promulgated on October 17, 2005 in G.R. No. 169199, and ruling that probable cause existed for the re-filing of the criminal charges for unfair competition under the IP Code.<sup>38</sup>

In the assailed January 21, 2004 decision,<sup>39</sup> the CA dismissed Caterpillar's petition for *certiorari* in CA-G.R. SP No. 75526, viz.:

Petition has no merit.

The mere fact that public respondent denied petitioner's motion for reconsideration does not justify this petition on the ground of abuse of discretion. Grave abuse of discretion means such capricious and whimsical exercise of judgment as is equivalent to lack of jurisdiction, or, in other words where the power is exercised in an arbitrary or despotic manner by

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<sup>32</sup> Id. at 537-542.

<sup>33</sup> Id. at 542.

<sup>34</sup> Id. at 539.

<sup>35</sup> Id. at 543.

<sup>36</sup> Id. at 31.

<sup>37</sup> Id. at 578-585.

<sup>38</sup> *Rollo* (G.R. No. 205972), pp. 653-654; reference to this affirmance was also made in *Samson v. Caterpillar, Inc.*, G.R. No. 169882, September 12, 2007, 533 SCRA 88, 95.

<sup>39</sup> *Supra* note 3.

reason of passion or personal hostility and it must be so patent and gross as to amount to an evasion of positive duty or to a virtual refusal to perform the duty enjoined or to act at all in contemplation of law. (*Benito vs. Comelec*, 349 SCRA 705).

Petitioner in this case failed to overcome the burden of showing how public respondent acted with grave abuse of discretion in granting private respondent's motion and denying his own motion for reconsideration. What is clear is that public respondent court acted judiciously. A petition for certiorari under Rule 65 of the Rules of Court will prosper only if there is showing of grave abuse of discretion or an act without or in excess of jurisdiction on the part of respondent tribunal (*Garcia vs. HRET*, 312 SCRA 353).

Granting *arguendo* that public respondent court erred in its ruling, still a petition for certiorari under Rule 65 cannot be justified. Where the court has jurisdiction over the subject matter, the orders or decision upon all questions pertaining to the cause are orders or decisions within its jurisdiction and however erroneous they may be, they cannot be corrected by certiorari (*De Baron vs. Court of Appeals*, 368 SCRA 407).

WHEREFORE, foregoing premises considered, the Petition having no merit in fact and in law is hereby DENIED DUE COURSE and ordered DISMISSED. With costs to Petitioners.

SO ORDERED.<sup>40</sup>

Caterpillar sought the reconsideration of the dismissal, but the CA denied the motion on June 30, 2004.<sup>41</sup>

Hence, Caterpillar appealed the CA's decision in C.A.-G.R. SP No. 75526 (G.R. No. 164352).

### **G.R. No. 205972**

In the meanwhile, in August 2002, upon receiving the information that Samson and his affiliate entities continuously sold and distributed products bearing Caterpillar's Core Marks without Caterpillar's consent, the latter requested the assistance of the Regional Intelligence and Investigation Division of the National Region Public Police (RIID-NCRPO) for the conduct of an investigation. Subsequently, after the investigation, the RIID-NCRPO applied for and was granted 16 search warrants against various outlets owned or operated by Samson in Mandaluyong, Quezon City, Manila, Caloocan, Makati, Parañaque, Las Piñas, Pampanga and Cavite. The warrants were served on August 27, 2002,<sup>42</sup> and as the result products bearing Caterpillar's Core Marks were seized and confiscated. Consequently, on the basis of the search warrants issued by the various

<sup>40</sup> *Id.* at 75.

<sup>41</sup> *Rollo* (G.R. No. 164352), p. 78.

<sup>42</sup> *Rollo* (G.R. No. 205972), p. 71.

courts, Caterpillar again instituted criminal complaints in the DOJ for violation of Section 168.3(a), in relation to Sections 131.3, 123.1(e) and 170 of the IP Code against Samson, docketed as I.S. Nos. 2002-995 to 2002-997; 2002-999 to 2002-1010; and 2002-1036.

After the conduct of the preliminary investigation, the DOJ, through State Prosecutor Melvin J. Abad, issued a joint resolution dated August 21, 2003 dismissing the complaint upon finding that there was no probable cause to charge Samson with unfair competition.<sup>43</sup>

Caterpillar moved for the reconsideration of the dismissal, but State Prosecutor Abad denied the motion on June 18, 2004.<sup>44</sup>

The Secretary of Justice affirmed the dismissal of the complaint through the resolution issued on September 19, 2005,<sup>45</sup> and denied Caterpillar's motion for reconsideration on December 20, 2007.

Accordingly, Caterpillar appealed to the CA through a petition for review under Rule 43, *Rules of Court* (C.A.-G.R. SP No. 102316).<sup>46</sup>

On May 8, 2012,<sup>47</sup> however, the CA denied due course to Caterpillar's petition for review, *viz.*:

**WHEREFORE**, premises considered, the petition is **DENIED DUE COURSE**, and accordingly, **DISMISSED**.

**SO ORDERED.**<sup>48</sup>

The CA opined that an appeal under Rule 43 to assail the resolution by the Secretary of Justice determining the existence or non-existence of probable cause was an improper remedy; and that while it could treat an appeal as a special civil action for *certiorari* under Rule 65, it could not do so therein because the allegations of the petition did not sufficiently show grave abuse of discretion on the part of the Secretary of Justice in issuing the assailed resolutions.

Caterpillar filed a motion for reconsideration, but the CA denied the motion for its lack of merit on February 12, 2013.<sup>49</sup>

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<sup>43</sup> Id. at 216-236.

<sup>44</sup> Id. at 214.

<sup>45</sup> Id. at 71.

<sup>46</sup> Id. at 72.

<sup>47</sup> Id. at 112-117.

<sup>48</sup> Id. at 117.

<sup>49</sup> Id. at 120-122.

Hence, Caterpillar commenced G.R. No. 205972.

### Issues

Caterpillar submits that the CA erred as follows:

#### G.R. No. 164352

##### A.

THE COURT OF APPEALS COMMITTED SERIOUS REVERSIBLE ERROR IN DENYING DUE COURSE TO CATERPILLAR INC.'S PETITION FOR CERTIORARI.

##### B.

THE COURT OF APPEALS COMMITTED SERIOUS REVERSIBLE ERROR IN NOT HOLDING THAT THE ORDER SUSPENDING PROCEEDINGS IN CRIMINAL CASES NOS. 02-238 TO 02-243, ON THE BASIS OF AN ALLEGED PREJUDICIAL QUESTION, WAS CONTRARY TO LAW AND ESTABLISHED JURISPRUDENCE.

##### C.

THE HONORABLE COURT OF APPEALS COMMITTED SERIOUS REVERSIBLE ERROR IN NOT HOLDING THAT A CRIMINAL COMPLAINT FOR UNFAIR COMPETITION CAN PROCEED INDEPENDENTLY OF, AND SIMULTANEOUS WITH, THE CIVIL CASE FOR THE SAME.<sup>50</sup>

Caterpillar posits that the suspension of proceedings in Criminal Cases Nos. 02-238 to 02-243 was contrary to Rule 111 of the *Rules of Court*, Article 33 of the *Civil Code* on independent civil actions, and Section 170 of the IP Code, which specifically provides that the criminal penalties for unfair competition were independent of the civil and administrative sanctions imposed by law; that the determination of the lawful owner of the "CATERPILLAR" trademark in Civil Case No. Q-00-41446 would not be decisive of the guilt of Samson for unfair competition in Criminal Cases Nos. 02-238 to 02-243 because registration was not an element of the crime of unfair competition; that the civil case sought to enforce Samson's civil liability arising from the IP Code while the criminal cases would enforce Samson's liability arising from the crime of unfair competition; and that the Court already ruled in *Samson v. Daway*<sup>51</sup> that Civil Case No. Q-00-41446 was an independent civil action under Article 33 of the *Civil Code* and, as such, could proceed independently of the criminal actions.

<sup>50</sup> *Rollo* (G.R. No. 164352), pp. 39-40.

<sup>51</sup> G.R. Nos. 160054-55, July 21, 2004, 434 SCRA 612, 620.

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In his comment,<sup>52</sup> Samson counters that the issues of the lawful and registered owner of the trademark, the true owner of the goodwill, and whether “CATERPILLAR” was an internationally well-known mark are intimately related to the issue of guilt in the criminal actions, the resolution of which should determine whether or not the criminal actions for unfair competition could proceed.

### **G.R. No. 205972**

In this appeal, the petitioner interposes that:

THE HONORABLE COURT OF APPEALS ERRED IN DISMISSING THE PETITIONER’S PETITION FOR REVIEW SOLELY ON THE GROUND OF AN ALLEGED WRONG REMEDY, DESPITE PETITIONERS HAVING CLEARLY ESTABLISHED THAT THE SECRETARY OF JUSTICE ACTED WITH GRAVE ABUSE OF DISCRETION IN ISSUING THE RESOLUTIONS DATED 19 SEPTEMBER 2005 AND 20 DECEMBER 2007, AFFIRMING THE FINDINGS OF THE INVESTIGATING PROSECUTOR THAT NO PROBABLE CAUSE EXISTS TO CHARGE THE RESPONDENT OF THE CRIME OF UNFAIR COMPETITION.<sup>53</sup>

Caterpillar seeks the liberal interpretation of procedural rules in order to serve the higher interest of substantial justice following the denial by the CA of its petition for being an incorrect remedy; and insists that it presented substantial evidence to warrant a finding of probable cause for unfair competition against Samson.

In sum, the issues to be resolved in these consolidated cases are: *firstly*, whether or not the CA committed a reversible error in ruling that the trial court *a quo* did not commit grave abuse of discretion in suspending the criminal proceedings on account of a prejudicial question; and, *secondly*, whether or not the CA committed reversible error in upholding the decision of the Secretary of Justice finding that there was no probable cause to charge Samson with unfair competition.

### **Rulings of the Court**

#### **G.R. No. 164352**

The appeal in G.R. No. 164352 is meritorious.

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<sup>52</sup> *Rollo* (G.R. No. 164352), pp. 475-500.

<sup>53</sup> *Rollo* (G.R. No. 205972), p. 73.

We note, to begin with, that Civil Case No. Q-00-41446, the civil case filed by Caterpillar in the RTC in Quezon City, was for unfair competition, damages and cancellation of trademark, while Criminal Cases Nos. Q-02-108043-44 were the criminal prosecution of Samson for unfair competition. A common element of all such cases for unfair competition – civil and criminal – was *fraud*. Under Article 33 of the *Civil Code*, a civil action entirely separate and distinct from the criminal action may be brought by the injured party in cases of fraud, and such civil action shall proceed independently of the criminal prosecution. In view of its being an independent civil action, Civil Case No. Q-00-41446 did not operate as a prejudicial question that justified the suspension of the proceedings in Criminal Cases Nos. Q-02-108043-44.

In fact, this issue has already been raised in relation to the suspension of the arraignment of Samson in Criminal Cases Nos. Q-02-108043-44 in *Samson v. Daway*,<sup>54</sup> and the Court resolved it against Samson and in favor of Caterpillar thusly:

Anent the second issue, petitioner failed to substantiate his claim that there was a prejudicial question. In his petition, he prayed for the reversal of the March 26, 2003 order which sustained the denial of his motion to suspend arraignment and other proceedings in Criminal Case Nos. Q-02-108043-44. For unknown reasons, however, he made no discussion in support of said prayer in his petition and reply to comment. Neither did he attach a copy of the complaint in Civil Case No. Q-00-41446 nor quote the pertinent portion thereof to prove the existence of a prejudicial question.

At any rate, there is no prejudicial question if the civil and the criminal action can, according to law, proceed independently of each other. Under Rule 111, Section 3 of the Revised Rules on Criminal Procedure, in the cases provided in Articles 32, 33, 34 and 2176 of the Civil Code, the independent civil action may be brought by the offended party. It shall proceed independently of the criminal action and shall require only a preponderance of evidence.

In the case at bar, the common element in the acts constituting unfair competition under Section 168 of R.A. No. 8293 is fraud. Pursuant to Article 33 of the Civil Code, in cases of defamation, *fraud*, and physical injuries, a civil action for damages, entirely separate and distinct from the criminal action, may be brought by the injured party. **Hence, Civil Case No. Q-00-41446, which as admitted by private respondent also relate to unfair competition, is an independent civil action under Article 33 of the Civil Code. As such, it will not operate as a prejudicial question that will justify the suspension of the criminal cases at bar.**<sup>55</sup> (Bold emphasis supplied)

<sup>54</sup> G.R. No. 160054-55, July 21, 2004, 434 SCRA 612 (Samson moved in the RTC for the suspension of the arraignment and other proceedings in Criminal Cases Nos. Q-02-108043-44 on the ground that a prejudicial question that was the logical antecedent in the criminal actions existed in Civil Case No. Q-00-41446 that warranted the suspension of the proceedings in the criminal cases).

<sup>55</sup> *Id.* at 620-621.

Secondly, a civil action for damages and cancellation of trademark cannot be considered a prejudicial question by which to suspend the proceedings in the criminal cases for unfair competition. A prejudicial question is that which arises in a civil case the resolution of which is a logical antecedent of the issues to be determined in the criminal case. It must appear not only that the civil case involves facts upon which the criminal action is based, but also that the resolution of the issues raised in the civil action will necessarily be determinative of the criminal case.<sup>56</sup> As stated in *Librodo v. Judge Coscolluela, Jr.*:<sup>57</sup>

A prejudicial question is one based on a fact distinct and separate from the crime but so intimately connected with it that it determines the guilt or innocence of the accused, and for it to suspend the criminal action, it must appear not only that said case involves facts intimately related to those upon which the criminal prosecution would be based but also that in the resolution of the issue or issues raised in the civil case, the guilt or innocence of the accused would necessarily be determined. **It comes into play generally in a situation where a civil action and a criminal action are both pending and there exists in the former an issue which must be preemptively resolved before the criminal action may proceed, because howsoever the issue raised in the civil action is resolved would be determinative *juris et de jure* of the guilt or innocence of the accused in the criminal case.**<sup>58</sup> (Bold underscoring supplied for emphasis)

The elements of a prejudicial question are provided in Section 7 of Rule 111, *Rules of Court*, to wit: (a) a previously instituted civil action involves an issue similar to or intimately related to the issue raised in the subsequent criminal action, and (b) the resolution of such issue determines whether or not the criminal action may proceed.<sup>59</sup>

An examination of the nature of the two kinds of cases involved is necessary to determine whether a prejudicial question existed.

An action for the cancellation of trademark like Civil Case No. Q-00-41446 is a remedy available to a person who believes that he is or will be damaged by the registration of a mark.<sup>60</sup> On the other hand, the criminal actions for unfair competition (Criminal Cases Nos. Q-02-108043-44) involved the determination of whether or not Samson had given his goods the general appearance of the goods of Caterpillar, with the intent to deceive

<sup>56</sup> *Ras v. Rasul*, Nos. L-50441-42, September 18, 1980, 100 SCRA 125, 129-130; *Benitez v. Concepcion, Jr.*, No. L-14646, May 30, 1961, 2 SCRA 178, 181; *De Leon v. Mabanag*, 70 Phil. 202 (1940)

<sup>57</sup> No. L-56995, August 30, 1982, 116 SCRA 303.

<sup>58</sup> *Id.* at 309-310.

<sup>59</sup> See *San Miguel Properties, Inc. v. Perez*, G.R. No. 166836, September 4, 2013, 705 SCRA 38, 55.

<sup>60</sup> Section 151.1 (b), IP Code.

the public or defraud Caterpillar as his competitor.<sup>61</sup> In the suit for the cancellation of trademark, the issue of lawful registration should necessarily be determined, but registration was not a consideration necessary in unfair competition.<sup>62</sup> Indeed, unfair competition is committed if the effect of the act is “to pass off to the public the goods of one man as the goods of another;”<sup>63</sup> it is independent of registration. As fittingly put in *R.F. & Alexander & Co. v. Ang*,<sup>64</sup> “one may be declared unfair competitor even if his competing trade-mark is registered.”

Clearly, the determination of the lawful ownership of the trademark in the civil action was not determinative of whether or not the criminal actions for unfair competition shall proceed against Samson.

### G.R. No. 205972

The petition for review on *certiorari* in G.R. No. 205972 is denied for being bereft of merit.

Firstly, Caterpillar assailed the resolution of the Secretary of Justice by filing a petition for review under Rule 43 of the *Rules of Court*. Such resort to the petition for review under Rule 43 was erroneous,<sup>65</sup> and the egregious error warranted the denial of the appeal. The petition for review under Rule 43 applied to all appeals to the CA from quasi-judicial agencies or bodies, particularly those listed in Section 1 of Rule 43. However, the Secretary of Justice, in the review of the findings of probable cause by the investigating public prosecutor, was not exercising a quasi-judicial function, but performing an executive function.<sup>66</sup>

Moreover, the courts could intervene in the determination of probable cause only through the special civil action for *certiorari* under Rule 65 of the *Rules of Court*, not by appeal through the petition for review under Rule 43. Thus, the CA could not reverse or undo the findings and conclusions on probable cause by the Secretary of Justice except upon clear demonstration of grave abuse of discretion amounting to lack or excess of jurisdiction committed by the Secretary of Justice.<sup>67</sup> Caterpillar did not so demonstrate.

<sup>61</sup> *Levi Strauss (Phils.), Inc. v. Lim*, G.R. No. 162311, December 4, 2008, 573 SCRA 25, 44.

<sup>62</sup> *Mighty Corp. v. E. & J. Gallo Winery*, G.R. No. 154342, July 14, 2004, 434SCRA 473, 493.

<sup>63</sup> *Id.*

<sup>64</sup> 97 Phil. 157, 162.

<sup>65</sup> *Callo-Claridad v. Esteban*, G.R. No. 191567, March 20, 2013, 694 SCRA 185, 196; *Levi Strauss (Phils.), Inc. vs. Lim*, supra, note 61, at 38-39;

<sup>66</sup> *Callo-Claridad v. Esteban*, at 196-197.

<sup>67</sup> *Id.* at 197.

And, secondly, even discounting the technicalities as to consider Caterpillar's petition for review as one brought under Rule 65, the recourse must still fail.

Probable cause for the purpose of filing an information in court consists in such facts and circumstances as would engender a well-founded belief that a crime has been committed and the accused may probably be guilty thereof.<sup>68</sup> The determination of probable cause lies solely within the sound discretion of the investigating public prosecutor after the conduct of a preliminary investigation. It is a sound judicial policy to refrain from interfering with the determination of what constitutes sufficient and convincing evidence to establish probable cause for the prosecution of the accused.<sup>69</sup> Thus, it is imperative that by the nature of his office, the public prosecutor cannot be compelled to file a criminal information in court if he is not convinced of the sufficiency of the evidence adduced for a finding of probable cause.<sup>70</sup> Neither can he be precluded from filing an information if he is convinced of the merits of the case.

In not finding probable cause to indict Samson for unfair competition, State Prosecutor Abad as the investigating public prosecutor discharged the discretion given to him by the law. Specifically, he resolved as follows:

It appears from the records that respondent started marketing his (class 25) products bearing the trademark Caterpillar as early as 1992. In 1994, respondent caused the registration of the trademark "Caterpillar With A Triangle Device Beneath The Letter [A]" with the Intellectual Property Office. Sometime on June 16, 1997, the IPO issued Certificate of Registration No. 64705 which appears to be valid for twenty (20) years, or up to June 16, 2017. Upon the strength of this registration, respondent continued with his business of marketing shoes, slippers, sandals, boots and similar Class 25 items bearing his registered trademark "Caterpillar". Under the law, respondent's operative act of registering his Caterpillar trademark and the concomitant approval/issuance by the governmental entity concerned, conferred upon him the exclusive right to use said trademark unless otherwise declared illegal. There being no evidence to controvert the fact that respondent's Certificate of Registration No. 64705 covering Caterpillar trademark was fraudulently or illegally obtained, it necessarily follows that its subsequent use and/or being passed on to the public militates malice or fraudulent intent on the part of respondent. Otherwise stated and from the facts obtaining, presumption of regularity lies, both from the standpoint of registration and use/passing on of the assailed Caterpillar products.

Complainant's argument that respondent may still be held liable for unfair competition by reason of his having passed on five (5) other Caterpillar products like "Cat", "Caterpillar", "Cat and Design", "Walking Machines" and "Track-Type Tractor Design" is equally difficult to

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<sup>68</sup> Id. at 199.

<sup>69</sup> Id.

<sup>70</sup> Supra note 55, at 40.

sustain. As may be gleaned from the records, respondent has been engaged in the sale and distribution of Caterpillar products since 1992 leading to the establishment of numerous marketing outlets. As such, it would be difficult to assail the presumption that respondent has already established goodwill insofar as his registered Caterpillar products are concerned. On the other hand, complainant's registration of the other Caterpillar products appears to have been caused only in 1995. In this premise, respondent may be considered as prior user, while the latter, a subsequent one. Jurisprudence dictates that prior user of the trademark by one, will controvert the claim by a subsequent one.<sup>71</sup>

We reiterate that the full discretionary authority to determine the existence of probable cause is lodged in the Executive Branch of the Government, through the public prosecutor, in the first instance, and the Secretary of Justice, on review. Such authority is exclusive, and the courts are prohibited from encroaching on the executive function, unless there is a clear showing of grave abuse of discretion amounting to lack or excess of jurisdiction on the part of the public prosecutor or the Secretary of Justice. As declared in *Callo-Claridad v. Esteban*:<sup>72</sup>

A public prosecutor alone determines the sufficiency of evidence that establishes the probable cause justifying the filing of a criminal information against the respondent because the determination of existence of a probable cause is the function of the public prosecutor. Generally, the public prosecutor is afforded a wide latitude of discretion in the conduct of a preliminary investigation. Consequently, it is a sound judicial policy to refrain from interfering in the conduct of preliminary investigations, and to just leave to the Department of Justice the ample latitude of discretion in the determination of what constitutes sufficient evidence to establish probable cause for the prosecution of supposed offenders. Consistent with this policy, courts do not reverse the Secretary of Justice's findings and conclusions on the matter of probable cause except in clear cases of grave abuse of discretion. By way of exception, however, judicial review is permitted where the respondent in the preliminary investigation clearly establishes that the public prosecutor committed grave abuse of discretion, that is, when the public prosecutor has exercised his discretion in an arbitrary, capricious, whimsical or despotic manner by reason of passion or personal hostility, patent and gross enough as to amount to an evasion of a positive duty or virtual refusal to perform a duty enjoined by law. Moreover, the trial court may ultimately resolve the existence or non-existence of probable cause by examining the records of the preliminary investigation when necessary for the orderly administration of justice. Although policy considerations call for the widest latitude of deference to the public prosecutor's findings, the courts should never shirk from exercising their power, when the circumstances warrant, to determine whether the public prosecutor's findings are supported by the facts, and by the law.

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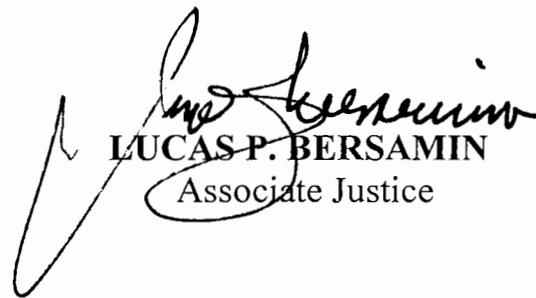
<sup>71</sup> *Rollo* (G.R. No. 205972), pp. 234-235.

<sup>72</sup> *Supra* note 65, at 199-200.

Relevantly, *grave abuse of discretion* means such capricious or whimsical exercise of judgment that is equivalent to lack of jurisdiction. The abuse of discretion must be grave, as when the power is exercised in an arbitrary or despotic manner by reason of passion or personal hostility, and it must be so patent and gross as to amount to an evasion of a positive duty or to a virtual refusal to perform the duty enjoined, or to act at all, in contemplation of law, as to be equivalent to having acted without jurisdiction.<sup>73</sup> Herein, Caterpillar did not show the grave abuse of discretion on the part of the Secretary of Justice.

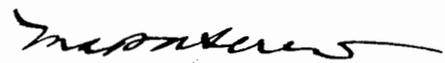
**WHEREFORE**, the Court **GRANTS** the petition for review in G.R. No. 164352; **SETS ASIDE** the decision promulgated on January 21, 2004 in CA-G.R. SP No. 75526; **DIRECTS** the Regional Trial Court in Muntinlupa City to reinstate Criminal Cases Nos. Q-02-108043-44 and forthwith try and decide them without undue delay; **DENIES** the petition for review on *certiorari* in G.R. No. 205972; and **ORDERS** respondent Manolo P. Samson to pay the costs of suit.

**SO ORDERED.**



**LUCAS P. BERSAMIN**  
Associate Justice

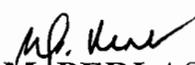
**WE CONCUR:**



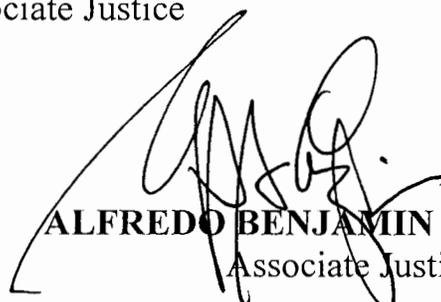
**MARIA LOURDES P. A. SERENO**  
Chief Justice



**TERESITA J. LEONARDO-DE CASTRO**  
Associate Justice



**ESTELA M. PERLAS-BERNABE**  
Associate Justice



**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

<sup>73</sup> *Julie's Franchise Corporation v. Ruiz*, G.R. No. 180988, August 28, 2009, 597 SCRA 463, 471.

## CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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