

AUDIOPHILE COMPONENTS, INC.,
Complainant,

-versus-

IPV NO. 10-2003-00025
For: Trademark Infringement
And Violation of Intellectual
Property Laws

STEPHEN U. GO, doing business under the name
And style CD PLUS TAPES CENTER,
Respondent.

Decision No. 2006-02

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DECISION

This pertains to the administrative case for trademark infringement and violation of laws involving intellectual property rights filed by Audiophile Components, Inc., a domestic corporation with address at 1142 Pres. Quirino Ave., Ext. Paco, Manila against Stephen U. Go, doing business under the name and style CD Plus Tapes Center with business address at SM City, Mandurrao, Iloilo City. Complainant is in the business of selling and distributing various audio products, sound and musical instruments, including parts and accessories while respondent is engaged in the business of selling various electronic products, including different brand of microphones.

Complainant filed this instant case on the ground that:

“10. Respondent’s act of selling and distributing fake/counterfeit microphones carrying the registered trademark SHURE and making it appear to be originally manufactured by Shure, Inc. to the confusion of the patronizers of the original product seriously caused damage to Complainant. xxx”

Respondent filed his answer through registered mail which was received by this Bureau on 13 January 2004. In the meantime, Respondent moved for hearing of his affirmative defenses on the ground that complainant has no legal capacity to sue. The respondent’s motion was denied by virtue of Order No. 2005-69 dated 14 July 2005 in which this Bureau allowed the correction of a defect in the verification of the complaint by accepting the belated filing of a Secretary’s Certificate authorizing the person who signed the verification and certification to do so.

The case was set for pre-trial conference on 8 March 2004 and postponed successively for 28 July 2005 for possible amicable settlement between the parties. Pre-trial was subsequently reset to 1 September 2005 and 19 October 2005, however, due to respondent’s failure to appear despite notice, the respondent was declared in default and the complainant was allowed to present its evidence *ex-parte*. The lone issue is whether the respondent by its acts of selling and distributing SHURE microphones committed trademark infringement and violation of intellectual property laws.

The law provides that trademark infringement is committed as follows:

“Sec. 155. *Remedies; Infringement.* – Any person who shall, without the consent of the owner of the registered mark:

155.1 Use in commerce any reproduction, counterfeit, copy or colorable imitation of the mark or the same container or dominant feature thereof in connection with the sale, offering for sale, distribution or advertising of any goods or services, including other preparatory steps necessary to carry out the sale of any goods or services on or in connection with which use is likely to cause confusion, mistake or to deceive; or

155.2 Reproduce, counterfeit, copy or colorably imitate a registered mark or a dominant feature thereof and apply such reproduction, counterfeit, colorable imitation, to labels, signs, prints, packages, wrappers receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution or advertising of goods or services in connection with which use is likely to cause confusion, or to cause mistake, or to deceive shall be liable in a civil action for infringement by the registrant for the remedies hereinafter set forth x x x”

Complainant presented Certificate of Registration No. R-19502 issued on 18 July 1973 to SHURE Brothers Incorporated, a foreign corporation with address at 222 Hartrey, City of Evanston, State of Illinois, United States of America of the mark “SHURE” used for “switches, transformers, coiled electric cord, microphone cartridges, microphone bands, microphones and vibration pick up devices, microphone mixers, telephone handsets, public address system, amplifiers, pre-amplifiers, column speakers, audio electronic systems, comprising speakers, consoles, verbs, microphones, microphone transformers auxiliary amplifiers, monitor speakers, covers and stands, and component and parts of all of the foregoing in class 21 (INT. CL9), magnetic medium recorder heads, phonograph pick up cartridges, phonograph tone arms, phonograph needles, switches, transformers, coiled electric coiled, microphone cartridges, microphone bands, microphones and vibration pick up devices, parts and accessories therefore in class 21 (Philippine Class 20). (Exhibit “H”)

It is a basic axiom in the trademark law that the right to register a mark is based on the ownership. (Operators Incorporated v. Director of Patents GR L-17901, 29 October 1965) Under the trademark law, only the owner of the trademark, trade name or service mark used to distinguish his goods, business or service from the goods, business or service of others is entitled to register the same. Gabriel v. Perez (55 SCRA 406). It follows that the term “owner” does not include the importer of the goods bearing the trademark, trade name, service mark or other mark of ownership, unless such importer is actually the owner thereof in the country from which the goods are imported. A local importer however, may make application for the registration of a foreign mark, trade name or service mark if he is duly authorized by the actual owner of the name or other mark of ownership. (Unno Commercial Enterprises, Incorporated v. General Milling Corporation GR L-28554, Feb. 28, 1983).

In the same vein, a mere importer or distributor has no standing to file a trademark infringement case because it has no right to the trademarks allegedly infringed. The importer or distributor is not the owner of the trademark or goodwill generated by such trademark, hence it cannot claim to be damaged. However, complainant in this instant case, has shown through documentary evidence that it has been authorized to enforce intellectual property rights of Shure Incorporated with respect of trademark infringements of the SHURE trademark in the Philippines. (Exhibit “B”) Complainant likewise submitted a letter from the managing director of Shure Incorporated affirming that complainant is its exclusive distributor in the Philippines. (Exhibit “B”).

What really defines trademark infringement is the use of the registered mark by a person not authorized by the owner of the registered mark. It is apparent that infringement was committed when the respondent used the mark in connection with the sale of its microphones. Complainant was able to purchase from respondent a microphone bearing the mark “SHURE” as evidenced by the cash sales receipts issued (Exhibit “J”). The mark used on the microphones sold by respondent bear the identical mark “SHURE”. (Exhibit “K”) In spite of this, respondent has not offered any evidence to prove that it has been authorized by the registered owner of the mark to sell “SHURE” microphones leaving no room to doubt that trademark infringement has been committed.

To address the issue of any other violation of intellectual property laws, this Bureau subjected to meticulous scrutiny and inspection the object evidence consisting of respondent’s product (Exhibit “K”) and complainant’s product (Exhibit “L”). Complainant avers that respondent’s act of selling fake or counterfeit microphones bearing the “SHURE” trademark causes confusion to the patronizers of original product. In its presentation, complainant

highlighted the advertising and promotional efforts it has undertaken through publication in a variety of magazines and newspapers over a period between 1996 up to 2003. (Exhibit "1" and sub-markings). This Bureau recognizes the commerce undertaken has goodwill and reputation for the "SHURE" trademark which inures to the benefit of the owner of the mark.

The complainant also took pains to compare its products with the respondent's, which it summarized in the following manner:

FAKE/COUNTERFEIT PRODUCT	GENUINE PRODUCT
a. Darker body and shiny chrome grille	Lighter colored body and matte finishing grille
b. Logo is printed with silver paint and has a shiny finish	Shure logo has a matte finish and there three (3) sets of "SHURE SM58" Logo prints
c. The company name "SHURE" is not visible into the XLR connector of the fake/counterfeit product, and the color of the fake/counterfeit XLR is white	The company name "SHURE" is mold in to the XLR connector, as with all genuine SHURE microphones and the color of the XLR connector is black
d. The capsule is glued firmly to the handle and therefore does not provide any shock absorption. The cartridge itself is longer and of different color	This is not so with the genuine SHURE SM58 for the capsule is not glued. There is a shock mounting.
e. The foam screen on top of the fake/counterfeit capsule is glued to the plastic cap (traces of glue can be found along the edge). A very thin layer of foam is used on top cover of the counterfeit cartridge.	The foam is bond-heated to the cap and so there are no traces of gluing. Also, note that there are variations in foam color and texture.
f. Not found in the fake/counterfeit product after removing the microphone capsule is the plastic bonding material. Also, the country of origin and the date code are not visible on the bottom of the counterfeit cartridge.	Inside the genuine SHURE microphone, there is a plastic bonding material used to hold the transformer in place and to control the size of the resonance chamber. Also, the country of origin and date code are printed on the bottom of genuine cartridge.
g. The counterfeit swivel adaptor has no SHURE logo and the screw is not black.	The genuine SHURE swivel adaptor Has a SHURE logo molded in to the clip and the pivot screw is black.

To our mind, such distinctions are clear-cut and significant to the owner of the genuine merchandise. To the public and ordinary purchaser, the difference between the two would be vague and unnoticeable; hence the likelihood of confusion is great. Not only are the trademarks exactly the same, the packaging have the same color, size, overall appearance, showing a picture of a microphone with the trademark notwithstanding differences in other lay-outs in the packaging.

In *Alhambra Cigar v. Mojica*, No. 8937, 21 March 1914, the Supreme Court held that "Unfair Competition consists of the passing off or attempting to pass off upon the public the goods or business of one person as and for the goods or business of another. xxx Any conduct, the end of probable effect of which is to deceive the public or pass off the goods or business of one person as and for that of another constitutes actionable unfair competition. Xxx Relief upon

unfair competition is properly afforded upon the ground that one who has built up good will and reputation for his goods and business is entitled to all the benefits therefrom. Such goodwill is property and like other property, is protected against invasion.”

The similitude of packaging and placement of the identical mark on the goods of the respondent without authority from the owner of the mark makes a clear case that respondent is liable for Trademark Infringement under Section 155 and Unfair Competition under Section 168 of the Intellectual Property Code.

WHEREFORE, premises considered, respondent is ordered to pay the complainant Five Hundred Thousand Pesos (Php500, 000.00) in damages and the amount of Two Hundred Thousand Pesos (Php200, 000.00) as attorney’s fees.

SO ORDERED.

Makati City, 31 May 2006.

ESTRELLITA BELTRAN-ABELARDO
Director, Bureau of Legal Affairs
Intellectual Property Office