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SECOND DIVISION

[G.R. No. L-40163. June 19, 1982]

LEVITON INDUSTRIES, NENA DE LA CRUZ LIM, DOMINGO GO, and LIM KIAT, petitioners, *vs.* HON. SERAFIN SALVADOR, Judge, Court of First Instance of Rizal, Caloocan City, Branch XIV and LEVITON MANUFACTURING CO., INC. respondents.

SYNOPSIS

Private respondent Leviton Manufacturing Co., Inc. filed a complaint for unfair competition with prayer for damages and the issuance of a writ of preliminary injunction, under the provisions of Section 21-A of Republic Act No. 166 against petitioners who allegedly used the trademark Leviton, belonging to private respondent and copied its design which would cause confusion in the minds of the consumers. All that is alleged in private respondent's complaint is that it is a foreign corporation. Petitioners moved to dismiss the complaint for failure to state a cause of action, drawing attention to the failure to allege therein private respondent's capacity to sue under said law. The lower court denied both the motion and supplemental motion of petitioners to dismiss the complaint as well as their motion for reconsideration of said denial.

On certiorari and prohibition, the Supreme Court ruled that such bare averment in private respondent's complaint not only fails to comply with the requirements of Section 21-A of Republic Act No. 166 but violates as well the directive of Section 4, Rule 8 of the Rules of Court on the capacity of parties to sue.

Assailed Order, set aside.

SYLLABUS

1. COMMERCIAL LAW; TRADEMARK LAW; FOREIGN CORPORATIONS; CONDITIONS *SINE QUA NON* FOR THE RIGHT TO SEEK REDRESS FOR UNFAIR COMPETITION BEFORE PHILIPPINE COURTS.— Undoubtedly, Section 21-A of the Trademark Law (Republic Act No. 166) grants to a foreign corporation, whether or not licensed to do business in the Philippines, the right to seek redress for unfair competition before Philippine courts. But the said law is not without qualifications. Its literal tenor indicates as a condition *sine qua non* the registration of the trademark

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of the suing foreign corporation with the Philippine Patent Officer or, in the least, that it be an assignee of such registered trademark. The said section further requires that the country, of which the plaintiff foreign corporation or juristic person is a citizen or democilliary, grants to Filipino corporations or juristic entities the same reciprocal treatment, either thru treaty, convention or law.

2. REMEDIAL LAW; PLEADINGS AND PRACTICE; REQUIRED AVERMENTS IN A COMPLAINT AS TO RIGHT TO SUE; NOT COMPLIED WITH IN CASE AT BAR.— Private respondent has chosen to anchor its action under the Trademark Law of the Philipines, a law which, as pointed out, explicitly sets down the conditions precedent for the successful prosecution thereof. It is therefore incumbent upon private respondent to comply with these requirements or aver its exemption therefrom, if such be the case. It may be that private respondent has the right to sue before Philippine courts, but our rules on pleadings require that the necessary qualifying circumstances which clothe it with such right be affirmatively pleaded. Hence, where in the case at bar, all that is alleged in private respondent's complaint is that it is a foreign corporation, such bare averment not only fails to comply with the requirements imposed by the aforesaid Section 21-A but violates as well the directive of Section 4, Rule 8 of the Rules of Court.

3. ID.; ID.; ID.; REASON FOR THE RULE.— The reason for the rule requiring the necessary qualifying circumstances which clothe the party with the right to sue be affirmatively pleaded is enunciated in "Atlantic Mutual Insurance Co., et al. *versus* Cebu Stevedoring Co., Inc." as follows: "these are matters peculiarly within the knowledge of appellants alone, and it would be unfair to impose upon appellees the burden of asserting and proving the contrary. It is enough that foreign corporations are allowed by law to seek redress in our courts under certain conditions: the interpretation of the law should not go so far as to include, in effect, an inference that those conditions had been met from the mere fact that the party sued is a foreign corporation." (17 SCRA 1037)

APPEARANCES OF COUNSEL

Enrique G. Santos for petitioners.

V.E. del Rosario & Assoc. and *Picazo, Santayana, Reyes & Tayao* for respondents.

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DECISION

ESCOLIN, *J.*:

Challenged in this petition for certiorari and prohibition is the order of the respondent Judge Serafin Salvador in Civil Case No. C-2891 of the Court of First Instance of Rizal, sustaining the legal capacity of a foreign corporation to maintain a suit for unfair competition under Section 21-A of Republic Act No. 166, as amended, otherwise known as the Trademark Law.

On April 17, 1973, private respondent Leviton Manufacturing Co., Inc. filed a complaint for unfair competition against petitioners Leviton Industries, Nena de la Cruz Lim, Domingo Go and Lim Kiat before the Court of First Instance of Rizal, Branch XXXIII, presided by respondent Judge Serafin Salvador. The complaint substantially alleges that plaintiff is a foreign corporation organized and existing under the laws of the State of New York, United States of America, with office located at 236 Greenpoint Avenue, Brooklyn City, State of New York, U.S.A.; that defendant Leviton Industries is a partnership organized and existing under the laws of the Philippines with principal office at 382 10th Avenue, Grace Park, Caloocan City; while defendants Nena de la Cruz Lim, Domingo Go and Lim Kiat are the partners, with defendant Domingo Go acting as General Manager of defendant Leviton Industries; that plaintiff, founded in 1906 by Isidor Leviton, is the largest manufacturer of electrical wiring devices in the United States under the trademark Leviton, which various electrical wiring devices bearing the trademark Leviton and trade name Leviton Manufacturing Co., Inc. had been exported to the Philippines since 1954; that due to the superior quality and widespread use of its products by the public, the same are well known to Filipino consumers under the trade name Leviton Manufacturing Co., Inc. and trademark Leviton; that long subsequent to the use of plaintiff's trademark and trade name in the Philippines, defendants began manufacturing and selling electrical ballast, fuse and oval buzzer

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under the trademark Leviton and trade name Leviton Industries Co., that Domingo Go, partner and general manager of defendant partnership, had registered with the Philippine Patent Office the trademarks Leviton Label and Leviton with respect to ballast and fuse under Certificate of Registration Nos. SR-1132 and 15517, respectively, which registration was contrary to paragraphs (d) and (e) of Section 4 of RA 166, as amended, and violative of plaintiff's right over the trademark Leviton; that defendants not only used the trademark Leviton but likewise copied the design used by plaintiff in distinguishing its trademark; and that the use thereof by defendants of its products would cause confusion in the minds of the consumers and likely to deceive them as to the source of origin, thereby enabling defendants to pass off their products as those of plaintiff's.

Invoking the provisions of Section 21-A of Republic Act No. 166, plaintiff prayed for damages. It also sought the issuance of a writ of injunction to prohibit defendants from using the trade name Leviton Industries, Co. and the trademark Leviton.

Defendants moved to dismiss the complaint for failure to state a cause of action, drawing attention to the plaintiff's failure to allege therein its capacity to sue under Section 21-A of Republic Act No. 166, as amended. After the filing of the plaintiff's opposition and the defendant's reply, the respondent judge denied the motion on the ground that the same did not appear to be indubitable.

On September 21, 1973, defendants filed their answer, reiterating the ground supporting their motion to dismiss. Thereafter, defendants served upon plaintiff a request for admission, under Rule 26 of the Rules of Court, of the following matters of fact, to wit:

"(1) That the plaintiff is not actually manufacturing, selling and/or distributing ballasts generally used in flourescent lighting;

"(2) That plaintiff has no registered trademark or trade name in the Philippine Patent Office of any of its products; and

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"(3) That plaintiff has no license to do business in the Philippines under and by virtue of the provision of Act No. 1459, better known as the Philippine Corporation Law, at the time it filed the complaint."[1]

Complying with the said request, plaintiff admitted:

"That it does not manufacture ballasts; that it has not registered its trademark in the Philippine Patent Office, but has filed with the same office an application of its trade mark on April 16, 1971; and that it has no license to do business in the Philippines.[2]

On the basis of these admissions, defendants filed an Urgent Supplemental Motion to Dismiss. This was followed by the plaintiff's opposition, and the defendant's rejoinder, after which respondent judge issued the questioned order[3] denying the motion, thus:

"Acting on the Urgent Supplemental Motion to Dismiss, dated July 2, 1974, filed by counsels for the defendants, as well as the oppositions thereto, the Court after a careful consideration of the reasons adduced for and against said motion, is of the opinion that the same should be, as it is hereby DENIED.

SO ORDERED."

The motion for reconsideration having likewise been denied, defendants instituted the instant petition for certiorari and prohibition, charging respondent judge with grave abuse of discretion in denying their motion to dismiss.

We agree with petitioners that respondent Leviton Marketing Co., Inc. had failed to allege the essential facts bearing upon its capacity to sue before Philippine courts. Private respondent's action is squarely founded on Section 21-A of Republic Act No. 166, as amended, which we quote:

"Sec. 21-A. Any foreign corporation or juristic person to which a mark or tradename has been registered or assigned under this Act may bring an

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[1] Annex G of petition.

[2] Annex H of petition.

[3] Annex N of petition.

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action hereunder for infringement, for unfair competiton, or false designation of origin and false description, whether or not it has been licensed to do business in the Philippines under Act numbered Fourteen Hundred and Fifty-Nine, as amended, otherwise known as the Corporation Law, at the time it brings the complaint; Provided, That the country of which the said foreign corporation or juristic person is a citizen, or in which it is domiciled, by treaty, convention or law, grants a similar privilege to corporate or juristic persons of the Philippines." (As amended by R.A. No. 638)

Undoubtedly, the foregoing section grants to a foreign corporation, whether or not licensed to do business in the Philippines, the right to seek redress for unfair competition before Philippine courts. But the said law is not without qualifications. Its literal tenor indicates as a condition *sine qua non* the registration of the trade mark of the suing foreign corporation with the Philippine Patent Office or, in the least, that it be an assignee of such registered trademark. The said section further requires that the country, of which the plaintiff foreign corporation or juristic person is a citizen or domicilliary, grants to Filipino corporations or juristic entities the same reciprocal treatment, either thru treaty, convention or law.

All that is alleged in private respondent's complaint is that it is a foreign corporation. Such bare averment not only fails to comply with the requirements imposed by the aforesaid Section 21-A but violates as well the directive of Section 4, Rule 8 of the Rules of Court that "facts showing the capacity of a party to sue or be sued or the authority of a party to sue or be sued in a representative capacity or the legal existence of an organized association of persons that is made a party, must be averred."

In the case at bar, private respondent has chosen to anchor its action under the Trademark Law of the Philippines, a law which, as pointed out, explicitly sets down the conditions precedent for the successful prosecution thereof. It is therefore incumbent upon private respondent to comply with these requirements or aver its exemption therefrom, if such be the case. It may be that private respondent has the right to sue before

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Philippine courts, but our rules on pleadings require that the necessary qualifying circumstances which clothe it with such right be affirmatively pleaded. And the reason therefor, as enunciated in "Atlantic Mutual Insurance Co., et al. *versus* Cebu Stevedoring Co., Inc."[4] is that—

"these are matters peculiarly within the knowledge of appellants alone, and it would be unfair to impose upon appellees the burden of asserting and proving the contrary. It is enough that foreign corporations are allowed by law to seek redress in our courts under certain conditions: the interpretation of the law should not go so far as to include, in effect, an inference that those conditions had been met from the mere fact that the party sued is a foreign corporation."

"It was indeed in the light of this and other considerations that this Court has seen fit to amend the former rule by requiring in the revised rules (Section 4, Rule 8) that "facts showing the capacity of a party to sue or be sued or the authority of a party to sue or be sued in a representative capacity or the legal existence of an organized association of persons that is made a party, must be averred."

IN VIEW OF THE FOREGOING, the instant petition is hereby granted and, accordingly, the order of the respondent judge dated September 27, 1974 denying petitioner's motion to dismiss is hereby set aside. The Court of First Instance of Rizal (Caloocan City), the court of origin, is hereby restrained from conducting further proceedings in Civil Case No. C-2891, except to dismiss the same. No costs.

SO ORDERED.

Guerrero, Abad Santos, and *De Castro, JJ.,* concur.

Barredo (Chairman), J., I concur in the above opinion and judgment as well as in the concurring opinion of Justice Aquino.

Aquino, J., concurs in a separate opinion.

*Concepcion, Jr., J.,*is on leave.

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[4] 17 SCRA 1037.

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AQUINO, *J., concurring*:

I concur. Respondent Leviton Manufacturing Co., Inc. alleged in paragraph 2 of its complaint for unfair competition that its action "is being filed under the provisions of Section 21-A of Republic Act" No. 166, as amended. Respondent is bound by that allegation in its complaint.

It cannot sue under Section 21-A because it has not complied with the requirements thereof that (1) its trade mark "Leviton" has been registered with the Patent Office (2) that it should show that the State of New York grants to Philippine corporations the privilege to bring an action for unfair competition in that state.

Respondent Leviton has to comply with those requirements before it can be allowed to maintain an action for unfair competition (Atlantic Mutual Ins. Co. *vs.* Cebu Stevedoring Co., Inc. 124 Phil. 463).

On April 16, 1971 respondent Leviton Manufacturing Co., Inc. filed an application with the Patent Office for the registration of its trademark. The record does not show whether that application has been granted.

The fact that it has filed with the Patent Office two petitions both dated June 14, 1974 for the *cancellation* of the trademark "Leviton" issued to Domingo Go shows that the dismissal of its instant action for unfair competition does not leave it without any remedy whatsoever.

That remedy—administrative cancellation of the trademark—was resorted to in General Garments Corporation *vs.* Director of Patents, L-24295, September 30, 1971, 41 SCRA 50, cited by respondent Leviton in its memorandum. It is provided for in Section 17 of Republic Act No. 166. As held in the *General Garments Corporation* case, Section 17 does not require that the trademark of the foreign corporation alleged to have been infringed should have been registered.

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In this connection, it may be noted that Section 133 of the Corporation Code, Batas Blg. 68, which took effect on May 1, 1980, provides that "no foreign corporation *transacting business in the Philippines without a license,* or its successors or assigns, shall be permitted to maintain or intervene in any action, suit or proceeding in any court or administrative agency of the Philippines . . . ." Section 133 is more stringent than Section 69 of the Corporation Law, Act No. 1459.

SECOND DIVISION

[G.R. No. L-45215. June 19, 1982]

REPUBLIC OF THE PHILIPPINES (CIVIL AERONAUTICS ADMINISTRATION), petitioner, *vs.* HON. AGAPITO HONTANOSAS, the former presiding Judge of the Court of First Instance of Cebu, Branch XI, HON. FRANCIS MILITANTE, the vacation Judge of Branch XI, Court of First Instance of Cebu, Branch XI, HON. REGINO HERMOSISIMA, the incumbent presiding Judge of Branch XI, RAMON YU, TEOFISTA VILLAMALA, LOURDES YU and YU SE PENG, respondents.

SYNOPSIS

In an action for recovery of ownership and possession of a piece of land included in the expropriation proceedings instituted by the government, the possession of which was turned over to the Civil Aeronautics Administration (CAA), the Court of First Instance of Cebu rendered a decision in favor of private respondents (plaintiffs therein) and against the petitioner, the Republic of the Philippines (CAA). The Civil Aeronautics Administration seasonably filed a notice of appeal but requested for a 30 day extension within which to file the record on appeal which was granted and so were the four other motions for extension of time filed by the Solicitor General. But as the fifth motion for extension of time was filed on January 5, 1976 after the expiration of the fourth extension on January 2, 1976, the lower court, on motion of private respondents, reconsidered its previous order granting the fifth motion for extension of time to file record on appeal and dismissed the appeal.