

FILCON MANUFACTURING
CORPORATION (FILCON)
Opposer,
- versus -

IPV 10-2005-00021

For: Violation of RA 8293

ST. JUDE GENERAL MERCHANDISE
AND JULIET R. MASACARADO
Respondent-Applicant.
x-----x

Decision No. 2007-02

DECISION

This is an administrative case for violation of Republic Act No. 8293 filed by Filcon Manufacturing Corporation ("Filcon" for brevity), a corporation engaged in the business of manufacture, distribution and sale of footwear clothing and other athletic gadgets and accessories under the brand name Converse with principal office at Unit E, 2801 C. East Tower, PSE Building, Exchange Road, Ortigas Center, Pasig City. Complainant is being represented by its Executive Vice-President, Margarita Dela Cruz. Respondent herein is a business establishment located at A3 Center, Cartimar Shopping Center, Cartimar, Pasay City.

On May 12, 2005, herein complainant files its Compliant with Urgent Prayer for the Issuance of a Restraining Order, alleging five (5) causes of action:

1. "In order not to unduly prejudice the consuming public and ruin complainant's long established reputation, goodwill and good quality products, the distribution and sale of feigned "CONVERSE" rubber shoes by respondent Athletic Trend should be halted."
2. By reason of Respondent's unlawful act of selling rubber shoes bearing counterfeit mark "CONVERSE", complainant Filcon Manufacturing Corporation was constrained to institute the present action for violation of Republic Act 8293, otherwise known as the Intellectual Property Code of the Philippines, thereby incurring litigation expenses.
3. On account of the well established goodwill and reputation of herein Complainant besmirched due to Respondent's unlawful act of selling counterfeit "CONVERSE" rubber shoes, an award of damages, representing the loss of profit of herein complainant, equivalent to Two Million Pesos (PHP 2,000,000.00) in Philippine Currency, in favour of complainant is warranted.
4. In order to deter commission of similar acts and to serve as example for public good, herein Respondent should be assessed exemplary damages, the amount of which though incapable of pecuniary estimation, should not be less than Five Hundred Thousand Pesos (Php 500,000.00).
5. For the protection of complainant's interest, the same was constrained to engage the services of a legal counsel for a fee of Ten percent (10%) of the amount recoverable.

On May 18, 2005, the Director of the Bureau of Legal Affairs issued a Notice of Hearing setting the summary hearing for the application for the issuance of a Temporary Restraining Order on June 6, 2005. On same date, a Notice of Raffle and Notice to Answer were likewise issued. The three notices were duly served personally on May 24, 2005 through respondents' representative Michael Mascarado. On June 3, 2005, Respondents through counsel filed an Urgent Ex-Parte Motion for Extension of Time to File Answer. During the hearing on the application for TRO on June 6, 2005, counsel for complainant moved for the resetting of the hearing to June 30, 2005. On June 17, 2005, complainant filed a Motion to Declare Respondent in Default for failure to file Answer. On the hearing of June 30, 2005, respondents' counsel

manifested that he is filing the Answer with Motion to Admit. On August 17, 2005, Complainant files its Reply. On August 18, 2005, Order No. 2005-87 denying complainant's motion to declare respondents in default and admitted respondent's Answer. After several postponements of the hearing on the application of TRO and/or Injunction, Complainants through counsel and in open court manifested that it is withdrawing its application for TRO/Injunction on November 7, 2005. On November 10, 2005, this Bureau issued a Notice of Pre-trial Conference with Invitation to Mediate and setting the pre-trial conference. During the pre-trial conference on May 25, 2006, only counsel for Complainant appeared and moved that Respondents be declared as in default for failure to appear and that complainant be allowed to present its evidence ex parte. On May 29, 2006, Order No. 2006-102 was issued declaring Respondents as in default and set the ex parte presentation of Complainant's evidence on June 8, 2006. On August 24, 2006, Complainant terminated its presentation of evidence and on October 3, 2006 submitted its Formal Offer of Evidence. Order No. 2006-177 was issued on October 4, 2006 admitting the Formal Offer of Evidence and directed Complainant to submit its Memorandum. On November 16, 2006 complainant filed its Memorandum. Hence, this Decision.

The issues to be resolved in this case are: (1) Whether or not respondent is liable for infringement of trademark and/or unfair competition; and (2) Whether or not respondent and its owner/ officers are solitarily liable to complainant for payment of damages prayed for, cost of litigation and attorney's fees.

To support its complaint against Respondents for violation of Intellectual Property Code or R.A. 8293, the following evidences were duly admitted as part of the evidence of Petitioners:

EXHIBIT	DESCRIPTION
"A"	Judicial Affidavit of Ms. Teresita Chan
"B"	Judicial Affidavit of Mr. Randy Esguerra
"C"	Judicial Affidavit of Ms. Estelita A. Adriano
"D"	Philippine Certificate of Registration No. R-12170 for the mark Chuck Taylor
"E"	Philippine Certificate of Registration No. R32021 the mark Converse
"F"	Philippine Certificate of Registration No. 46782 of Converse All Star and Chuck Taylor & Design
"G"	Philippine Certificate of Registration No. R-26154 of Star and Chevron Design on Shoe
"H"	Philippine Certificate of Registration No. 32751 of All Star
"I" to "I-3"	Authority of Filcon to institute actions for infringement executed by Converse, Inc.
"J"	Secretary's Certificate
"K"	Affidavit of Ronaldo Barros
"L"	Certificate of Purchase of Counterfeit Converse Rubber Shoes
"M"	Sales Invoice issued by St. Jude General Merchandise
"N"	Counterfeit Converse rubber shoes purchased from respondent
"O"	Sample of a genuine Converse rubber shoes

As borne by the records and evidence of this case, Converse, Inc., is the owner of various Converse marks, namely: CHUCK TAYLOR, CONVERSE, CONVERSE ALL STAR & CHUCK TAYLOR & DESIGN, STAR & CHEVRON DESIGN ON SHOE and ALL STAR. As owner of the said marks, Converse Inc., through herein complainant Filcon, its exclusive distributor, manufacturer and licensee of athletic and leisure footwear bearing the Converse

trademarks which was duly authorized by Converse, Inc. to prosecute the instant case is, conferred certain rights under Section 147.1 of the Republic Act No. 8293 which provides:

“SECTION 147. Right Conferred. – 147.1. The owner of a registered mark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.”

In relation to the above cited provision, Section 155 provides for the remedies to which complainant, by virtue of the authority given to it by the registered owner of the mark, can resort to prevent any unauthorized use of the marks of Converse, Inc., thus:

“SECTION 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 colourable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale, offering for 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 which such use is likely to cause confusion, or to cause 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, 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. (Sec. 22, R.A. No 166a)

In its Memorandum, Complainant asseverated that:

“Respondent St. Jude General Merchandise and Juliet Mascarado and its other owners were found offering for sale, selling and distributing poorly manufactured rubber shoes that bears the registered mark “Converse”. Such act of Respondents, that is, selling rubber shoes bearing counterfeit mark of “Converse”, is proof enough of its liability for infringement under Republic Act No. 8293.

Furthermore, aside form the fact that the use of a registered trademark “Converse” by respondent was without the authority or consent of Filcon Manufacturing Corporation nor Converse, Inc., the infringing mark also an exact reproduction, counterfeit, and / or copy of the trademark infringed. The dominant features of genuine “Converse” rubber shoes, in its entirety, were duplicated. This was validated and confirmed by Ms. Estelita Adriano of the Quality Control Division and Mr. Randy Esguerra, Business Development Officer of Complainant Filcon Manufacturing Corporation.

It is an established fact that the registered mark “Converse” was used by herein respondent in connection with the sale, offering for sale of their fake and/or counterfeit rubber shoes bearing the trademark “Converse” and the mere use of application by respondent of the registered trademark “Converse” in the sale and distribution of the substandard rubber shoes caused confusion or mistake to the consuming public. Complainant Filcon Manufacturing

Corporation bona fide believes that the purchasers were deceived by the colorable imitation or copying by herein respondent of the trademark "Converse".

To establish trademark infringement, the following elements must concur: (1) the validity of plaintiff's mark; (2) the plaintiff's ownership of the mark; and (3) the use of the mark or its colorable imitation by the alleged infringer results in "likelihood of confusion. Of these, it is the element of likelihood of confusion that is the gravamen of trademark infringement.

It bears stressing that once a mark is registered, there is a prima facie presumption that the mark is valid and that the registrant is the owner the registered mark. In the instant case, Respondents did not question the validity and ownership of the marks in their Answer such that the presumption that the same is valid and that the registrant is the owner of the mark remains unrebutted. Being so, a lengthy discussion on the first two elements of infringement is not necessary.

With regard to the last element of infringement, basic is the rule that the central inquiry in an infringement action is whether there is a likelihood than an appreciable number of ordinarily prudent purchasers are likely to be misled or confused about the source or affiliation or sponsorship of the goods or services. If consumers, upon encountering the defendant's goods or services would believe that they are produce or somehow affiliated with a plaintiff's goods or services, the defendant's mark infringers the plaintiff's. As what can be inferred the pieces of evidence presented by complainant, Converse, Inc., has been using its various marks in connection with the manufacture of shoes made of rubber and other materials and clothing among others. The appropriation and use by respondent of a similar mark on similar goods would likely cause confusion on the unwary purchasing public as to make them believe that the goods of respondent originated from or was manufactured by complainant. Being so, there is no doubt that respondent is liable for infringement of trademark.

Another violation which respondent may be liable under the Intellectual Property Code is unfair competition. Section 168 of Republic Act No. 8293 provides:

"SECTION 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 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 therefor.

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 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.

Unfair competition is the employment of deception or any other means contrary to good faith by which a person shall pass off the goods manufactures by him or in which he deals, or his business, or services, for those of another who has already established goodwill for his similar goods, business or services, or any cats calculated to produce the same result. The universal test question is whether the public is likely to be deceived. Nothing less than conduct tending to pass off one man's goods or business as that of another will constitute unfair competition. Actual or probable deception and confusion on the part of the customers by reason of defendant's practices must always appear."

Unfair competition has two elements namely: (1) goodwill and (2) intent to defraud or deceive on the part of the respondent. Goodwill has been defined as "the advantage or benefit which is acquired by an establishment beyond the mere value of the capital stock, funds or property employed therein, in consequence of the general public patronage and encouragement which it receives from constant or habitual customers on account of its local position, or common celebrity, or reputation for skill, or necessities, or punctuality, or from other accidental circumstance or necessities, or even from ancient partialities or prejudices. On the other hand, intent to deceive or to defraud is a state of mind and may only be shown through overt acts or conduct of the respondent. Such intent may be inferred from the similarity in the appearance of goods manufactured or sold by the person sought to be held liable for unfair competition. Also, all the surrounding circumstance must be taken into account, especially the identity or similarity of names, the identify or similarity of their business, how far the names are a true description of the kind and quality of the articles manufactured or the business carried on, the extent of the confusion which may be created or produces, the distance between the place of business of one and the other party, etc.

There is no doubt that Converse, Inc. and complainant has generated goodwill by the continued use of the various marks of Converse. On the other hand, the fraudulent intent of respondent to pass off its goods as that of complainant was manifested by use of products tags which misrepresent that it was an ORIGINAL Converse Chuck Taylor shoes when in fact it was merely a counterfeit or an imitation of the original. This proves that respondent is guilty of unfair competition.

"In order that damages may be recovered, the best evidence obtainable by the injured party must be presented. Actual of compensatory damages cannot be presumed, but must be duly proved, and so proved with a reasonable degree of certainly. A court rely on speculation, conjecture or guesswork as to the fact and amount of damages, but must depend upon competent proof that they have been suffered and on evidence of the actual amount thereof. If the proof is flimsy and unsubstantial, no damages will be awarded."

In this case, except for the self-serving statement of Mr. Esguerra, no evidence was presented to prove the actual damages incurred by complainant. While there was a statement that there was a reduction of the sales to 10% in 2005 as compared to 2004, no documents was presented to substantiate the same. Even in the testimony of Teresita Chan, her statement that the estimated unrealized sales amount to Two Million (P2, 000,000.00) Pesos for the period of five (5) years cannot be given credence as it is self-serving and no documentary evidence was presented to substantiate the same. The computation made by Teresita Chan made in a separate sheet merely summarizes what she has testified and does not merit any probative value as the same is uncorroborated by substantial evidence.

Nevertheless, complainant is entitled to temperate damages as provided under Article 2224 of the Civil Code. In one case the Supreme Court enunciated:

“Temperate damages are included within the context of compensatory damages. In arriving at a reasonable level of temperate damages to be awarded, trial courts are guided by our ruling that:

“ . . . There are cases where from the nature of the case, definite proof of pecuniary loss cannot be offered, although the court is convinced that there has been such loss. For instance, injury to one’s commercial credit or to the goodwill of a business firm is often hard to show certainty in terms of money. Should damages be denied for that reason? The judge should be empowered to calculate moderate damages in such cases, rather than that the plaintiff should suffer, without redress from the defendant’s wrongful act.” (Araneta v. Bank of America, 40 SCRA 144, 145)”

However, although the assessment of damages is left to the sound discretion of the court, nevertheless, the same may only be recovered when the court finds that some pecuniary loss has been suffered but its amount cannot be determined with reasonable certainty in terms of money.

In the case at bar, Converse Inc. and complainant has obtained reputation and goodwill in its business through the continuous use of its various marks on commerce not only in the Philippines but also in different parts of the world. Due to the proliferation of counterfeit goods bearing its marks and the acts of infringement and unfair competition of respondent, this Bureau recognizes that such acts brought considerable loss to it although the amount of injury to its reputation or goodwill cannot be determined with certainty. As such, this Bureau finds that the amount of Five Hundred Thousand (P500, 000.00) Pesos as temperate damages is appropriate.

With respect to attorney’s fees, it is well settled doctrine that no premium should be placed on the right to litigate and not every winning party is entitled to an automatic grant of attorney’s fees. The party must show that he falls under one of the instances enumerated in Article 2008 of the Civil Code. In this case, since petitioner was compelled to engage the services of a lawyer and incurred expenses to protect its interest against the acts of infringement and unfair competition by Respondent, the award of attorney’s fees is proper. However there are certain standards in fixing attorney’s fees, to wit: (1) the amount and the character of the services rendered; (2) labor, time and trouble involved; (3) the nature and importance of the litigation and business in which the services were rendered; (4) the responsibility imposed; (5) the amount of money and the value of the property affected by the controversy or involved in the employment; (6) the skill and the experience called for in the performance of the services; (7) the professional character and the social standing of the attorney; and (8) the results secured, it being a recognized rule that an attorney may properly charge a much larger fee when it is contingent than when it is not.”

In this case, it is only proper to sustain the award of attorney’s fees since respondent has constrained complainant to incur expenses to protect its interest against the infringement and unfair competition. In awarding the attorney’s fees in this case, it was taken into account that complainant incurred expenses in securing the services of the lawyer, the payment of filing fees and other expenses incident to the prosecution of this case and as such Bureau awards the amount of P200, 000. 00 as attorney’s fees including the cost of litigation.

WHEREFORE, premises considered, respondent is hereby ordered to CEASE and DESIST from further infringing and/or using the various registered marks of Converse, or any reproduction or colorable imitation thereof in connection with the sale, offering for sale, distribution of its goods and other related goods. Respondent is also directed to pay complainant the amount of Five Hundred Thousand (P500, 000.00) Pesos as and by way of temperate damages and Two Hundred Thousand (P200, 000.00) as and by way of attorney’s fees.

SO ORDERED.

Makati City, 28 February 2007

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