

Title: Pro Line Sports Center, Inc. and Questor Corporation vs. Court of Appeals, Universal Athletics Industrial Products, Inc., and Monico Sehwani

Facts:

* **Initial Complaint:**

* On February 11, 1981, Pro Line Sports Center, Inc. (PRO LINE), via its General Manager Edwin Dy Buncio, filed a complaint with the National Bureau of Investigation (NBI) alleging that Universal Athletics Industrial Products, Inc. (UNIVERSAL) was manufacturing fake “Spalding” balls.

* NBI applied for a search warrant on February 23, 1981, which Judge Rizalina Bonifacio Vera of the Court of First Instance issued the same day, leading to the seizure of around 1,200 sports balls marked “Spalding” from UNIVERSAL’s premises.

* On February 26, 1981, PRO LINE and Questor Corporation (QUESTOR) filed a criminal complaint for unfair competition against Monico Sehwani and other individuals connected with UNIVERSAL.

* **Court Proceedings:**

* Court of First Instance actions: Judge Vera sealed and padlocked UNIVERSAL’s machineries used in manufacturing the goods. Later, on April 28, 1981, she ordered the lifting of the seal and padlock.

* Appellate court involvement: PRO LINE and the NBI sought a preliminary injunction from the Court of Appeals against the order lifting the seal. The Court of Appeals initially granted a temporary restraining order but eventually upheld the trial court’s decision.

* Further escalation: The Supreme Court issued a temporary restraining order on August 31, 1981, against the implementation of the appellate decision.

* **Minister of Justice and Filing of Information**:

* On September 10, 1981, the Minister of Justice reversed the Provincial Fiscal’s dismissal and directed the filing of an information for unfair competition.

* The Information was filed on December 29, 1981, in the Court of First Instance (Crim. Case No. 45284), presided over by Judge Gregorio Pineda.

* **Trial Court Development**:

* Sehwani’s Defense: Admitted manufacturing “Spalding” balls but claimed it was for trademark application purposes.

* Demurrer to Evidence: Filed by Sehwani, asserting failure by the prosecution to prove the sale of the goods, leading to a dismissal of criminal charges on January 12, 1981, for lack of

evidence to sell the manufactured goods.

****Supreme Court Action**:**

* PRO LINE challenged the dismissal of the criminal case (G.R. No. 63055), but the Court upheld Sehwni's acquittal based on merits on April 20, 1983.

* Civil case for damages was filed by UNIVERSAL against PRO LINE and QUESTOR for malicious prosecution after the criminal proceedings ended.

****Lower Court Decision**:**

* RTC: Awarded damages in favor of UNIVERSAL for malicious prosecution.

* Court of Appeals: Affirmed RTC's decision but reduced the awarded moral and exemplary damages.

Issues:

1. ****Whether Sehwni and UNIVERSAL are entitled to recover damages for allegedly wrongful court proceedings initiated by PRO LINE and QUESTOR.****
2. ****Whether the counterclaim of PRO LINE and QUESTOR should be sustained.****

Court's Decision:

1. ****Damages for Alleged Wrongful Proceedings**:**

****Absence of Probable Cause & Legal Malice**:**

* The Supreme Court held that UNIVERSAL failed to prove the absence of probable cause and the presence of legal malice.

* Probable cause was established by the Ministry of Justice's directive and the seizure evidence.

* Legal malice requires intent to vex, annoy, or injure wrongfully. The court found PRO LINE and QUESTOR were protecting their rights, not acting out of ill will.

2. ****Counterclaim of PRO LINE and QUESTOR**:**

* The counterclaim for damages based on unauthorized manufacture was dismissed, aligning with res judicata principles because the criminal case's acquittal included the civil liability aspect.

* PRO LINE's right to separate civil action was barred due to their failure to reserve or waive it during criminal proceedings.

Doctrine:

1. ****Malicious Prosecution Requirements**:** To succeed in a claim of malicious prosecution, the plaintiff must show the absence of probable cause and the presence of legal malice.

2. **Probable Cause Criteria**: Facts and circumstances that would lead a reasonable person to believe that the person prosecuted was guilty of the offense charged.
3. **Legal Malice**: Inexcusable intent to injure; being ill-intentioned or acting with the purpose of causing harm unjustly.

Class Notes:

- **Elements of Malicious Prosecution**:

* Absence of probable cause.

* Legal malice.

- **Probable cause**:

* Reasonable belief in the guilt of the prosecuted individual based on available facts.

- **Legal Malice**:

* Ill-intent or vexatious intent in using legal proceedings.

- **Res Judicata**:

* Finality of judgment in a criminal case bars subsequent civil actions based on the same cause if no separate civil action was reserved or waived.

Historical Background:

The case is significant in understanding the balance between protecting intellectual property rights and guarding against malicious prosecution. At a time when the Philippines was developing its statutory framework on trademark protection, this case elucidated the legal thresholds for establishing claims of unfair competition and the consequences of legal actions initiated based on trademark rights. It also highlights the functioning mechanisms judicial remedies and safeguards to prevent abuse of litigation processes.