

FIRST DIVISION

[G.R. No. 157216. November 20, 2003.]

**246 CORPORATION, doing business under the name and style of ROLEX MUSIC LOUNGE, petitioner, vs. HON. REYNALDO B. DAWAY, in his capacity as Presiding Judge of Branch 90 of the Regional Trial Court of Quezon City, MONTES ROLEX S.A. and ROLEX CENTRE PHIL. LIMITED, respondents.**

**D E C I S I O N**

**YNARES-SANTIAGO, J p:**

This is a petition for review on *certiorari* under [Rule 45](#) of the [1997 Rules of Civil Procedure](#) assailing the November 28, 2002 Decision [\[1\]](#) of the Court of Appeals in CA-G.R. SP No. 64660 which dismissed the petition for *certiorari* filed by petitioner, as well as the Resolution [\[2\]](#) dated February 13, 2003 denying its motion for reconsideration.

The undisputed facts show that on November 26, 1998, respondents Montres Rolex S.A. and Rolex Centre Phil., Limited, owners/proprietors of Rolex and Crown Device, filed against petitioner 246 Corporation the instant suit for trademark infringement and damages with prayer for the issuance of a restraining order or writ of preliminary injunction [\[3\]](#) before the Regional Trial Court of Quezon City, Branch 90. Respondents alleged that sometime in July 1996, petitioner adopted and, since then, has been using without authority the mark "Rolex" in its business name "Rolex Music Lounge" as well as in its newspaper advertisements as — "Rolex Music Lounge, KTV, Disco & Party Club."

In its answer raising special affirmative defenses, petitioner argued that respondents have no cause of action because no trademark infringement exist; that no confusion would arise from the use by petitioner of the mark "Rolex" considering that its entertainment business is totally unrelated to the items catered by respondents such as watches, clocks, bracelets and parts thereof. It also contended that the complaint was not properly verified and certified against forum shopping considering that Atty. Alonzo Ancheta, the counsel of record of respondents who signed the verification and certification, was not authorized to represent respondents. [\[4\]](#)

On July 21, 2000, petitioner filed a motion for preliminary hearing on its affirmative defenses. [\[5\]](#) Subsequently, on motion of petitioner, the trial court issued a subpoena *ad testificandum* requiring Atty. Alonzo Ancheta to appear at the preliminary hearing. [\[6\]](#) Respondents, in the meantime, filed a Comment and Opposition [\[7\]](#) to the motion for preliminary hearing and a motion to quash the subpoena *ad testificandum*.

In an Order dated October 27, 2000, the trial court quashed the subpoena *ad testificandum* and denied petitioner's motion for preliminary hearing on affirmative defenses with motion to dismiss. [\[8\]](#)

With the denial of the motion for reconsideration on March 16, 2001, petitioner filed a petition for *certiorari* with the Court of Appeals contending that the trial court gravely abused its discretion in issuing the October 27, 2000 and March 16, 2001 orders.

On November 28, 2002, the Court of Appeals dismissed the petition. The motion for reconsideration filed by petitioner was denied. Hence, the instant petition anchored on the following grounds:

IN ISSUING THE ASSAILED DECISIONS, THE HONORABLE COURT OF APPEALS PERFUNCTORILY BRUSHED ASIDE THE CONTROLLING PRECEDENTS LAID DOWN BY THIS HONORABLE COURT IN ESSO STANDARD EASTERN, INC. VS. COURT OF APPEALS AND UNITED CIGARETTE CORPORATION AND OTHER COMPANION CASES HOLDING THAT NO TRADEMARK INFRINGEMENT CAN POSSIBLY OCCUR WHERE THE CONTENDING PARTIES DEAL WITH GOODS AND SERVICES THAT ARE TOTALLY UNRELATED AND NON-COMPETING WITH EACH OTHER.

II

IN ARBITRARILY AND CAPRICIOUSLY RULING THAT THE ISSUES RAISED IN PETITIONER'S CERTIORARI PETITION ARE QUESTIONS OF FACT, THE HONORABLE COURT OF APPEALS VIOLATED NOT ONLY PETITIONERS SUBSTANTIVE DUE PROCESS RIGHTS BUT ALSO THE WELL-SETTLED RULE THAT THE ALLEGATIONS OF THE COMPLAINT IS HYPOTHETICALLY ADMITTED WHEN THE MOTION TO DISMISS IS GROUNDED UPON LACK OF CAUSE OF ACTION. MOREOVER, INDEPENDENT OF THE HYPOTHETICALLY ADMITTED FACTS EMBODIED IN THE COMPLAINT A QUO, THERE ARE SELF-EVIDENT FACTS AND IMPLIEDLY ADMITTED FACTS CONTAINED IN PRIVATE RESPONDENTS' PLEADINGS THAT WOULD CLEARLY AND UNMISTAKABLY SHOW PRIVATE RESPONDENTS' LACK OF CAUSE OF ACTION AGAINST HEREIN PETITIONER.

III

THE HONORABLE COURT OF APPEALS VIOLATED PETITIONER'S RIGHT TO SUBSTANTIVE DUE PROCESS WHEN IT ARBITRARILY AND CAPRICIOUSLY RULED THAT WHAT WAS SPECIFICALLY DENIED IN THE ASSAILED OCTOBER 20, 2000 ORDER IS PETITIONER'S MOTION FOR PRELIMINARY HEARING ON DEFENDANT'S AFFIRMATIVE DEFENSES AND NOT PETITIONER'S MOTION TO DISMISS PER SE CONSIDERING THAT:

- A. THERE IS ABSOLUTELY NOTHING IN THE ORDER DATED OCTOBER 20, 2000 OF RESPONDENT JUDGE WHICH SUGGESTS THAT THE RESOLUTION OF PETITIONER'S MOTION TO DISMISS PER SE WAS HELD IN ABEYANCE BY THE RESPONDENT JUDGE. HENCE THE SAID ORDER DATED OCTOBER 20, 2000 ALSO CONSTITUTES A DENIAL ON THE MERITS OF PETITIONER'S MOTION TO DISMISS PER SE AND NOT MERELY OF PETITIONER'S MOTION FOR PRELIMINARY HEARING THEREON.
- B. PRIVATE RESPONDENTS' COMMENT AND OPPOSITION DATED 11 AUGUST 2000, WHICH WAS CITED AND SUSTAINED BY RESPONDENT JUDGE, CLEARLY TRAVERSED THE MERITS OF THE GROUNDS FOR PETITIONER'S MOTION TO DISMISS PER SE. HENCE, THE SAID 20 OCTOBER 2000 ORDER'S DENIAL OF PETITIONER'S MOTION IS NOT LIMITED TO THE MOTION FOR PRELIMINARY HEARING BUT ALSO CONSTITUTES A DENIAL OF PETITIONER'S MOTION TO DISMISS PER SE.

IV

IN ARBITRARILY AND CAPRICIOUSLY RULING THAT ATTY. ALONZO ANCHETA PROPERLY VERIFIED AND CERTIFIED PRIVATE RESPONDENTS' COMPLAINT A QUO, THE HONORABLE COURT OF APPEALS VIOLATED NOT ONLY PETITIONER'S SUBSTANTIVE DUE PROCESS RIGHTS, BUT ALSO THE DOCTRINE OF SEPARATE

CORPORATE PERSONALITY; CONSIDERING THAT THE RECORDS OF THIS CASE IS (sic) COMPLETELY BEREFT AND DEVOID OF ANY DULY EXECUTED SPECIAL POWER OF ATTORNEY, EMANATING FROM PRIVATE RESPONDENTS, WHICH EXPLICITLY AND SPECIFICALLY AUTHORIZES ATTY. ALONZO ANCHETA TO REPRESENT PRIVATE RESPONDENTS MONTRES ROLEX S.A. IN THE FILING OF THE COMPLAINT A QUO. BY REASON THEREOF, PRIVATE RESPONDENTS COULD NOT BE DEEMED TO HAVE VOLUNTARILY APPEARED BEFORE THE RESPONDENT JUDGE; CONSEQUENTLY, THE TRIAL COURT COULD NOT HAVE VALIDLY ACQUIRED JURISDICTION OVER THE PERSON OF PRIVATE RESPONDENTS.

V

IN ARBITRARILY AND CAPRICIOUSLY AFFIRMING RESPONDENT JUDGE'S QUASHAL OF THE SUBPOENA DATED 14 AUGUST 2000 DIRECTED AGAINST ATTY. ALONZO ANCHETA, THE HONORABLE COURT OF APPEALS VIOLATED NOT ONLY PETITIONER'S SUBSTANTIVE DUE PROCESS RIGHTS, BUT ALSO SECTION 9, [RULE](#) 132 AND SECTION 7 [RULE](#) 133 OF THE 1989 REVISED RULES ON EVIDENCE, AND THE RULING OF THIS HONORABLE COURT IN THE CASE OF PEOPLE VS. RIVERA. [\[9\]](#)

Simply put, the issues are as follows — (1) whether the trial court denied not only petitioner's motion for preliminary hearing on its affirmative defenses but its motion to dismiss as well; (2) if the answer is in the affirmative, whether or not the trial court gravely abused its discretion in denying said motions; and (3) whether the trial court gravely abused its discretion in quashing the subpoena *ad testificandum* issued against Atty. Ancheta.

Anent the first issue, we find that what was denied in the order dated October 27, 2000 was not only the motion for preliminary hearing but the motion to dismiss as well. A reading of the dispositive portion of said order shows that the trial court neither qualified its denial nor held in abeyance the ruling on petitioner's motion to dismiss thus —

IN VIEW OF THE FOREGOING, the aforecited Motion To Quash Subpoena *Ad Testificandum* is granted; and the aforecited Motion For Preliminary Hearing On Defendant's Affirmative Defenses *With Motion To dismiss The Instant Complaint Based On Said Affirmative Defenses* is denied. [\[10\]](#) (Emphasis supplied)

In issuing the assailed order, the trial court ruled on the merits of petitioner's Motion to Dismiss *vis-à-vis* respondents' Comment and Opposition which clearly traversed the affirmative defenses raised by petitioner, to wit:

After carefully going over the pleadings, this Court finds, on the first motion that the arguments raised in the said motion and the reply filed in connection thereto appear to be meritorious; and on the second motion, that the arguments raised in the comments and opposition and the rejoinder filed by the plaintiffs likewise appear to be meritorious. [\[11\]](#)

Moreover, it is presumed that all matters within an issue raised in a case were passed upon by the court. In the absence of evidence to the contrary, the presumption is that the court *a quo* discharged its task properly. [\[12\]](#)

In [Municipality of Biñan Laguna v. Court of Appeals](#), [\[13\]](#) decided under the old [Rules of Civil Procedure](#), it was held that a preliminary hearing permitted under [Rule](#) 16, Section 5, is not mandatory even when the same is prayed for. It rests largely on the sound discretion of the trial court, thus —

SEC. 5. *Pleading grounds as affirmative defenses.* — Any of the grounds for dismissal provided for in this [Rule](#), except improper venue, may be pleaded as an affirmative defense, and a *preliminary hearing may be had thereon as if a motion to dismiss had been filed.* (Emphasis supplied)

The use of the word "may" in the aforementioned provision shows that such a hearing is not a matter of right demandable from the trial court; it is not mandatory but discretionary. "May" is an auxiliary verb indicating liberty, opportunity, permission and possibility. [14] Such interpretation is specifically stated under the [1997 Rules of Civil Procedure. Rule 16](#), Section 6, now provides that a grant of a preliminary hearing rests on the sound *discretion* of the court, to wit —

SEC. 6. *Pleading grounds as affirmative defenses.* — If no motion to dismiss has been filed, any of the grounds for dismissal provided for in this [Rule](#) may be pleaded as an affirmative defense in the answer and, *in the discretion of the court, a preliminary hearing may be had thereon as if a motion to dismiss had been filed.* (Emphasis supplied)

In the case at bar, the Court of Appeals did not err in finding that no abuse of discretion could be ascribed to the trial court's denial of petitioner's motion for preliminary hearing on its affirmative defenses with motion to dismiss. The issue of whether or not a trademark infringement exists, is a question of fact that could best be determined by the trial court.

Under the [old Trademark Law \[15\]](#) where the goods for which the identical marks are used are unrelated, there can be no likelihood of confusion and there is therefore no infringement in the use by the junior user of the registered mark on the entirely different goods. [16] This ruling, however, has been to some extent, modified by Section 123.1(f) of the [Intellectual Property Code \(Republic Act No. 8293\)](#), which took effect on January 1, 1998. The said section reads:

Sec. 123. *Registrability.* — 123.1. A mark cannot be registered if it:

xxx xxx xxx

(f) Is identical with, or confusingly similar to, or constitutes a translation of a mark considered well-known in accordance with the preceding paragraph, which is registered in the Philippines with respect to goods or services which are not similar to those with respect to which registration is applied for: *Provided*, That use of the mark in relation to those goods or services would indicate a connection between those goods or services, and the owner of the registered mark: *Provided, further*, That the interest of the owner of the registered mark are likely to be damaged by such use; (Emphasis supplied)

A junior user of a well-known mark on goods or services which are not similar to the goods or services, and are therefore unrelated, to those specified in the certificate of registration of the well-known mark is precluded from using the same on the entirely unrelated goods or services, subject to the following requisites, to wit:

1. The mark is well-known internationally and in the Philippines. Under [Rule 102](#) of the [Rules and Regulations on Trademarks; Service Marks, Trade Names and Marked or Stamped Containers, \[17\]](#) in determining whether a mark is well known, the following criteria or any combination thereof may be taken into account:

(a) the duration, extent and geographical area of any use of the mark, in particular, the duration, extent and geographical area of any promotion of the mark, including

advertising or publicity and presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;

- (b) the market share in the Philippines and in other countries, of the goods and/or services to which the mark applies;
- (c) the degree of the inherent or acquired distinction of the mark;
- (d) the quality-image or reputation acquired by the mark;
- (e) the extent to which the mark has been registered in the world;
- (f) the exclusivity of the registration attained by the mark in the world;
- (g) the extent to which the mark has been used in the world;
- (h) the exclusivity of use attained by the mark in the world;
- (i) the commercial value attributed to the mark in the world;
- (j) the record of successful protection of the rights in the mark;
- (k) the outcome of litigations dealing with the issue of whether the mark is a well-known mark; and
- (l) the presence of absence of identical or similar marks validly registered for or used on identical or similar goods or services and owned by persons other than the person claiming that his mark is a well-known mark.

2. The use of the well-known mark on the entirely unrelated goods or services would indicate a connection between such unrelated goods or services and those goods or services specified in the certificate of registration in the well known mark. This requirement refers to the likelihood of confusion of origin or business or some business connection or relationship between the registrant and the user of the mark.

3. The interests of the owner of the well-known mark are likely to be damaged. For instance, if the registrant will be precluded from expanding its business to those unrelated good, or services, or if the interests of the registrant of the well-known mark will be damaged because of the inferior quality of the good or services of the user. [\[18\]](#)

Section 123.1(f) is clearly in point because the Music Lounge of petitioner is entirely unrelated to respondents' business involving watches, clocks, bracelets, etc. However, the Court cannot yet resolve the merits of the present controversy considering that the requisites for the application of Section 123.1(f), which constitute the kernel issue at bar, clearly require determination facts of which need to be resolved at the trial court. The existence or absence of these requisites should be addressed in a full blown hearing and not on a mere preliminary hearing. The respondent must be given ample opportunity to prove its claim, and the petitioner to debunk the same.

The same is true with respect to the issue of whether Atty. Alonzo Ancheta was properly authorized to sign the verification and certification against forum shopping in behalf of respondents. This could be properly resolved during the trial together with the substantive issues raised by petitioner.

Considering that the trial court correctly denied petitioner's motion for preliminary hearing on its affirmative defenses with motion to dismiss, there exists no reason to compel Atty. Ancheta to testify. Hence, no abuse of discretion was committed by the trial court in quashing the subpoena *ad testificandum* issued against Atty. Ancheta.

Grave abuse of discretion implies such capricious and whimsical exercise of judgment as equivalent to lack of jurisdiction, or, in other words, where 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 positive duty or to a virtual refusal to perform the duty enjoined or to act at all in contemplation of law. None of these was committed by the trial court; hence, the Court of Appeals correctly dismissed the petition.

**WHEREFORE**, in view of all the foregoing, the petition for review on *certiorari* filed by petitioner is DENIED. The November 28, 2002 Decision and the February 13, 2003 Resolution of the Court of Appeals in CA-G.R. SP No. 64660 which dismissed the petition for *certiorari* filed by petitioner are AFFIRMED.

**SO ORDERED.**

*Davide, Jr., C. J. , Panganiban, Carpio and Azcuna, JJ ., concur.*

**Footnotes**

1. *Rollo*, p. 51, penned by Associate Justice Romeo A. Brawner and concurred in by Associate Justices Bienvenido L. Reyes and Danilo B. Pine.
2. *Rollo*, p. 61.
3. Docketed as Civil Case No. Q-98-36172, *Rollo*, p. 62.
4. Answer, *Rollo*, pp. 138–139; See also pp. 134–137.
5. *Rollo*, p. 147.
6. Petition, *Rollo*, p. 10.
7. *Rollo*, p. 170.
8. *Rollo*, p. 214.
9. Petition, pp. 17–19.
10. *Op. cit.*, note 8.
11. *Id.*
12. [Spouses Vicky Tan Toh v. Solid Bank Corporation](#), G.R. No. 154183, 7 August 2003.
13. G.R. No. 94733, 17 February 1993, 219 SCRA 69.
14. [Municipality of Binan Laguna](#), *supra*, pp. 75–76.
15. [Republic Act No. 166](#).
16. [Esso Standard Eastern, Inc. v. Court of Appeals](#), 201 Phil. 803 (1982); [Hickok, Manufacturing Co., Inc. v. Court of Appeals](#), 201 Phil. 853 (1982); [Faberge, Inc. v. Intermediate Appellate Court](#), G.R. No. 71189, 4 November 1992, 215 SCRA 316.
17. Amended by Office Order No. 17 dated 1 December 1998.
18. Ruben E. Agpalo, The [Law on Trademark](#) Infringement and Unfair Competition, 2000 Edition, pp. 168–170.