

Converse, Inc. as represented by  
 Filcon Manufacturing Corporation  
 Opposer,  
 - versus -

IPC 10-2005-00009

Opposition to:  
 TM Application No.  
 (Filing Date:)

Li Wen Peng (a.k.a. Lee Wen Peng, a.k.a.  
 Mr. Lee), Chona R. Alfonso, and Wu Yong  
 Zhen,

Respondent-Applicant.

TM:

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Decision No. 2006 – 08

DECISION

For decision is the compliant for Violation of Sections 155 and 168 in relation to Section 156, 157 and 170 of the Intellectual Property Code (R.A. 8293) with Damages and Prayer for Issuance of an order to have the Infringing Goods Destroyed and to Impound Sales filed on February 23, 2005 by Converse, Inc., a foreign corporation duly organized and existing under the laws of the State of Massachusetts, United States of America, with principal office address at One High Street, North Andover, Massachusetts 01845-2601, United States of America and represented by Filcon Manufacturing Corporation, duly organized and existing under Philippine laws with address at Unit E-2801 C, East Tower, Philippines Stocks Exchange Center, Exchange Road, Ortigas Center, Pasig City against Li Wen Peng (a.k.a Lee Wen Peng, a.k.a. Mr. Lee), a Chinese national, Chona Alfoso, with office addresses at Speedway Shoes, Stall No. D-8-D-9, Ground Floor, U-Need Shopping Center, 2989 Taft Avenue, Pasay City for violation of Section 155 and 168 in relation to Sections 156, 157 and 170 of the Intellectual Property Code with damaged and issuance of an Order to have the infringing goods destroyed and to impound sales documents.

A Notice to Answer dated 30 March 2005 was issued requiring the respondents to answer. However, based on Sheriff Joanne V. Manuel’s Affidavit, the Notice to Answer was not personally served upon the respondent Li Wen Peng, Chona R. Alfonso and Wu Yong Zhen because there were no such persons at the given address. Thus, this Office issued Order No. 2005-123 dated 27 October 2005 directing the compliant to serve summons through publication.

On 25 April 2006, complainant filed its manifestation that it has complied with the Bureau’s Order and submitted an Affidavit of Publication dated 25 April 2006. Thereafter, the case was set for the ex-parte presentation of complainant’s evidence Complainant offered the following evidence in support of its position:

| Exhibits | Description   |
|----------|---|
| "A"      | Letter of Authority issued by Ms. Laura W. Kelley, Vice-President, legal and Secretary of Converse, Inc. duly attested by the Secretary of State of the U.S.A. authorizing FILCON, its exclusive Philippine licensee, to institute before this Office the appropriate action for protection of Converse’s intellectual property rights. |
| "B"- "F" | Trademark registration number 32751, 12170, 32021, 46782, and 26154 of the marks "ALL STAR", "CHUCK TAYLOR", "CONVERSE", "CONVERSE ALL STAR" and the "STAR & CHEVRON DEVICE" respectively, used in footwear and other sporting products.  |

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| "G"         | Secretary's Certificate dated February 8, 2005 issued by Ms. Ha Ling Chua, Corporate Secretary of FILCON, wherein Mr. Randy Esguerra was authorized by FILCON to represent the company before this Office in order to prosecute this case   |
| "H"         | Search Warrant No. 04-5861  |
| "I"         | Search Warrant No. 04-5862  |
| "J"         | Search Warrant No. 05-6020  |
| "K"         | Affidavit of Randy A. Esguerra  |
| "L"         | Certification issued by Randy A. Esguerra of FILCON certifying that the goods seized in December 7, 2004 raid are all counterfeit CONVERSE products.  |
| "M"         | Certification issued by Randy A. Esguerra of FILCON certifying that the goods seized in January 18, 2005 raid are all counterfeit CONVERSE products.  |
| "N" and "O" | Statement of Account Nos. 105 and 106 respectively issued by Stor-All, Inc. for the account of FILCON MANUFACTURING CORP. as rental fees for the storage of all the counterfeit CONVERSE goods seized in the December 7, 2004 and January 18, 2005 raids.   |
| "P"         | The investigation expenses paid for by FILCON MANUFACTURING COPORATION to IP Manila Associates, Inc. for the monitoring and market survey of the Pasay City and Baclaran areas which led to the identification of Speedway Shoes Collection as one of the establishments engaged in the sale and distribution of fake CONVERSE shoes. |
| "Q" and "R" | Application for search Warrant Nos. 04-5861 and 5862  |
| "S"         | December 7, 2004 Joint-Affidavit of arrest executed by PO3 Rommel Gabarda, PO3 Jose Caponpon, PO2 Beny Cepeda and PO2 Johnny Binza, members of PNP-CIDG Anti-Fraud and Commercial Crimes Division   |
| "T" and "U" | Receipt of Property Seized signed by seizing officer Police Senior Inspectors Cresly Naulgan and Laudemer Llaneta respectively  |

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| “V”           | December 7, 2004 Certificate of Orderly Search signed by respondent Wu Yong Zhen and attested to by certain witnesses.   |
| “W”           | Booking Sheet and Information Report signed by Wu Yong Zhen and attested to by Arresting and Booking Officers  |
| “X”           | January 18, 2005 Affidavit of William Chua   |
| “Y”           | Application for Search Warrant 05-6020 made by Police Inspector Jesus De Guzman of the PNP-CIDG  |
| “Z”           | Seizure and Inventory Receipt issued by the PNP-CIDG Special Task Group “Maverick” certifying the seizure of certain fake items from the office-warehouse of respondent Li Wen Peng at No. 278 F. Angeles St. Corner Park Avenue, Pasay City |
| “AA”          | Certificate of Orderly Search subscribed before Brgy. Chairman Bong Sy of Brgy 77 Zone 10  |
| “BB”          | Spot Report of Police Inspector Leoncio Senense to the Commander, STG “Maverick” dated January 18, 2005  |
| “CC”          | Affidavit of Confiscation executed by Police Inspector Leoncio Senense dated January 31, 2005  |
| “DD”          | Handwritten Certification of Brgy. Chairman Bong Sy of Brgy 77 Zone 10   |
| “EE”          | Compliance/Return of Search Warrant No. 05-6020  |
| “FF”          | Receipt issued by Speedway Shoes Collection dated August 21, 2004  |
| “GG”          | Joint-Affidavits of Estelita Adriano and William Chua dated December 6, 2004   |
| “HH” and “II” | Sketches of U-Need Shopping Center   |
| “JJ” – “MM”   | Photographs of the raid conducted by virtue of Search Warrant No. 05-6020  |

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| “OO” and “PP” | 2 pairs of fake CONVERSE shoes  |
| “QQ”          | 1 pair of fake CONVERSE shoes   |
| “RR” – “TT”   | 3 pair of Original CONVERSE shoes   |
| “UU”          | Sworn Statement of William Chua dated August 22, 2006                     |
| “VV”          | Sworn Statement of Police Inspector Leoncio Senense dated August 22, 2006 |
| “WW”          | Sworn Statement of Police Officer 3 Beny Cepeda dated August 24, 2006     |
| “XX”          | Sworn Statement of randy A. Esguerra dated August 24, 2006                |

The issue in this case is whether the respondents have infringed the trademark and committed unfair competition against the compliant.

Republic Act 8293 provides:

“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 a registered mark or the same container or a dominant feature thereof in connection with the sale, distribution, 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 such use is likely to cause confusion, or to cause mistake, or to deceive; or

115.2. Reproduce, counterfeit, copy or colorably imitate a registered mark or a dominant feature thereof and apply such reproduction, counterfeit, copy or 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 on or in connection with which such 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: Provided, That the infringement takes place at the moment any of the acts stated in Subsection 155.1 or this subsection are committed regardless of whether there is actual sale of goods or services using the infringing material.”

Complainant has five trademark registration in the Philippines for its goods namely Certificate of Registration No. 32751 issued on October 19, 1983 for the mark “ALL STAR” (Exhibit “B”); Certificate of Registration No. R-12170 renewed on March 3, 1986 for the mark “CHUCK TAYLOR’ (Exhibit “C”); Certificate of Registration No. 32021 issued on June 30, 1983 for the mark “CONVERSE” (Exhibit “D”) and Certificate of Registration No. 46782 dated

November 3, 1989 for the mark "CONVERSE ALL STAR & CHUCK TAYLOR & DESIGN" (Exhibit "E").

Complainant's evidence partly consists of sworn statements of witnesses alluding to events that transpired in connection with the application for criminal's search warrant and their implementation.

In the sworn statement dated 22, August 2006, William Chua, witness for complainant (Exhibit "UU"),

"4. Q. As an asset of the CIDG, what specifically is your role in its operations particularly those involving complaints brought before it for alleged violations of intellectual property rights of legitimate businesses?

"A. I join the surveillance teams of the CIDG or sometimes I operate on my own in gathering information and evidence against suspected infringers and/or unfair competitors. Oftentimes I conduct surveys and test buys to get samples from suspected establishments dealing in the sale of counterfeit products.

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"6. Q. Can you please tell this Honorable Office exactly where and what establishments were involved?

"A. In December 2004 operation, it was at U-Need Shopping Center, 2989 Taft Avenue, Pasay City and at the Mezzanine Floor of Tagalog Shopping Center, 3048 Harrison Avenue, Pasay City. In The January 2005 action, it was at a residential house converted into an office- warehouse located at No. 278 F. Angeles St. Corner Park Avenue, Pasay City. All these establishments were being owned and operated at that time by speedway Shoes owned and operated by Li Weng Pen and Chona Alfonso engaged in the sale of fake converse products."

"7. Q, How are you able to identify these establishments as involved in the sale of fake shoes CONVERSE products?

A. Even prior to the December 2004 operation. I already bought a sample of shoes from speedway Shoes Collection way back on August 21, 2004 and as evidence of such purchaser, I was issued a Receipt for Php 320.00. Kindly Note that the name "Chona R. Alfonso" appears therein as the alleged proprietor of the said establishment.

10. "Q. What else did you do aside from this test buy?

"A. On the pretext of conducting a survey and canvassing for the lowest priced fake CONVERSE shoes, I went to U-Need Shopping Center. 2989 Taft Avenue, Pasay City on December 5, 2004 both at speedway's warehouse located at the second floor of that shopping center and Stall No. D8-D9 at the center ground floor. I was accompanied then by Police senior Inspector Cresly Naulgan of the Anti-Fraud and Commercial Crimes Division of the PNP-CIDG in the stall at the grounds floor. I observed that Speedway was openly selling shoes with the marks of CONVERSE. I then purchased a pair as sample for examination.

In enforcement actions, xxx

"Q. Do you have any other proof to present before this Honorable Office concerning the two roads aside from those earlier presented and requested to be marked as exhibits for the complainant.

“A. Yes, sir, I am presenting to you two separate sketches- one for the ground floor and the other for the second floor, both of U-Need Shopping Center 2989 Taft Avenue, Pasay City. These were the bases of our raid on December 7, 2004. I prepared these sketches since I was one of the witnesses of the applicant for those search warrants. (Exhibit “OO” and “PP” – shoes from raids December 7, 2005)”

In another sworn statement of witness, member of Special Task Group Maverick, Police Inspector Leoncio L. Senense, marked as Exhibit “VV”, he testified that he caused the application for a search warrant through the Police Inspector Jesus de Guzman and was issued Search Warrant No, 05-6020 on January 18, 2005 (Exhibit “J”). He testified that CONVERSE shoes were confiscated in the premises owned by Li Wen Peng. He testified:

“14. Q. What did you do after securing the Search warrant?

A. We immediately implemented the search of the storage facility of speedway at No. 278 F. Angeles St. Corner Park Avenue, Pasay City.

Q. What happened after the search?

A. We were able to confiscate 200 boxes of fake CONVERSE shoes totaling almost 2,400 pairs. Unfortunately respondent Li Wen Peng or any of his cohorts were not at the establishment during the raid.

Q. Do you have any Proof of this raid?

A. Yes, sir. I am presenting to you a copy of a Certification of seizure and Inventory which I have executed in the presence of Messrs. Danilo Simeon and Lito Roxas, both Barangay Tanod of Barangay 77 Zone 10, F/ Angeles Street Pasay, City.”

The Certificate of Seizure and Inventory is marked as Exhibit “Z” and the Certification of Orderly search was marked as Exhibit “AA”.

Evidence show that several other raids were conducted that yielded “CONVERSE” shoes not originating from herein complainant.

Witness Beny Cepeda, a Police Officer 3 issued a sworn statement dated 24 August 2006 (Exhibit “ww”) attesting that in connection with his duties as member of the PNP-CIDG Anti-Fraud and Commercial Crimes Division (CIDG-AFCCD), his Office through P/Senior Inspector Cresley Q. Naulgan applied for Search Warrant Nos. 04-5861 and 04-5862. He further testified that he participated as member of the raiding team that executed the search warrants granted and stated:

12. Q. What was the result of the raid?

A. It result into the seizure of assorted CONVERSE shoes and the arrest of respondent WUYONG ZHEN who was then found to be the occupant of the warehouse located at the 2<sup>nd</sup> Floor of U-Need Shopping Center. I am also presenting to you copy of Receipts of Property Seized during the raid, one for SW No. 04-5861 and the other for SW No. 04-5862.

The evidence show that the testimony of witness Beny Cepeda was further corroborated by witness randy Esguerra in his sworn statement dated 24 august 2006. Randy Esguerra, the Business Development Officer of Filcon Manufacturing Corporation presented copies of the Search Warrants Nos. 04-5861 and 04-5862 dated December 6, 2004 (Exhibit “H” and “I”

respectively) being referred to by witness Cepeda. He was able to testify on the number of counterfeit shoes seized in the raid conducted on December 7, 2004 and January 2005. He stated:

“16. Q. What was the result of the raid?

A. With respect to Search Warrant 04-5861, a total of 321 pairs of fake CONVERSE shoes were seized. On the other hand, Search warrants no. 04-5862 resulted in the confiscation of 72 pairs of assorted fake CONVERSE shoes.  
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(The witness presented a machine copy of Search Warrant No. 05-6020 dated 18 January 2005 and which is requested to be marked as Exhibit “J” for the complainant)

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20. Q. What was the result of the raid?

A. Although there was no occupant in that established at the time of the raid, 200 boxes of fake CONVERSE shoes, most of which contain 12 boxes of fake COVERSE shoes, most of which contain 12 pairs of shoes, or an actual total of 2,391 pairs were seized.

21. Q. How did you know that the shoes seized during the two raids were all fake?

A. Firstly, Li Wen Peng, Chona Alfonso, even Wu Yong Zhen and their store, Speedway Shoes Collection, are not among the authorized distributors of FILCON. Secondly, after examination of these goods I found out that they were really fake CONVERSE shoes. Based on the appearance of the rubber shoes, the materials used are substandard. In addition they are poorly done so the craftsmanship was also substandard.

Q. How did you know that the materials and the craftsmanship of these shoes were substandard?

A. When I first joined the company, I had to undergo product familiarization of all CONVERSE products. I was trained to scrutinize our shoes from their shoe lace to the canvass or leather, depending on its materials. In addition, I underwent training with the Quality Control Department of FILCON for me to be able to distinguish the difference between counterfeit and genuine CONVERSE shoes.

Even if the testimony of the witnesses refer to events that transpired pursuant to the execution of the search warrants issued by a Regional Trial Court, the fact remains and the records undeniably show that complainant's witnesses to this administrative case have indeed personally seen unauthorized reproductions complainant's registered mark n the premises found to be owned by herein respondent Li Wen Peng and Chona R. Alfonso. Evidence also established that respondent Wu Yong Zhen was the person in custody of the fake converse shoes found at Stall D8/D9 Ground Floor U-Need Shopping Center 2989 Taft Avenue, Pasay City. (Exhibit “T” and “U”)

It bears stressing that there is no evidence to indicate that the respondent were authorized by the complainant to copy or reproduce any of complainant's five registered marks or apply any these registered marks in their packaging or labels of its goods.

Trademark infringement is committed solely by the use of a registered mark without the trademark registrant's permission. It therefore follows that respondent's unauthorized use of the registered mark "CONVERSE" on the shoes found at the respondent's stores (Exhibit "JJ", "KK", "MM") bearing the registered marks "ALL STAR" (Exhibit "B"); "CONVERSE" (Exhibit "D") and "CONVERSE ALL STAR & CHUCK TAYLOR & DESIGN" (Exhibit "E"), secures the outcome of the case in favor of complainant.

In *Philippine Nut Industry, Inc. v. Standard Brands*, G.R. L-23035, July 31, 1975, the Supreme Court held, "In the cases involving infringement of trademark brought before the court, it has been consistently held that there is infringement of trademark when the use of the mark involved would be likely to cause confusion or is a mistake in the mind of the public or to deceive purchasers as to the origin or source of the commodity." In the case at bar, there is no issue as to whether the respondent mark is confusingly similar to complainant's mark, it is undisputed that the marks "ALL STAR" and "CONVERSE" are exactly the same or identical to the marks that appear on respondent's goods.

In the case of *Converse Rubber Corporation v. Universal Rubber Products, Inc.*, G.R. No. L-27906, January 8, 1987, the Supreme Court held:

"Respondent's witness had no idea why respondent chose "UNIVERSAL CONVERSE" as trademark and the record discloses no reasonable explanation for respondent's use of the word "CONVERSE" in its trademark. Such unexplained use by respondent of the dominant word of petitioner's corporate name lends itself open to the suspicion of fraudulent motive to trade upon petitioner's reputation, thus:

"A boundless choice of words, phrases and symbols is available to one who wishes a trademark sufficient unto itself to distinguish his product from those of others. When, however, there is no reasonable explanation for the respondent's choice of such a mark though the field for his selection was so broad, the inference is inevitable that it was chosen deliberately to deceive." 1313 *Ill Callman Unfair Competition*, 2<sup>nd</sup> ed., pp.1527-1528

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The similarity in the general appearance of respondent's trademark and that of petitioner would evidently create a likelihood of confusion among the purchasing public. But even assuming, *arguendo*, that the trademark sought to be registered by respondent is distinctively dissimilar from those of the petitioner, the likelihood of confusion would still subsist, not on the purchaser's perception of the goods but on the origins thereof. By appropriating the word "CONVERSE," respondent's products are likely to be mistaken as having been produced by petitioner. "The risk of damage is not limited to a possible confusion of goods but also includes confusion of reputation if the public could reasonably assume that the goods of the parties originated from the same source."

The complainant also alleges that the respondent committed unfair competition. The law states:

*"SEC. 168. Unfair Competition, Rights, Regulation and Remedies*

168.1. A person who has identified in the mind of the public the goods he manufactures or deals in, his business or services from those of others, whether or not a registered mark is employed, has a property right in the goodwill of the said goods, business or services so identified, which will be protected in the same manner as other property rights.

168.2 Any person who shall employ deception or any other means contrary to good faith by which he shall pass off the goods manufactured by him or in which he deals, or his business, or services for those of the one having established such goodwill, or who shall



commit any acts calculated to produce said result, shall be guilty of unfair competition, and shall be subject to an action therefore.

168.3. In particular, and without in any way limiting the scope of protection against unfair competition, the following shall be deemed guilty of unfair competition:

(a) Any person, who is selling his goods and gives them the general appearance of goods of another manufacturer or dealer, either as to the goods themselves or in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance, which would be likely to influence purchasers to believe that the goods offered are those of a manufacturer or dealer, other than the actual manufacturer or dealer, or who otherwise clothes the goods with such appearance as shall deceive the public and defraud another of his legitimate trade, or any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose;

(b) Any person who by any artifice, or device, or who employs any other means calculated to induce the false belief that such person is offering the services of another who has identified such services in the mind of the public; or

(c) Any person who shall make any false statement in the course of trade or who shall commit any other act contrary to good faith of a nature calculated to discredit the goods, business or services of another.

The factual findings of the trial court mentioned in the ruling of the Supreme Court in *Converse Rubber Corporation and Edwardson Manufacturing Corporation v. Jacinto Rubber & Plastic Co., Inc.* [G.R. Nos. L-27425 & L-30505, April 28, 1980.] are similar in this case. It held:

“We find the shoes manufactured by defendants to contain, as found by the trial court, practically all the features of those of the plaintiff Converse Rubber Corporation and manufactured, sold or marketed by plaintiff Edwardson Manufacturing Corporation, except for their respective brands, of course. We fully agree with the trial court that “the respective design, shapes, the colors of the ankle patches, the brands, and the toe patch and the soles of the two products are exactly the same. . . (Such that)” at a distance of a few meters, it is impossible to distinguish “Custom built” from “Chuck Taylor”. These elements are more than sufficient to serve as basis for a charge of unfair competition. Even if not all the details just mentioned were identical, with the general appearances alone of the two products, any ordinary, or even perhaps even a not too perceptive and discriminating customer could be deceived, and, therefore, Custom-built could easily be passed off for Chuck Taylor. Jurisprudence supports the view that under such circumstances, the imitator must be held liable. In *R. F. & J. Alexander & Co. Ltd. et al.*, 97 Phil. 157, at p. 160, this Court held:

“By ‘purchasers’ and ‘public’ likely to be deceived by the appearance of the goods, the statute means the ‘ordinary purchaser’. And although this Court apparently shifted its position a bit in *Dy Buncio vs. Tan Tiao Bok*, 42 Phil. 190, by referring to simulations likely to mislead ‘the ordinary intelligent buyer’, it turned to the general accepted doctrine in *E. Spinner & Co. vs. Nevus Hesslein*, 54 Phil. 224, where it spoke of ‘the casual purchasers’ who knows the goods only by name.”

“It stands to reason that when the law speaks of purchaser’ it generally refers to ordinary or average purchasers.

‘ . . . in cases of unfair competition, while the requisite degree of resemblance or similarity between the names, brands, or other indicia is not capable of exact definition, it may be stated generally that the similarity must be such, but need only be such, as is likely to mislead purchasers of ordinary caution and prudence; or in other words, the ordinary buyer, into the belief

that the goods or wares are those, or that name or business is that, of another producer or tradesman. It is not necessary in either case that the resemblance be sufficient to deceive experts, dealers, or other persons especially familiar with the trademark or goods involved. Nor is it material that a critical inspection and comparison would disclose differences, or that persons seeing the trademarks for articles side by side would not be deceived (52 Am. Jur. pp. 600-601). "(Brief for Plaintiffs as Aspellées, pp. 287- 29, p. 71 Record)".

The mere fact that complaint's products (Exhibit "RR" to "TT") were slavish copies not only of the trademark but in styling and appearance of the shoes as seen from seized products of respondent (Exhibits "OO", "PP", "QQ", "0", show that the counterfeit shoes were manufactured to appropriate the goodwill already obtained by the complainant. In this regard, at least around 4,593 fake pairs of shoes have been seized. This circumstance resulted in the downturn in sales experience by complainant as testified to by witness Randy A. Esguerra, a Business Development Officer (Exhibit "XX"), warranting a finding for damages.

WHEREFORE, in view of the foregoing, this Office finds that Respondents infringed the registered marks "CONVERSE", "ALL-STAR", "CONVERSE ALL STAR", "CHUCK TAILOR AND DESIGN" and committed acts of unfair competition against Complainant. Respondents are hereby declared liable to pay jointly and severally to the complainant the amount of P 1,000,000.00 as actual damages; and the amount of P 500,000 as exemplary damages.

SO ORDERED.

Makati City November 2006.

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