

FILCON MANUFACTURING
CORPORATION (FILCON)
Opposer,

IPV No. 10-2005-0006

-versus-

For: Violation of Republic Act 8293

KINGSTON SHOE STORE, MAN
HENG, Owner/ Proprietor
Respondent-Applicant,

x-----x

Decision No. 2007-04

DECISION

For decision is the complaint for Violation of Republic Act 8293 filed by Filcon Manufacturing Corporation (Filcon), complainant, a corporation organized and existing under Philippine Stock Exchange laws with address at Unit E-2801 C, East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City against Kingston Shoe Store, a business establishment located at No. 650 Rizal Avenue, Quiapo, Manila and private respondent Man Heng, proprietor of respondent Kingston Shoe Store. Complainant avers the following causes of action:

“4. Complainant, Filcon Manufacturing Corporation, is a firm engaged in the business of manufacture, distribution, and sale of rubber shoes and other footwear products under the brand name CONVERSE.

“5. Filcon Manufacturing Corporation has an exclusive licensing agreement with CONVERSE INC., a corporation engaged, among other, in the manufacture and distribution of the rubber shoes and other footwear, T-shirts and hosiery under the world-renowned brand name “CONVERSE”. In addition to the aforementioned exclusive licensing agreement, Filcon Manufacturing Corporation is likewise authorized to institute before the proper court, agency or tribunal the appropriate action for unfair competition, infringement, damages and other violations of Intellectual Property Rights against any and all infringers and unfair competitors. (Attached herewith and made as integral part hereof as ANNEXES “B” to “B-3”, inclusive, is the duly authenticated certification issued by “CONVERSE, INCORPORATED” in favor of Filcon Manufacturing Corporation).

6. Converse Incorporated is the owner of the famous trademark “Chuck Taylor”, “Converse”, “Converse All Star”, “Star and Chevron” and “All Star”, Design. The latter’s ownership is evidenced by the Certificate of Registration issued by the Intellectual Property Office, formerly the Bureau of Patents, Trademarks and Technology Transfer (BPTTT). (Photocopy of the Certificate of registration issued in favor of COVERSE, INCORPORATED is hereto attached to form integral part hereof as ANNEXES “C” to “G-4”).

7. During the last quarter of the year 2004, complainant received numerous and alarming report the rubber shoes and other footwear products under the brand name “CONVERSE” with substandard materials and poor quality are openly sold in the market. On the basis of such information, complainant acting through its Executive Vice-President issued an order directing its field personnel to gather information and to conduct test but on the establishments found to be engaged in selling the aforesaid substandard rubber shoes under the brand name “CONVERSE”,

8. Acting pursuant to the instruction of the Executive Vice-President, on 21 January 2005, one of the employees of Filcon Manufacturing Corporation noticed that

Kingston Shoe Stores located along Rizal Avenue, Quiapo, Manila, is selling rubber shoes under the brand name "CONVERSE". Considering that there is an outstanding instruction from the Executive Vice-President of herein complainant Filcon Manufacturing Corporation to monitor establishments selling substandard rubber shoes under the brand name "CONVERSE", the same made an initial examination of the rubber shoes bearing the mark "CONVERSE" being sold at respondent establishment, Kingston Shoe Stores, owned by a certain Man Heng. Based on the initial inspection of the rubber shoes bearing the mark "CONVERSE", the rubber shoes offered for sake is counterfeit.

9. To verify the initial examination, the employee of Filcon Manufacturing Corporation purchased a pair of "CONVERSE" rubber shoes. (Photocopy of the Affidavit of the buyer and the Cash Invoice issued respondent establishment is hereto attached to for, part hereof as ANNEXES "H" and "I", respectively). For the sample of rubber shoes bearing the counterfeit mark of "CONVERSE", herein complaint reserves the right to present the same in the course of the proceedings and upon the instruction of this Honorable Office.

10. The sample of rubber shoes bearing the counterfeit mark "CONVERSE" was immediately forwarded to the Quality Control Department of complainant Filcon Manufacturing Corporation for the conduct of appropriate examination. After a solicitous examination of the "CONVERSE" rubber shoes purchased from respondent, the Quality Control Department was able to ascertain that the rubber shoes under the brand name "CONVERSE" purchased from Kingston Shoe Store is counterfeit. (Photocopy of the Official Certification of the Quality Control Department of Filcon Manufacturing Corporation is hereto attached to form part hereof as ANNEX "J").

11. By Juxtaposing the rubber shoes under the brand name "CONVERSE" bought from respondent Kingston Shoe Store and the original "CONVERSE" rubber shoes manufactured by Complainant Filcon Manufacturing Corporation, the consumers, who, in general, are unaware of the specifications of the original "CONVERSE" rubber shoes will not be able to determine, with precision, the original from the sham. Hence, in order not to unduly prejudice the consuming public and ruin complainant's long established reputation, goodwill and good quality of products, the distribution and/or sale of feigned "CONVERSE" rubber shoes by Kingston Shoe Store should be halted.

SECOND CAUSE OF ACTION

12. By reason of the Respondent's unlawful act of selling rubber shoes bearing counterfeit mark of "CONVERSE", complainant Filcon Manufacturing Corporation was constrained to institute the present action for violation of Republic Act 8293, otherwise known as the Intellectual Property Rights Code of the Philippines, thereby incurring litigation expenses.

THIRD CAUSE OF ACTION

13. 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 favor of Complainant is warranted.

FOURTH CAUSE OF ACTION

14. In order to deter the commission of similar act 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)

FIFTH CAUSE OF ACTION

15. 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.

In its Answer filed on 17 March 2006, respondents raised the following special and affirmative defenses:

10. Respondent repleads all the materials allegations contained in the preceding paragraphs.

11. Respondent and its sister company, the Kimberly Shoe Store, order and buy some rubber shoes, for sale in its store from the complainant itself. Attached as Annexes "1" et seq. Are some sales invoices for Kimberly Shoe Store's purchases of rubber from the complainant in the past.

12. The complainant attached as Annexes "H" of its Complaint the alleged cash invoice of the respondent for the purchase of shoes costing P400.00. In this cash invoice no. 24446, the words "CONVERSE c/o MARLYN" were clearly written by another person as they differ from the word "shoe" also appearing in the same sales invoice. As a matter of fact the duplicate of a Cash Invoice No. 24446 does not indicate or include the words "CONVERSE c/o MARLY" Attached as Annex "2" is a duplicate copy of Sales Invoice No. 24446.

13. The Cash Invoice (Annex "H" of Complaint does not even indicate or in anyway show that the shoes was sold to Complainant Filcon, or any of its representative/agent.

14. In any event, the alleged "converse" shoe that was purchased by the complainant, or even the picture of the same, is not attached to the Complaint."

15. Finally, after the alleged sale the shoes that was purchased by the complainant and/or its representative was kept by the complainant. Hence, the possibility of its being changed or substituted is always present, or possible.

16. If ever, the complainant should have itself accompanied by a police officer when the purchase was made, and that the shoes that was purchased was made, and that the shoes that was purchased should have been deposited for safekeeping at the police station.

17. The Affidavit of a certain Ronaldo Barros (attached as Annex "1" of the Complaint) and the certificate of Purchase of Counterfeit Converse Shoes issued by Estelita Adriano (attached as Annex "J" of the Complaint) both self-serving coming as they were from biased personnel of the complaint.

Pre-trial conference was initially set on May 4, 2005, and was postponed to enable the parties to explore the possibility of reaching an amicable settlement of the case and mediation. For failure of mediation, the parties proceeded to trial.

Complainant offered the testimony of two witnesses, namely: Randy Esguerra and Teresita Chan and the following documentary and object evidence consisting of exhibits "A" to "G", "H", "I", "J", "K", "L" and "M" which this Bureau admitted, as follows:

EXHIBITS	DESCRIPTION
"A"	Secretary's Certificate
"B"	Letter of Authority
"C"	Certificate of Registration "Chuck Taylor"
"D"	Certificate of Registration "Converse"
"E"	Certificate of Registration "Converse All Star & Chuck Taylor & Design"
"F"	Certificate of Registration "Star & Chevron Design"
"G"	Certificate of Registration "All Star"
"H"	Sample of Counterfeit Converse rubber shoes
"I"	Proof of Purchase
"J"	Certification of Quality Control personnel
"K"	Judicial affidavit of Randy Esguerra
"L"	Genuine Converse Chuck Taylor (Hi-cut)
"M"	Judicial affidavit of Ms. Teresita Chan

For its part, respondents offered the testimony of two witnesses, namely Man Heng and Rebecca Peralta and the following documentary and object evidence, consisting of Exhibits "1" to "11" as follows:

EXHIBITS	DESCRIPTION
"1"	The same was not identified by any of the witnesses for Kingston so it will not be offered anymore.
"2"	Filcon Sales Invoice No. 161996
"3"	Filcon Sales Invoice No. 162336
"4"	Filcon Sales Invoice No. 168790
"5"	Filcon Sales Invoice No. 172131
"6"	Filcon Sales Invoice No. 199407
"7"	Kingston Shoe Store Cash Invoice No. 24446
"8" to "8"-a	Kingston Shoe Store Cash Invoice No. 24446 ("8"); phrase, "Converse c/o Marlyn" ("8-a")
"9"	Letter, dated March 13, 2005, from the Puno Law Office to respondent Man Heng
"10" to "10"-A	Affidavit of Man Heng ("10"); signature of Man Heng ("10-A")
"11" to "11"-A	Affidavit of Rebecca Peralta ("11"); signature of Rebecca Peralta ("11-a")
"12"	Philippine Health Insurance Corporation Employer's Quarterly Report for Kingston Shoe Store for Quarter Ending June 2005
"13"	Philippine Health Insurance Corporation Employer's Quarterly Report for Kingston Shoe Store for Quarter Ending March 2005

The issue in this case is whether the respondent committed any violation of Republic Act 8293 for allegedly selling counterfeit Converse shoes and whether the complainants are entitled to claim of damages.

Trademark infringement is committed by the unauthorized use of a registered mark. The law 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, 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 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 of 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, by authority of Converse, Inc. submitted in evidence Converse, Inc.'s Philippine registrations of the marks “Chuck Taylor”, R-12170 issued in March 3, 1986; “Converse” Certificate of Registration No. 32021 issued June 30, 1983, “Converse All Star Chuck Taylor & Design”, Certificate of Registration No. 46782, November 3, 1980 “Star & Chevron Design”, Certificate of Registration No. 46782, issued on September 13, 1998 and “All Star” Certificate of Registration No. 32751 issued on October 19, 1983, (Exhibits “C”, “D”, “E” and “F” and “G”). Complainants presented a red hi-cut pair of “Converse” shoes (Exhibit “L”) to compare with respondent’s black hi-cut pair of converse rubber shoes (Exhibit “H”). Complainant’s shoes bear all the registered marks.

Respondent did not submit any proof of authority that it could adopt, apply or use the registered marks. Thus, by respondent’s sale of rubber shoes which bear all of the registered marks is plain trademark infringement. While respondent Man Heng admits that it used to order converse products from complainant from 2001 to 2003 as evidence by sales receipts (Exhibit “1” – “6”) ordered through Kimberly Shoe Store. Witness Man Heng testified in his affidavit (Exhibit “10”) that Kingston Shoe Store ceased and discontinued the sale of “Converse” shoes in its store after that time due to competition from alternative outlets in the Tutuban and Divisoria area and the economic hardships experienced by customers. Despite these protestations, it is clear that at the time of the purchase by complainant of a pair of converse shoes from the owner of the registered marks.

Respondents insist that it was impossible for the complainant to have bought a pair of converse shoes because apart from the fact that they were no longer selling converse, they point out that the duplicate original of the Kingston Cash Invoice No. 24446 (Exhibit “7”) does not contain the words “converse c/o Marlyn” written on it.

This Bureau gives more weight to testimony of complainant's witness regarding the purchase of counterfeit shoes from the respondent's business establishment and the validity of the receipt issued as proof of purchase of the counterfeit converse shoes.

The original cash invoice 24446 was submitted by complainant which bears the words "Converse" which appears to be a similar handwriting to the other entries on the said invoice. Moreover, respondent Man Heng admits that they do not normally write the item being purchased on an invoice unless requested. In his affidavit-direct testimony (Exhibits "10"), he states:

"15) Can you please inform this Honorable Office why you didn't describe the item in the Cash Invoice xxx

ANSWER: We normally don't put the item unless it is requested by the customer for reimbursement ma'am xxx"

Under these circumstances, it is possible that it was specifically requested by the purchaser that word "CONVERSE" be reflected in the invoice as the same was undertaken as test buy for this case.

Moreover, the positive testimony of Randy Esguerra on March 3, 2006 proves that a counterfeit product was purchased. He testified:

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Atty. Lopez : Now Mr. Witness in relation to IPV Case No. 00006 the respondent is Kingston Mr. Witness xxx How would you be able to know Mr. Witness if that is genuine or not?

Witness : Well, we first eliminate the factors that are now consistent. Like the hill (sic heel) tab they basically look the same, but still unlike the original this one is actually molded or vulcanized together with the entire bottom or the entire out sole. But this one it's like sticking out. It's not molded together. Xxx of course we have our original hangtags. Only original products only have this, original products of Converse xxx They also have hangtags which are actually inconsistent with our standard. Xxx And then as I was saying the side tape. The strings in between the two rubbers are also inconsistent with the counterfeit. They do not have the string to hold the two rubbers together. Although they also make a look a like type of a string type here on the side tape just to make it look like there's string. xxx As you can see on the original, the authentic does not have the logo ALL STAR on the tongue as well as the red one you can see. Xxx

You can see in the original it is a very detailed description of the source of the factory, the sizing of the product whether it be UK, US, European sizing or Japanese sizing and where the product is manufactured. Unlike this one, you can see here it only says Authentic Converse Product. xxx"

As can be gleaned from the testimony and object evidence presented, the registered marks were appropriated and the goods of the respondents were passed off as that of the converse product of the complainant, giving them the appearance of the genuine converse shoes.

The provision on unfair competition 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.

In *Converse Rubber Corporation and Edwardson Manufacturing Corporation v. Jacinto Rubber & Plastics Co., Inc.* (G.R. Nos. L-27425 & L-30505 April 28, 1980). The Supreme Court ruled:

“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 designs, shapes, the colors of the ankle patches, the bands, 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 “Custombuilt” 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 two products, any ordinary, or even perhaps even a not too perceptive and discriminating customer could be deceived, and therefore. Custombuilt 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. vs. Ang et al.*, 97 Phils. 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 ordinarily intelligent buyer’, it turned to the general accepted doctrine in *E. Spinner & Co. vs. Neuss 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 purchasers’ it generally refers to ordinary or average purchasers.

‘... in cases of unfair competition, while the requisite degree of resemblance of 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 the 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 person seeing the trademarks or articles side by side would not be deceived’ (52 Am. Jur. pp. 600-601).” (Brief for Plaintiffs as Appellees, pp. 28-29, p. 71, Record.)”

Simply put, an ordinary purchaser giving the attention that he usually gives when he purchases shoes, even if he were familiar with the “Converse” brand and desirous to buy such brand is likely to be misled that the goods sold by the respondents are that of the complainant. For that matter, the complainant’s sale resulted to a downtrend as testified to by witness Teresita Chan which warrants a finding for damages.

Section 156 provides:

“Section 156. Actions and Damages and Injunction for Infringement. – 156.1. The owner of a registered mark may recover damages from any person who has infringed his right, and the measure of damages suffered shall be either the reasonable profit which the complaining party would have made, had the defendant not infringed his rights, or the profit which the defendant actually made out of the infringement, or in the event that such measure of damages cannot be readily ascertained with reasonable certainty, then the court may award as damages a reasonable percentage based upon the amount of gross sales of the defendant. xxx”

Complainant’s witness, Teresita Chan testified that:

Atty. Yambot : You mentioned in the same paragraph 7 that you estimated about four (4) pairs of Chuck Taylor All Star Shoes sold for one day in a store. Where did you get this estimate?

Witness : As I have mentioned earlier, it is a conservative estimate of any store that is selling Chuck Taylor or Converse shoes in the Rizal Avenue area because if we consider four (4) pairs in a day, that is a very very conservative estimate considering that from that we know, the stores had been selling predominantly Converse shoes before the case has been filed. So our conservative estimate of four (4) pairs is we think its even more than four.

Complainant’s prayer for actual damages and compensatory damages cannot be sustained. There is nothing in the records that will support a finding that Complainant suffered two million in damages as it did not present any competent proof to support its claim. The absence of malice and bad faith renders the award of exemplary damages improper. (Bank of the Philippines Islands vs. The Intermediate Appellate Court et al., G.R. 69162, February 21, 1992 citing Globe Mackay Cable and Radio Corp. vs. Court of Appeals, 176 SCRA 778). Exemplary damages maybe granted if Respondent/s acted with gross negligence or in a wanton, fraudulent, reckless, oppressive, or malevolent manner (Arts. 2231-2232, Civil Code; National Power Corporation vs. Honorable Court of Appeals et al., G.R. No. L-47379, May 16, 1988 and Engineering Construction, Inc. vs. Court of Appeals et al., No. L-47881, May 16, 1988). In the

case at bench, Complainant was not able to prove the requirements of law and jurisprudence in regard to the grant of exemplary damages.

Complainant may find some comfort in Articles 2222 and 2224 of the Civil Code which allow for the recovery of temperate and nominal damages. Temperate damages may be awarded where there is some pecuniary loss suffered but its amount cannot, from the nature of the case, be provided with certainty while nominal damages may be awarded in every case where any property right has been invaded. In the case at bench, Complainant failed to present evidence of its capital and actual amount of damages suffered but this Bureau finds that Respondents were in fact selling in commerce counterfeit Converse shoes though the volume and amount of such sales cannot be determined with certainty, vis-à-vis Complainant's sale of its Converse shoes to the latter's detriment.

WHEREFORE, in view of the foregoing, this Bureau finds that Respondents Kingston Shoe Store, Man Heng Owner/Proprietor committed the following:

1. trademark infringement by using in commerce without Complainant's consent a counterfeit copy of Complainant's registered marks CONVERSE, ALL-STAR, CONVERSE ALL STAR CHUCK TAYLOR shoes in connection with the sale, offering for sale, or distribution of counterfeit CONVERSE, ALL-STAR, CONVERSE ALL STAR CHUCK TAYLOR shoes which such use is likely to cause confusion or mistake, or to deceive the buying public; and
2. unfair competition by employing deception or and other means contrary to good faith by which said Respondents passed off the shoes with the above-mentioned trademarks.

Consequently, Respondent Kingston Shoe Store, Man Heng Owner/Proprietor is Permanently enjoined to cease and desist from selling, offering for sale and/or distributing counterfeit Converse, All-Star, Converse All Star Chuck Taylor and Design, and is likewise ordered to pay the Complainant:

1. the amount of five hundred pesos (P500,000.00) as temperate damage and
2. fifty thousand pesos (P50, 000.00) as attorney's fees.

SO ORDERED.

Makati City, March 30, 2007

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

