



Republic of the Philippines
 Supreme Court
 Manila

THIRD DIVISION

SAO PAULO ALPARGATAS S.A.,
Petitioner,

G.R. No. 202900

Present:

-versus-

LEONEN, J.,
Chairperson,
 HERNANDO,
 INTING,
 DELOS SANTOS, and
 LOPEZ, J. Y., JJ.

KENTEX MANUFACTURING
 CORPORATION AND ONG KING
 GUAN,

Promulgated:

Respondents.

February 17, 2021

Micel DC Bhatt

X ----- X

DECISION

HERNANDO, J.:

This Petition for Review on *Certiorari*¹ challenges the February 10, 2012² Decision of the Court of Appeals (CA) in CA-GR. SP No. 119379 which reversed and set aside the December 16, 2010³ and February 28, 2011⁴ Orders of the Regional Trial Court (RTC) of Manila, Branch 7, which denied the Motion to Quash Search Warrant Nos. 10-16378 to 81 and to Return the Seized Goods and Effects to the Owners filed by the respondents. The assailed July 10, 2012 Resolution⁵ denied petitioner's Motion for Reconsideration.

¹ *Rollo*, Vol. 1, pp. 63-125.

² *Id.* at 20-29; penned by Associate Justice Marlene B. Gonzales-Sison and concurred in by Associate Justices Hakim S. Abdulwahid and Leoncia R. Dimagiba.

³ *Id.* at 468-474; penned by Presiding Judge Ma. Theresa Dolores C. Gomez-Estoesta.

⁴ *Id.* at 476-477.

⁵ *Id.* at 31-32.

The Antecedents:

Petitioner Sao Paulo Alpargatas S.A. (SPASA) is the owner and manufacturer of the footwear brand “Havaianas” and distributed by Terry S.A. Inc. in the Philippines. SPASA is also the registered owner of different marks, devises and logos of the brand “Havaianas” in the country.⁶ Meanwhile, respondents Kentex Manufacturing Corporation (Kentex) and its president, Ong King Guan (Ong) own and manufacture the slippers or footwear with the brand name “Havana”. Kentex’s warehouses are located in the cities of Caloocan and Valenzuela.⁷

On August 12, 2010, the Director of the National Bureau of Investigation (NBI) received a letter-complaint from Hechanova Bugay & Vilchez Law Office, SPASA’s legal representative, requesting for the NBI’s assistance in the investigation and prosecution of entities which are engaged in the sale and distribution of fake “Havaianas” products bearing the same mark and designs.⁸

Pursuant to the letter-complaint, NBI Agent Terrence Agustin (Agent Agustin), along with Intellectual Property Manila market researchers, Lea Carmona and Winda San Andres Legaspi (investigation team), conducted an inquiry. According to their sworn affidavits, the investigation team went to several establishments and found footwear with markings “Havana” or “Havaianas” which closely resembled SPASA’s “Havaianas” sandals/slippers and also bore SPASA’s “Havaianas Rice Pattern Logo” and “Havaianas Greek Pattern Logo” marks. The investigation team discovered that Kentex manufactures the said products based on the team’s observation of delivery trucks which were loading and unloading the said “Havana” and “Havaianas” products at Kentex’s warehouse in Caloocan City.⁹

On September 6, 2010, Agent Agustin filed applications for search warrants against the respondents for violating Republic Act No. 8293 (RA 8293) on trademark infringement and unfair competition. During the *ex-parte* hearing, Agent Agustin submitted various samples of: 1) “Havana” slippers manufactured and distributed by the respondents; and 2) “Havaianas” slippers manufactured and distributed by SPASA. In addition, he presented the sworn affidavits of the members of the investigation team. In view of this, the RTC issued Search Warrant Nos. 10-16378 to 81¹⁰ which covered Kentex’s premises in the cities of Valenzuela and Caloocan.¹¹

The implementation of the search warrants caused the seizure of respondents’ products. Thus, respondents filed a Motion to Quash Search

⁶ Id. at 21.

⁷ Id. at 21-22.

⁸ Id. at 22.

⁹ Id.

¹⁰ Id. at 149-156; penned by Judge Ma. Theresa Dolores C. Gomez-Estoesta.

¹¹ Id. at 22-23.

Warrant Nos. 10-16378 to 81 and to Return the Seized Goods and Effects to the Owners (Motion to Quash).¹² In support of their motion, the respondents submitted a Certificate of Copyright Registration¹³ dated June 16, 1995 with the National Library for “Havana Footwear,” which was registered on June 1, 1995. They also submitted their Trademark Application¹⁴ for “Havana Sandals (Stylized)” filed on October 9, 2009, Application for Industrial Design No. 3-2009-000657¹⁵ (for Slippers) filed on October 9, 2009, and Application for Industrial Design No. 3-2009-000658¹⁶ (for Sole) filed on October 19, 2009 with the Intellectual Property Office of the Philippines (IPO).

SPASA filed its Comment¹⁷ to the respondents’ Motion to Quash and attached the following documents: 1) Certificate of Registration¹⁸ of the mark “Havaianas” filed on December 2, 2002 (for a period of 10 years from November 20, 2005); 2) Certificate of Registration¹⁹ of the mark “Havaianas” filed on June 19, 2007 (for a period of 10 years from January 21, 2008); 3) Certificate of Registration²⁰ of the mark “Havaianas” filed on December 5, 2008 (for a period of 10 years from May 4, 2009); 4) Certificate of Registration of the “Rice Pattern Logo”²¹ filed on April 2, 2009 (for a period of 10 years from November 26, 2009); and 5) Certificate of Registration of the “Greek Pattern Logo”²² filed on April 2, 2009 (for a period of 10 years from January 21, 2010).

SPASA also filed a Petition for Cancellation of the respondents’ Certificate of Registration No. 3-2009-000657 for the industrial design entitled “Slipper”²³ as well as Certificate of Registration No. 3-2009-000658 for the industrial design entitled “Sole”²⁴ before the IPO as these were allegedly not new or original. Likewise, SPASA filed a Complaint²⁵ for Trademark Infringement, Unfair Competition, False Designation of Origin/False Representation and Damages with Prayer for Preliminary Injunction before the IPO against the respondents.

In its Order²⁶ dated June 1, 2012, the IPO granted SPASA’s prayer for the issuance of a Writ of Preliminary Injunction. It ruled that SPASA established its clear and unmistakable right which needs to be protected. To allow the

¹² Id. at 158-180.

¹³ Id. at 181.

¹⁴ Id. at 182-186.

¹⁵ Id. at 187-191.

¹⁶ Id. at 192-197.

¹⁷ Id. at 199-213.

¹⁸ Id. at 214-216.

¹⁹ Id. at 218-219.

²⁰ Id. at 221-222.

²¹ Id. at 224-225.

²² Id. at 227-228.

²³ *Rollo*, Vol. II, pp. 679-690.

²⁴ Id. at 692-704.

²⁵ Id. at 706-724.

²⁶ Id. at 726-728; penned by Adoracion U. Zare (Hearing Officer; for the Director) with the concurrence of Atty. Nathaniel S. Arevalo (Director IV – Bureau of Legal Affairs).

respondents' continuous operation using its copyright registration as a trademark would bestow undue benefit to the respondents and cause grave irreparable injury to SPASA in terms of profit and goodwill, as SPASA's "Havaianas" mark is duly registered with the IPO.

Ruling of the Regional Trial Court (RTC):

In its December 16, 2010 Order,²⁷ the RTC denied the respondents' Motion to Quash. It noted that the preliminary investigation conducted by the city prosecutors against the respondents has no direct bearing in the determination of the merits of the application. The trial court found probable cause for the issuance of the search warrants, which was based on the finding that the products manufactured by the respondents bore a confusing similarity with SPASA's trademark registrations "Havaianas Rice Pattern Logo" and "Havaianas Greek Pattern Logo." Likewise, the font and style used in "Havana" bore a colorable imitation to SPASA's trademark, "Havaianas." The trial court further ruled that the assertion about the target consumers (low-end or high-end) strays from the point since the issue is whether the use of the mark would *likely* cause confusion to the buying public.²⁸ The dispositive portion of the trial court's assailed Order reads:

WHEREFORE, the *Motion to Quash Search Warrants Nos. 10-16378-81 and to Return the Seized Goods and Effects to the Owners* filed by respondents Kentex Manufacturing Corporation and Ong King Guan is **DENIED** for lack of merit.

SO ORDERED.²⁹

The respondents asked for reconsideration³⁰ which the trial court denied in an Order³¹ dated February 28, 2011. The respondents then filed a Petition for *Certiorari*³² before the CA.

Ruling of the Court of Appeals:

In its February 10, 2012 Decision,³³ the CA clarified that the RTC's Orders did not pertain to the orders for the issuance of the search warrants but to the denial of the respondents' Motion to Quash. When the respondents filed the Motion to Quash with the trial court, there was a need to reevaluate the facts to assess whether there was probable cause to uphold the search and seizure order. The appellate court found that the RTC ignored the respondents'

²⁷ *Rollo*, Vol. 1, pp. 468-474.

²⁸ *Id.* at 472-473.

²⁹ *Id.* at 474.

³⁰ Not attached in the records.

³¹ *Rollo*, Vol. 1, pp. 476-477.

³² *Id.* at 479-523.

³³ *Id.* at 20-29

position that they are engaged in a legitimate business and had every right to manufacture and/or distribute the confiscated “Havana” slippers.³⁴

The CA held in the main that the respondents are the registered owners of the industrial design for their “Havana” products as shown by the industrial design registrations issued by the Director of Patents of the IPO.³⁵ The registration’s cover pages showed that the registered owner has the exclusive right to make, use, sell or import the industrial design.³⁶ The CA ruled that to argue that a quashal is not proper because at the time of the issuance of the search warrants everything seemed to be in order would set a dangerous precedent.³⁷ Hence, pending all the *inter partes* proceedings, the property seized should not stay in a perpetual state of *custodia legis* and both parties should be given the right in the meantime to lawfully exercise their businesses until the issue of exclusive ownership has been resolved.³⁸ Finally, the appellate court held that a search warrant cannot be utilized for the confiscation of an apparent legitimate right to pursue a livelihood.³⁹ The dispositive portion of the CA’s assailed Decision reads:

WHEREFORE, premises considered, the instant petition for *certiorari* is **GRANTED** such that the assailed orders dated 16 December 2010 and 28 February 2011 issued by the Regional Trial Court of the City of Manila, Branch 7 are hereby **REVERSED** and **SET ASIDE** and the same court is hereby **ORDERED** to return to petitioners Kentex Manufacturing Corporation and Ong King Guan the properties seized under Search Warrant Nos. 10-16378 to 81 all dated 07 September 2010 with immediate dispatch.

SO ORDERED.⁴⁰

Aggrieved, SPASA filed a motion for reconsideration⁴¹ which the CA denied in a Resolution⁴² dated July 10, 2012. Discontented, SPASA elevated the case before the Court *via* a Petition for Review on *Certiorari*⁴³ and raised the following issues:

I. The Honorable Court is respectfully called upon to review this case given the fact that the Court of Appeals has made pronouncements not in accord with the law, treaty obligations of which the Philippines is a signatory, and applicable decisions of this Honorable Court, and in order to prevent a manifest injustice.

³⁴ Id. at 25.

³⁵ Id.

³⁶ Id. at 26-27.

³⁷ Id. at 27.

³⁸ Id. at 28.

³⁹ Id.

⁴⁰ Id.

⁴¹ Not attached in the records.

⁴² *Rollo*, Vol. 1, pp. 31-32.

⁴³ Id. at 64-130.

II. The Court of Appeals decided contrary to the evidence on record when it refused to review and/or take into consideration the findings of fact of the lower court (RTC Manila Branch 7) in issuing the search warrants against the Respondents.

III. The Court of Appeals decided contrary to the IP Code and applicable decisions of the Supreme Court when it *completely* disregarded Petitioner SPASA's right as the *prior user and registrant* of the HAVAIANAS word marks, HAVAIANAS GREEK PATTERN LOGO, and HAVAIANAS RICE PATTERN LOGO, to enforce its rights to said registered trademarks issued by the [IPO];

IV. The Court of Appeals decided contrary to the IP Code and applicable decisions of the Supreme Court when it failed to apply the well-established doctrines in the field of intellectual property law such as "First-to-File" Rule, the tests of confusion which, are all incorporated in R.A. 8293, otherwise known as "The Intellectual Property Code;"

V. The Court of Appeals erred in ruling that Respondents' industrial design registration nos. 3-2009-000657 and 3-2009-0006 are still presumed to be valid pending the resolution of the cancellation proceedings (IPC Nos. 14-2010-002233 and 14-2010-002234) by the Bureau of Legal Affairs of the [IPO];

VI. The Court of Appeals decided contrary to law and applicable cases of the Supreme Court when it ruled that pending the resolution of the *inter partes proceedings* (petition for cancellation, IPC Nos. 14-2010-002233 and 14-2010-002234) of the industrial designs of Respondent Ong King Guan, Petitioner SPASA's applications for search warrant are premature;

VII. The Court of Appeals decided contrary to law and jurisprudence when it ruled that the existence of probable cause can be negated by a defense of good faith or reliance [on] a seemingly valid certificate of design registration.⁴⁴

The main issue is whether or not the issuance of the subject search warrants is valid.

The Petition:

SPASA argues that the appellate court's pronouncements are not in accord with the records of the case, the applicable law, and jurisprudence on intellectual property law.⁴⁵ It avers that its Motion to Quash should have prompted the CA to review the validity of the issuance of the search warrants, however, the appellate court refused to rule on the undeniable similarity of the marks of the opposing parties, and focused instead on the respondents' alleged valid industrial design registrations.⁴⁶ It asserts that the appellate court's decision is contrary to the Intellectual Property (IP) Code and jurisprudence

⁴⁴ Id. at 72-73.

⁴⁵ Id. at 73.

⁴⁶ Id. at 74-75.

when it disregarded SPASA's right as the prior user and registrant of the "Havaianas" word mark, the "Havaianas Greek Pattern Logo" and "Havaianas Rice Pattern Logo" to enforce its rights to said registered trademarks issued by the IPO.⁴⁷

SPASA avers that Section 147 of the IP Code gives it the exclusive right to prevent all third parties who have not secured its consent from using signs and containers for goods which are identical or similar to its registered trademarks, where such use would likely result in confusion.⁴⁸ It adds that the CA should have applied the "First-to-File" Rule and the Dominancy Test.⁴⁹ SPASA's "Havaianas" trademarks were used and registered earlier than the respondents' industrial designs and that only SPASA is the holder of a duly issued trademark registration.⁵⁰ Further, respondents cannot claim that they have acquired "trademark rights" for their "Havana" mark pursuant to Copyright Registration No. O-95-571 which was registered with the National Library.

Moreover, SPASA argues that trademarks, copyrights, and patents are completely distinct and separate from one another and the protection afforded for one cannot be used interchangeably to cover items or works that exclusively pertain to others.⁵¹ The "Havana" label which was secured by Ong's copyright registration for shoes and not for slippers, is not the same as the "Havana" mark which is the subject of the search warrants.⁵² Also, a Certificate of Registration is not a proof of actual use.⁵³

SPASA posits that Ong's industrial design registrations for the "Slipper" and "Sole" designs have no bearing in the determination of probable cause for the issuance of the subject search warrants.⁵⁴ Even if these industrial design registrations could be considered as proper grounds to quash the search warrants, SPASA's trademark registrations must still prevail because the industrial design registrations lack novelty and originality, which are requirements for registrability.⁵⁵ SPASA avers that its trademarks ("Havaianas" slippers) have been publicly known years prior to the registration of Ong's industrial design patterns.⁵⁶

SPASA contends that the CA erred in ruling that the industrial design registrations of the respondents are presumed to be valid pending the resolution of the cancellation proceedings before the IPO.⁵⁷ The appellate

⁴⁷ Id. at 77.

⁴⁸ Id. at 81.

⁴⁹ Id. at 82-84.

⁵⁰ Id. at 84-85.

⁵¹ Id. at 85-86.

⁵² Id. at 87.

⁵³ Id.

⁵⁴ Id. at 89-90.

⁵⁵ Id. at 92.

⁵⁶ Id. at 94.

⁵⁷ Id. at 95.

court decided contrary to law when it held that pending the resolution of the *inter partes* proceedings of the industrial designs of Ong, SPASA's applications for search warrants are premature.⁵⁸ Moreover, an action for infringement or unfair competition can proceed independently or simultaneously with an action for the administrative cancellation of a registration issued by the IPO. As such, an application for a search warrant is only an ancillary proceeding to a full-blown criminal action.⁵⁹

On the other hand, the respondents contend that the appellate court correctly ruled that there was no probable cause to issue the search warrants.⁶⁰ They insist that they were merely exercising their right to pursue a lawful business, as they have been manufacturing footwear bearing the "Havana" trademark for almost two decades as evidenced by the Certificate of Copyright Registration.⁶¹ They add that their target market is different from that of SPASA's, as they are selling their footwear at a cheaper price. Hence, there can be no confusion caused to the buying public.⁶² They maintain that they have original industrial designs which were registered with the IPO.⁶³ They insist that even if the Dominancy and the Holistic Tests were applied, the "Havana" and "Havaianas" marks are not similar.⁶⁴

Respondents assert that the testimonies of SPASA's witnesses are unreliable, hearsay, and full of inconsistencies.⁶⁵ They aver that the CA merely upheld their right to use and manufacture slippers based on the valid and subsisting industrial design registrations, and did not totally disregard SPASA's alleged prior use and registration of "Havaianas," "Havaianas Greek Pattern Logo," and "Havaianas Rice Pattern Logo."⁶⁶ Moreover, they argue that the appellate court correctly held that pending the resolution of the *inter partes* proceedings for the cancellation of their industrial design registrations, SPASA's applications for search warrants were premature.⁶⁷

Subsequent Incidents:

Relevantly, after the instant petition was filed, the IPO issued Decision No. 2013-244⁶⁸ dated December 20, 2013 which cancelled the registration of the respondents' industrial design, "Slipper." It ruled that a trademark, which has been made available to the public anywhere in the world before the filing date or priority date of the application for registration of industrial design, may constitute as prior art which covers "everything" without qualification

⁵⁸ Id. at 99.

⁵⁹ Id.

⁶⁰ *Rollo*, Vol. II, p. 744.

⁶¹ Id.

⁶² Id. at 745.

⁶³ Id. at 746.

⁶⁴ Id. at 754-755.

⁶⁵ Id. at 756-757.

⁶⁶ Id. at 775-777.

⁶⁷ Id. at 775.

⁶⁸ Id. at 827-832.

that such prior art should also be an industrial design, according to Section 24.1 of the IP Code.⁶⁹

Simply put, it held that the respondents' "Slipper" design is practically identical to SPASA's "Havaianas Greek Pattern Logo" trademark, which was registered beforehand.⁷⁰ Specifically, SPASA applied for the registration of the "Havaianas Greek Pattern Logo" on April 2, 2009 while the respondents filed an application for industrial design of the "Slipper" design on October 19, 2009. Additionally, SPASA's "Havaianas Greek Pattern Logo" was disclosed to the public long before the year 2009.⁷¹

Similarly, the IPO issued Decision No. 2013-243⁷² dated December 20, 2013 which cancelled the registration of the respondents' industrial design entitled "Sole," using the same *ratio* in Decision No. 2013-244 (for "Slipper"). It noted that SPASA applied for the registration of the "Havaianas Rice Pattern Logo" on April 2, 2009, or earlier than the filing date of the respondents' application for industrial design registration of the "Sole" design on October 19, 2009. In addition, the "Havaianas Rice Pattern Logo" was disclosed to the public before 2009, as the said design appears prominently on SPASA's products. Based on these findings, the IPO ruled that SPASA established the existence of its prior art.⁷³

More importantly, however, SPASA filed a Manifestation⁷⁴ dated September 20, 2019 stating that on March 28, 2019, SPASA's representatives⁷⁵ and Ong, together with his associates, arrived at an amicable settlement, rendering the assailed CA Decision and consequently, the instant petition, moot and academic. Specifically, the relevant portions of the Settlement Agreement⁷⁶ dated March 28, 2019, state:

NOW THEREFORE, for and in consideration of the premises and of the following considerations, stipulations and covenants the Parties hereunto agree as follows:

1. The **SECOND PARTY** [Kentex, Ong King Guan, Mary Grace Ching, and Beato Ang] admits that only the **FIRST PARTY** [SPASA], its authorized distributor, dealers and/or retailers are entitled to sell, import, distribute or otherwise deal in products bearing the trademark "HAVAIANAS" and its related marks in the Philippines.

⁶⁹ Section 24.1. Everything which has been made available to the public anywhere in the world, before the filing date or priority date of the application claiming the invention.

⁷⁰ *Rollo*, Vol. II, pp. 830-831.

⁷¹ *Id.* at 832.

⁷² *Id.* at 835-840.

⁷³ *Id.* at 840.

⁷⁴ TR, unpaginated.

⁷⁵ TR, unpaginated; through a Special Power of Attorney in favor of the law offices of Hechanova, Bugay, Vilchez & Andaya-Racadio and/or any of its members and lawyers.

⁷⁶ TR, unpaginated; signed by SPASA's representative, Atty. Editha R. Hechanova, and respondent Ong King Guan, along with Mary Grace Ching and Beato Ang.

2. Upon execution of this Agreement, the **SECOND PARTY** including his employees, agents, representatives, assignees, successors-in-interest, and all other persons and/or entities acting under his authority, undertake to perform the following actions in favor of the **FIRST PARTY**:

a) To observe and respect all of the intellectual property rights of the **FIRST PARTY**, whether arising from patents (invention, industrial design, and utility model), trademarks, and/or copyrights;

b) Not to sell, import, barter, distribute or otherwise deal in counterfeit "HAWAIANAS" products, nor colorable imitations thereof, nor products bearing marks, signs, designs or logos which are confusingly similar to the **FIRST PARTY**'s trademarks, trade dress, copyrights, and industrial designs, excluding the copyright registration no. O 95-571 entitled "HAVANA FOOTWEAR" covering HAVANA FOR SHOES MR. KING G. ONG PHILIPPINES registered under Philippines Laws in favor of the **SECOND PARTY** prior to any of those under the **FIRST PARTY** when it does not infringe the registered HAWAIANAS, HAWAIANAS GREEK PATTERN LOGO, and HAWAIANAS RICE PATTERN LOGO trademarks of the **FIRST PARTY**;

c) Not to commit and/or engage in any act which may violate, whether directly or indirectly, the intellectual property rights of the **FIRST PARTY**;

3. The **SECOND PARTY** warrants that it does not have in its possession, counterfeit or colorable imitations of the "HAWAIANAS" products of the **FIRST PARTY**;

4. The **SECOND PARTY** warrants that it does not produce, sell, offer to sell, import or otherwise deal in, or has any remaining inventory of any products that infringes upon the "HAWAIANAS" trademarks, trade dress, copyrights, and industrial designs of the **FIRST PARTY**;

5. The **SECOND PARTY**, upon discovery, agrees to furnish the **FIRST PARTY** with verifiable information as to name/s, including aliases, addresses and other contact details of their source/s of counterfeit "HAWAIANAS" products. The **SECOND PARTY** shall likewise submit and provide the **FIRST PARTY** with pertinent documents such as, but not limited to shipping invoices, purchase orders, delivery receipts, and communications by letters or emails which show, demonstrate or otherwise confirm that the person/s disclosed is indeed the source of fake "HAWAIANAS" products.

6. The **SECOND PARTY** hereby agrees and gives their express consent to the immediate condemnation and destruction of all of the items seized from its factory location at [Valenzuela City] and its office at [Caloocan City] pursuant to the implementation and enforcement of Search Warrant Nos. 10-16378 to 10-16381, and further agrees to pay for the cost of said destruction, and in this regard tenders the amount of ₱146,000.00, receipt of which is acknowledged by the **FIRST PARTY**;

7. The **SECOND PARTY** shall execute a separate written undertaking in favor of the **FIRST PARTY** (**Annex "B"** [of the Settlement Agreement/Undertaking]) which shall embody the terms and conditions aforementioned;

8. The **FIRST PARTY**, upon the **SECOND PARTY**'s fulfillment of the foregoing conditions, agrees to desist from pursuing any criminal, civil and/or administrative case which may arise from the implementation of Search Warrant Nos. 10-16380 and 10-16381. The **FIRST PARTY** shall execute an Affidavit of Desistance in favor of Respondents/Accused in the following criminal cases and preliminary investigations, and in all other cases or appeals arising therefrom:

x x x x

9. In relation to paragraph 8, the **FIRST PARTY** and the **SECOND PARTY** shall submit joint motions to have the cases listed in the second Whereas clause [the instant case, among others] dismissed based on this Compromise Agreement by the relevant courts or government agencies;

10. However, if the **SECOND PARTY**, after the execution of this agreement, violates any of the terms stated in paragraph 2, including any of the covenants stated in the written undertaking (**Annex "B"** [of the Settlement Agreement/Undertaking]), or is found to be engaging in any activity which violates the intellectual property rights of the **FIRST PARTY**, such as but not limited to manufacture, distribution, importation, reproduction, offer for sale of copies, colorable imitations and/or counterfeit "HAVAIANAS" products, the **FIRST PARTY** is not prevented from exercising all the legal remedies available to it. Nothing in this agreement shall be construed to limit the **FIRST PARTY**'s right to enforce its intellectual property rights against the HAVANA branded products that infringe upon its "HAVAIANAS" trademarks, trade dress, copyrights, and industrial designs;

11. This Compromise Agreement shall bind not only the Parties but also their employees, agents, successors and assigns;

12. This Settlement Agreement shall become effective and binding upon the signing of this agreement;

13. If any provision of this Settlement Agreement is held illegal, invalid, or unenforceable, all other provisions of the Agreement shall remain in full force and effect. Further, in lieu of each provision that is found to be illegal, invalid, or unenforceable, a provision will be added as part of this Agreement that is as similar to the illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable; and

14. Any issue, [or] dispute which may arise from the foregoing Agreement shall be filed, heard and resolved by the Regional Trial Court of Makati City.⁷⁷

In an Undertaking⁷⁸ dated March 28, 2019, Ong King Guan, Mary Grace Ching, and Beato Ang declared that they no longer manufacture, import, sell, and offer to sell any products that infringe upon the "HAVAIANAS" brand of SPASA and that they do not have any inventories of the same in their possession or safekeeping. Moreover, they undertook to do, execute and perform the acts required of them which were indicated in the aforementioned Settlement Agreement.

⁷⁷ Id.

⁷⁸ TR, unpaginated.

Our Ruling

In view of the execution of the Settlement Agreement between the opposing parties and the Undertaking of Ong King Guan, along with Mary Grace Ching and Beato Ang, the instant petition was rendered moot and academic.

A case or issue is considered moot when “it ceases to present a justiciable controversy by virtue of supervening events, so that an adjudication of the case or a declaration on the issue would be of no practical value or use. In such instance, there is no actual substantial relief which a petitioner would be entitled to, and which would be negated by the dismissal of the petition. Courts generally decline jurisdiction over such case or dismiss it on the ground of mootness. This is because the judgment will not serve any useful purpose or have any practical legal effect because, in the nature of things, it cannot be enforced.”⁷⁹

Since the parties entered into the said Settlement Agreement, the effect is to put the litigation between them to an end,⁸⁰ as expressly stated in the said document. In relation to this, “[t]he parol evidence rule provides that ‘when the terms of an agreement have been reduced into writing, it is considered containing all the terms agreed upon and there can be, between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement.’”⁸¹ Thus, the parties are bound to abide by and respect the provisions of the duly signed Settlement Agreement regardless of its execution after the instant petition was already filed.

Notably, SPASA itself, through its Manifestation dated September 20, 2019, prayed that the Court take notice of the existence of the Settlement Agreement and posited that the CA’s assailed February 10, 2012 Decision became moot and academic pursuant thereto. In fine, “where the issues have become moot and academic, there ceases to be any justiciable controversy and where there is no substantial relief to which petitioner will be entitled, courts will decline jurisdiction.”⁸² The Court, thus, abstains from expressing its opinion in a case, such as this, where no substantial legal relief is necessary.”⁸³ Stated differently, the Court will no longer render a ruling notwithstanding the relevance of the issues raised.

WHEREFORE, the Petition is **DISMISSED** for being moot and academic.

⁷⁹ *Burgundy Realty Corp. v. MAA General Assurance Phils., Inc.*, G.R. No. 225610, February 19, 2020 citing *Peñafrancia Sugar Mill, Inc. v. Sugar Regulatory Administration*, 728 Phil. 535, 540 (2014).

⁸⁰ *Cuadra v. San Miguel Corp.*, G.R. No. 194467, July 13, 2020.

⁸¹ *Id.* citing RULES OF COURT, Rule 130, § 9.

⁸² *Goldlink Security and Investigative Services, Inc. v. Quiñones*, G.R. No. 214434 (*Notice*), March 4, 2020 citing *Korea Exchange Bank v. Gonzales*, 520 Phil. 690, 701 (2006).

⁸³ *Id.*

SO ORDERED.


RAMON PAUL L. HERNANDO
Associate Justice

WE CONCUR:


MARVIC M. V. F. LEONEN
Associate Justice
Chairperson


HENRI JEAN PAUL B. INTING
Associate Justice


EDGARDO L. DELOS SANTOS
Associate Justice


JHOSEP V. LOPEZ
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.

**MARVIC M. V. F. LEONEN**

Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I hereby 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.

**DIOSDADO M. PERALTA**

Chief Justice