

FILCON MANUFACTURING
CORPORATION (FILCON),
Complainant,

IPV NO. 10-2005-00016
For: Violation of RA 8293

-versus-

ATHLETIC TREND
Respondent,

DECISION NO. 2006-05

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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 Exchange Road, Ortigas Center, Pasig City against Athletic Trend, a business establishment located at Cash and Carry Shopping Center, Filmore Street, Palanan, Makati City.

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

1. "In order to not unduly prejudice the consuming public and ruin the 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 of "CONVERSE", complainant Filcon Manufacturing Corporation was constrained to institute the present action for violation of Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines, thereby incurring litigation expenses.
3. On account of 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.
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 the 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 respondent's representative Mary Jane B. Simson. During the hearing on the application for TRO on June 6, 2005, only the counsel for complainant appeared and 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, only complainant's counsel was

present and moved that the Motion to Declare Respondent in Default be deemed submitted for resolution. On August 18, 2005, Order NO. 2005-86 was issued declaring respondent in default and set the ex-parte presentation of complainant's evidence on September 21, 2005 but the same was reset to October 11, 2006 upon motion of complainant. On October 11, 2005, complainant's counsel appeared and moved that he be allowed to file a Judicial Affidavit in lieu of the testimony of his witness together with all the other evidence. After several motions for extension, complainant filed a Submission on November 30, 2005. On December 1, 2005, Order No. 2005-141 was issued by the Bureau noting and making of record complainant's Submission and set the case for hearing for the formal offer of evidence on January 5, 2005 but the complainant was not able to receive the same. On March 10, 2006 this Bureau issued Order NO. 2006-44 requiring complainant to submit its formal offer of evidence. On March 23, 2006, complainant filed its Formal Offer of Evidence. Immediately after receipt of the Formal Offer of Evidence, Order NO. 2006-52 was issued requiring the complainant to file a Memorandum. On June 1, 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 solidarily liable to complainant for payment of damages prayed for, cost of litigation and attorney's fees.

Admitted in evidence to support the causes of action of complainant are: a pair of Converse Chuck Taylor rubber shoes, Sales Invoice issued by the respondent, Certificate of Registration of the marks Chuck Taylor Converse, Converse All Star, Star and Chevron Design and All Star Design, Letter of Authority in favor of complainant Filcon, Secretary's Certificate, Certification issued by Ms. Estelita Adriano, Judicial Affidavits of Mr. Randy Esguerra, Rollando Barros and Estelita Adriano which were marked as Exhibits "A" to "M" including sub-markings.

As borne out by the evidence in this case, Converse, Inc. obtained registration of its various Converse marks, namely: CHUCK TAYLOR (Registration No. R-12170 issued in March 3, 1966), CONVERSE (Registration No. 32021 issued in June 30, 1983), CONVERSE ALL STAR & CHUCK TAYLOR & DESIGN (Registration No. 46762 issued in November 3, 1969), STAR & CHEVRON DESIGN ON SHOE (Registration No. 26154 issued in September 13, 1978) and ALL STAR (Registration No. 32751 issued in October 19, 1983) which were marked as Exhibits "C" to "G" inclusive of sub-markings. 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 (Exhibit "B", Authenticated Certification) is conferred certain rights under Section 147.1 of the Republic Act No. 8293, which provides:

"SECTION 147. Rights 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."

Pursuant to said rights granted under the above-mentioned provision, complainant under the authority of the registered owner of the mark, has the authority to prevent any unauthorized use of the marks of Converse, Inc., and is entitled to the remedies granted under Section 155 of the IP Cod3, to wit:

"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 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 sale of any goods 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)

To establish trademark infringement, the following elements must be shown: (1) the validity of the 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 must be pointed out that once registered, not only the mark's validity but also the registrant's ownership of the mark is a prima facie presumed. Considering that the validity and ownership of complainant's marks have not been questioned in this case, the presumption that the same is valid and that the registrant is the owner of the mark stands. As such there is no need to delve further on the first and second element of infringement.

As regards the third element of infringement, it has been said that the central inquiry in an infringement action is whether there is a likelihood that 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 produced by or somehow affiliated with plaintiff's goods or services, the defendant's mark infringes the plaintiff's. As borne out by the 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 the 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 Competitions, Rights, Regulations 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 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 give 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 likely to influence that 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 and 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.

Unfair competition is the employment of deception or any other means contrary to good faith by which a person shall pass off the goods manufactured 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 acts 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 circumstances or necessities, or even from ancient partialities or prejudices." On the other hand, intend to deceive or 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 circumstances must be taken into account, especially the identity or similarity of names, the identity 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 produced, 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 the use of the product tags which misrepresents 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.

Lastly, as to the prayer of the damages, the Supreme Court said in the case of Development Bank of the Philippines vs. Court of Appeals, that:

"In order that damages may be recovered, the best evidence obtainable by the injured party must be presented. Actual or compensatory damages cannot be presumed, but must be duly proved, and so proved with a reasonable degree of certainty. A court

cannot rely on the 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 or 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 the complainant. While there was a statement that there was a reduction of the sales to 10% in 2005 compared to 2004, no documents was presented to substantiate the same. The same is true with the claim for attorney’s fees.

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.

With cost against respondent.

SO ORDERED.

Makati City, 19 September 2006.

ESTRELLITA BELTRAN-ABELARDO
Director, Bureau of Legal Affairs