

GOTCHA INCORPORATED,
Complainant,

IPV CASE NO. 10-2001-00012

-versus-

For: INFRINGEMENT
UNFAIR COMPETITION
VIOLATION OF OTHER
INTELLECTUAL PROPERTY
RIGHTS

IWEB CORPORATION,
Respondent.

Decision No . {IPV} 2002 - 0 2

x-----x

DECISION

This pertains to the Complaint for (a) trademark infringement under Sections 147, 155.1 and 155.2 of Republic Act 8293 known as the Intellectual Property Code ("IP Code"); (b) unfair competition under Sections 168 to 168 .3 of the IP Code; and (c) violation of intellectual Property rights, particularly the exclusive right to use one's trade name or business name under Sections 165 .2(a) and 165.2(b) of the IP Code, with motion for issuance of Temporary Restraining Order/Preliminary Injunction, filed by Gotcha Incorporated, a corporation organized and existing under the laws of the Republic of the Philippines, with office address at No. 291 P. Guevarra Avenue, San Juan, Metro Manila, against IWEB Corporation, a corporation organized and existing under the laws of the Republic of the Philippines with office address at No. 208-E Rizal Avenue Extension, Caloocan City.

Complainant claims ownership of the trademark GOTCHA! which it allegedly first used on 30 June 1990 in connection with its paintball war games business Complainant alleged that as early as 1988, Vicente Padilla, Jr, its majority stockholder, started a unique business enterprise where customers, using paintball as weapon, participated in mock jungle wars conducted at the Alpadi Compound in Antipolo. This business venture became immediately popular and was carried on by Complainant from its formal incorporation on 31 January 1990. Throughout its more than a decade of existence, Complainant has been using the tradename/trademark GOTCHA! to identify its business, goods and services. To ensure protection of said mark, Complainant applied for registration of the same with the Bureau of Patents and Technology Transfer ("BPTTT"). Accordingly, Registration No. 60898 for the mark "GOTCHA, INC. & Device" was issued to the Complainant on 20 June 1995. The Certificate of Registration provided for the disclaimer of the word "INC." and the Device, which consists of a "representation of a man holding a flag, firing a gun, three flying balls and a splat."

As trademark for the equipment and accessories provided in Complainant's paintball war games, Vicente Padilla, Jr., on 24 October 1991, applied for the registration of the mark GOTCHA as a trademark for throat guards, helmets. masks, patches, air guns, vests, belts, paintball loaders, harnesses, slings and ear guards Linder Classes 6, 9, 12, 13, 18, 22, 25, 26, 28 and 41.

Subsequently, on August 04 2000, Complainant applied for the registration of the trademark GOTCHA! (with the phrase "GOTCHA! PAINTBALL WAR GAMES" written in a stylized format and the Design of a splatter forming as the background) for conducting war games including sale and lease of paintball airgun equipment, supplies and accessories.

Thereafter, on April 2000, Complainant expanded its business into computer network gaming where participants are able to engage in battle or war games against each other within a computer network that part. The network of computers is located in several outlets such

participants in one outlet can play against each other or against outlets players from other. For this new and expanded business, Complainant is using the GOTCHA! trademark variation i-GOTCHA. From September 2000, Complainant filed applications for the registration of several i-GOTCHA trademark variations for gaming software, network gaming, providing internet access to games through electronic means, to wit- (a) i-GOTCHA (filed on 14 September 2000); (b) two [2] variations of i-GOTCHA & Device (both filed on 06 October 2000); and (c) i-GOTCHA DESIGN (filed on 28 November 2000). On 12 February 2001, Complainant also applied for the registration of the trademark i-GOTCHA! NETWORK GAMING for goods under Classes 14, 16, 18, 25, 28. 36.

At the beginning of the year 2001, Complainant learned about Respondent's use of the trademark GOTCHA! on internet prepaid cards and Respondent found that on 01 December 2000, Respondent filed an application for the registration of the said mark in connection with "internet services". On 18 April 2001, Complainant served upon the Respondent a cease and desist letter, objecting to Respondent's use of the mark GOTCHA! and demanding that the latter cease and desist from the use of the same 30 August 2001. Respondent refused to comply. On (BLA) of the Complainant filed the instant complaint with the Bureau of Legal Affairs Intellectual Property Office (IPO)

Upon receipt of the Notice to Answer, Respondent filed its Answer on 14 September 2001 and its Amended Answer on 09 October the Complaint 2001, specifically denying all the averments in. In its Answer, Respondent raised the following affirmative defenses.

- (a) Lack of jurisdiction of the Intellectual Property Office over the case;
- (b) The unconstitutionality of the Rules and Regulations on Administrative Complaints (the "Rules");
- (c) Complainant has no cause of action against the Respondent;
- (d) There is no confusing similarity between the mark GOTCHA! of the respondent and the registered mark of the Complainant;
- (e) There is no likelihood of confusion of the source of goods: and
- (f) Complainant's applications for the i-GOTCHA! are invalid.

On 08 November 2001, Respondent filed a Petition for Prohibition with the Supreme Court questioning the jurisdiction of the IPO over the case and the validity of the Rules. The Supreme Court, through its Third Division, dismissed Respondent's Petition for Prohibition through a Resolution on 21 November 2001.

On 09 July 2002 the BLA issued Order No. 2002-84, granting Complainant's request for the issuance of a Temporary Restraining Order. Upon payment by the Complainant of the required cash bond, the BLA issued Order No. 2002-92 on 19 July 2002, enjoining Respondent from using the trademark GOTCHA! in connection with (tie distribution and sale of its internet prepaid cards, during the effectivity of the Temporary Restraining Order.

The issues having been joined, a Pre-Trial conference was conducted. For failure of the parties to reach an amicable settlement, the case proceeded to trial on the merits where the parties presented their respective oral and documentary evidence.

Admitted as documentary evidence for the Complainant are Exhibits "A" to "GGG" inclusive of sub-markings, consisting of the following:

- (a) SEC Registration No. 173050 of GOTCHA, INC. dated 31 January 1990;

- (b) Certified true copy of Registration No. 60898 for the mark GOTCHA, INC. & Device issued on 20 June 1995;
- (c) Trademark Application for GOTCHA dated 24 October 1991 ;
- (d) Certified true copy of Trademark Application No. 4-2000-06553 filed on 04 August 2000 for the trademark GOTCHA!;
- (e) Certified true copy of Trademark Application No. 4-2000-07833 filed on 14 September 2000 for the trademark i-GOTCHA!;
- (f) Certified true copy of Trademark Application No. 4-2000-08509 filed on 06 October 2000 for the trademark i-GOTCHA & Device;
- (g) Certified true copy of Trademark Application No. 4-2000-08510 filed on 06 October 2000 for the trademark i-GOTCHA & Device;
- (h) Certified true copy of Trademark Application No. 4-2000-09762 filed on 28 November 2000 for the trademark i-GOTCHA Design;
- (i) Certified true copy of Trademark Application No. 4-2001-0099 1 filed on 12 February 2001 for the trademark I-GOTCHA! Network Gaming & Aiming Device;
- (j) Certified true copy of Trademark Application No. 4-2001-00991 filed on 12 February 2001 for the trademark i-GOTCHA! Network Gaining;
- (k) Copies of articles from different magazines, newspapers and publications featuring Complainant's paintball war games business [Exhibits "J" to "AA", "DD" and "00" to "UU] ;
- (l) promotional materials, advertisements, posters, flyers and business cards showing the mark "GOTCHA!";
- (m) Photographs showing the computer outlet of the Complainant and its entrance parade;
- (n) Photograph of a computer monitor used in Complainant's outlet showing the mark i-GOTCHA!
- (o) Digital photographs of Respondent's prepaid internet card and promotional items placed side by side with digital photographs of Complainant's promotional (Elite) merchandise card and other advertising material;
- (p) Colored prints of the trademark GOTCHA, INC. & Device and variations of the mark GOTCHA! used by the Complainant;
- (q) Advertising cost report of Complainant from 1989 to September 2001;
- (r) Computation of estimated annual advertising costs for promoting the trademark GOTCHA! in connection with the paintball war games business and with computer network gaming;
- (s) Copy of a "cease and desist" letter dated 1 6 April 2001 served by Complainant upon the Respondent;

- (t) Photocopy of a letter dated 06 November 1997 sent by Complainant to Ms. Vivian B. Mawis;
- (u) Digital photographs of young people playing inside the network gaming outlet of Complainant at Ever Gotesco in Commonwealth, placed side by side with digital photographs of an internet gaming shop located near Ever Gotesco, that is selling Respondent's internet prepaid cards;
- (v) Digital photograph of I-GOTCHA Network Gaming outlet at Padi's Point Greenhills where Elite promotional cards are distributed, placed side by side with photographs of internet gaming shops at Shoe Avenue Marikina and Masinag Commercial Complex Antipolo where GOTCHA! internet prepaid cards are sold ;
- (w) Photocopy of Respondent's letter proposal with attachments, offering partnership in the internet prepaid card business; and
- (x) the Affidavit-testimony of Vicente A. Padilla, Jr.

On the other hand, the documentary exhibits admitted as evidence for the Respondent are Exhibits "1" to "13" inclusive of sub-markings, consisting of-

- (a) Certificate of Registration No. 60898 for the trademark GOTCHA, INC. & Device in the name of Complainant;
- (b) Application for Registration of the trademark GOTCHA filed by Vicente A. Padilla, Jr. on 24 October 1991;
- (c) Application for Registration of the trademark GOTCHA! (Paintball War Games) filed by Complainant on 04 August 2000;
- (d) Application for Registration of the trademark i-GOTCHA! & Device filed by Complainant on 06 October 2000;
- (e) Application for Registration of the trademark i-GOTCHA Design filed by Complainant on 28 November 2000;
- (f) Application for Registration of the trademark i-GOTCHA! Network Gaming filed by the Complainant on 12 February 2001;
- (g) Application for Registration of the trademark i-GOTCHA! Network Gaming and Aiming Device filed by Complainant on 12 February 2001;
- (h) Sworn statement of Zeigys de In Cruz dated 07 March 2002;
- (i) SEC Certificate of Registration of IWEB Corporation ;
- (j) Articles of Incorporation of IWEB Corporation ;
- (k) GOTCHA! internet prepaid cards worth Php300.00, Php200.00 and Php100.00; and
- (l) Application for Registration of the trademark GOTCHA! filed by Respondent on 01 December 2000.

Respondent filed its Memorandum on 15 May 2002 and Complainant filed its Memorandum on 04 June 2002. Thereafter, the case was submitted for resolution.

The primary issues to be resolved in this particular case are:

- (a) Whether or not Respondent's use of the mark GOTCHA! Constitutes trademark infringement;
- (b) Whether or not Respondent's use of the mark GOTCHA! Constitutes unfair competition;
- (c) Whether or not Respondent's use of the mark GOTCHA! Violates Complainant's business name rights;
- (d) Whether or not Complainant is entitled to injunction and damages ; and
- (e) Whether or not Complainant's applications for the mark i-GOTCHA are invalid.

Since the issue as to the jurisdiction of the IPO, specifically the BLA, to take cognizance of the instant case and the issue as to the validity of the Rules have been raised by the Respondent in its Amended Answer and Memorandum, it is imperative to rule upon these matters before going into the merits of the case.

Respondent argues that it is not the Bureau of Legal Affairs but the Regional Trial Courts that has jurisdiction over the instant case, citing as authority Section 27 of R.A. 166 (the old Trademark Law), Articles 188 and 189 of the Revised Penal Code and Section 163 of the IP Code, which provides:

"SEC. 163. *Jurisdiction of the Court.* - All actions under Sections 150 (License Contracts), 155 (Remedies; Infringement), 164 (Notice of Filing Suit Given to Director), and 166 to 169 (Goods Bearing Infringing Marks or Trade Names; Collective Marks, Unfair Competition, Rights, Regulations and Remedies; False Designation of Origin/ False Description or Representation) shall be brought before the proper courts with appropriate jurisdiction under existing laws.

Suffice it to state that with the approval and effectivity of the IP Code on January 1, 1998 all Acts inconsistent therewith have been repealed, as provided in Section 239 1 thereof, to wit:

"SEC. 239. *Repeals.* - 239.1. All Acts and parts of Acts inconsistent herewith, more particularly Republic Act No. 165, as amended; Republic Act No. 166, as amended; and Articles 188 and 189 of the Revised Penal Code: Presidential Decree No. 49, including Presidential Decree No. 285, as amended are hereby repealed." (Underscoring supplied)

As for Section 163 of the IP Code which authorizes the proper courts to take cognizance of civil and criminal cases for violations of intellectual property rights as defined in the Sections 150, 155, 164 and 166 to 169 of the IP Code, this provision is not inconsistent with the authority given to the IPO, specifically the Bureau of Legal Affairs, to hear and decide administrative complaints for violations of laws involving intellectual property rights. Section 5.1(f) of the IP Code provides:

"SEC. 5. *Functions of the Intellectual Property Office (IPO)* 5 1 To administer and implement the State policies declared in this Act, there is hereby created the Intellectual Property Office (IPO) which shall have the following functions: x x x

f) Administratively adjudicate contested proceedings affecting intellectual property rights."

More particularly, Section 10.2 of the IP Code provides:

"SEC.10. *The Bureau of Legal Affairs* - The Bureau of Legal Affairs shall have the following functions: x x x

"10.2 (a) Exercise original jurisdiction in administrative complaints for violations of laws involving intellectual property rights; Provided, That its jurisdiction is limited to complaints where the total damages claimed are not less than Php200,000 .00; Provided, further, That availment of the provisional remedies may be granted in accordance with the Rules of Court. The Director of Legal Affairs shall have the power to hold and punish for contempt all those who disregard orders or writs Issued in the course of the proceedings."

"10 .2 (b) After formal investigation, the Director for Legal Affairs may impose one or more of the following administrative penalties:

(i) The issuance of a cease and desist order which shall specify the acts that respondent shall cease and desist from and shall require him to submit a compliance report within a reasonable time which shall be fixed in the order.

(ii) The acceptance of a voluntary assurance of compliance or discontinuance as may be imposed. Such voluntary assurance may include one or more of the following:

(1) An assurance to comply with the provisions of the intellectual property law violated;

(2) An assurance to refrain from engaging in unlawful and unfair acts and practices subject of the formal investigation:

(3) An assurance to recall, replace, repair or refund the money value of defective goods distributed in commerce; and

(4) An assurance to reimburse the complainant the expenses and costs incurred in prosecuting the case in the Bureau of Legal Affairs.

The Director of Legal Affairs may also require the respondent to submit periodic compliance reports and file a bond to guarantee compliance of his undertaking

(iii) The condemnation or seizure of products which are subject of the offense. The goods seized hereunder shall be disposed of on such manner as may be deemed appropriate by the Director of Legal Affairs, such as by sale, donation to distressed local governments or to charitable or relief institutions, exportation, recycling into other goods, or any combination thereof, under such guidelines as he may provide;

(iv) The forfeiture of paraphernalia and all real and personal properties which have been used in the commission of the offense:

(v) The imposition of administrative fines in such amount as deemed reasonable by the Director of Legal Affairs, which shall in no case be less than Five thousand pesos (P5, 000) nor more than One hundred fifty thousand pesos (P150, 000) In addition, an additional fine of not more than One thousand pesos (P1, 000) shall be imposed for each day of continuing violation;

(vi) The cancellation of any permit, license, authority, or registration which may have been granted by the Office, or the suspension of the validity thereof for such period of time as the Director of Legal Affairs may deem reasonable which shall not exceed one (1) year;

(viii) The withholding of any pen-nit, license, authority or registration which is being secured by the respondent from the Office,

(ix) The assessment of damages; and

(x) Other analogous penalties or sanctions

"10.3 The Director General may by Regulations establish the procedure to govern the implementation of this Section"

For the information and proper guidance of herein parties, Sec. 4 of the IP provides thus -

"Sec. 4. Definitions. - 4.1. The term "intellectual property rights" consists of:

- (a) Copyright and Related Rights;
- (b) Trademarks and Service Marks;
- (c) Geographic Indications;
- (d) Industrial Designs;
- (e) Patents;
- (f) Layout-Designs (Topographies) of Integrated Circuits; and
- (g) Protection of Undisclosed Information (n, TRIPS)"

Thus, contrary to the Respondent's claim, the BLA may properly take cognizance of the instant case, which is an administrative complaint for infringement, unfair competition and for violation of laws involving intellectual property rights.

Respondent also claims that the Rules on Administrative Complaints is unconstitutional because it amended substantive law and authorized the "unlawful delegation and re-delegation of judicial power to the Bureau of Legal Affairs and its Hearing Officers". Contrary to such claim, however, the Director General, upon recommendation of the Director of the Bureau of Legal Affairs, BLA for short, issued the subject Rules in accordance with Section 10.3 of the IP Code and merely to implement the express authority granted to the BLA under Section 10.2 of the IP Code. The first paragraph of Section 2, Rule 2 of the Rules and Regulations on Administrative Complaints for Violation of Laws Involving Intellectual Property Rights is a reproduction of Section 10.2 (a) of the IP Code, to wit:

"Section 2. *Original jurisdiction* (a) The Bureau shall have original jurisdiction in administrative actions for violations of laws involving intellectual property rights where the total damages claimed are not less than two hundred thousand pesos (P200,000 .00); Provided however, that availment of the provisional remedies may be granted in accordance with these Regulations and the provisions of the Rules of Court; The Director shall coordinate with local enforcement agencies for the strict and effective implementation and enforcement of these Regulations.

The commencement of the action under these Rules and Regulations is independent and without prejudice to the filing of any action with the regular courts."
(Underscoring supplied)

The second paragraph of Section 2 Rule 2 of the Rules is a recognition of the authority of the proper courts to take cognizance of criminal and civil cases for intellectual property rights violations filed before said courts. As for the penalties imposed under Section 1 Rule 12 of the Rules, these are the same penalties enumerated under Section 10.2 (b) of the IP Code. Clearly, the Rules did not in any way amend substantive provisions of the IP Code.

The authority of administrative agencies to promulgate rules and regulations to implement applicable statutes and to fix and describe the procedures in, or practice requirements before it, has been recognized in a long line of Supreme Court decisions.

(Olsen & Co. vs. Aldanese, 43 Phil 259; Sy Man vs. Jacinto, 93 Phil 1093; Phil. Lawyers Assoc. vs. Agrava, 105 Phil 173; Director of Forestry vs. Munoz, 23 SCRA 1183; Gomez vs. Palomar, 25 SCRA 827; Teoxon vs. Members of the Board of Administrators (PVA), 33 SCRA 585; Central Bank v. Cloribel, 44 SCRA 307; Batchelder vs. Central Bank, 46 SCRA 102; Sand vs. Abad Santos Edu. inst., 58 SCRA J3; Balmaceda vs. Corominas & Co., Inc., 66 SCRA 553; Phil. Consumers Foundation, Inc. vs. Sec. of Education, Culture and Sports, 153 SCRA 622; Lupangco vs. . CA, 160 SCRA 848; Eslao vs. Commssion on Audit, 236 SCRA 161 ; Miners Assoc. of the Phils., Inc. vs. Factoran, Jr., 240 SCRA 100; Rabor vs. Civil Service Commission, 244 SCRA 614; Conte vs. Commission on Audit, 264 SCRA 19).

More specifically, in the case of American Tobacco Co. vs. Director of Patents (67 SCRA 287) the Supreme Court upheld the authority of the Director of Patents to designate any ranking official of said office to hear cases before it, to wit:

"It has been held that power conferred upon an administrative agency to which the administration of a statute is entrusted to issue such rules and regulations as may be deemed necessary or proper in order to carry out its purposes and provisions may be an adequate source of authority to delegate a particular function, unless by express provision of the Act or by implication it has been withheld. There is no provision either in R A. 165 or 166 negating the existence of such authority, so far as the designation of hearing examiners is concerned. Nor can the absence of such authority be fairly inferred from contemporaneous and consistent Executive interpretation of the Act.

The nature of the power and authority entrusted to the Director of Patents suggests that the aforesaid laws (Republic Act No. 166 in relation to Republic Act No. 165) should be construed so as to give the aforesaid official the administrative flexibility necessary for the prompt and expeditious discharge of his duties in the administration of said laws. x x x It could hardly be expected in view of the magnitude of his responsibility, to require him to hear personally each and every case pending in his Office This would leave him little time to attend to his duties. For him to do so and at the same time attend personally to the discharge of every other duty or responsibility imposed upon his Office by law would not further the development of orderly arid responsible administration.

Thus, it is well settled that the power to decide resides solely in the administrative agency vested by law, this does not preclude the delegation of power to hold the hearing on the basis of which the decision of the administrative agency will be made. The rule that requires an administrative officer to exercise his own judgment and discretion does not preclude him from utilizing, as a matter of practical administrative procedure, the aid of subordinates to investigate and report to him the facts, on the basis of which the officer makes his decisions. It is sufficient that the judgment and discretion finally exercised are those of the officer authorized by law. "

As in R.A. 166, there is no express prohibition in the present Intellectual Property Code which enjoins the Director of the BLA to delegate the hearing of cases to the Hearing Officers. Moreover, there is no abnegation of authority on the part of the Director as the final decision in any controversy brought before the BLA remains with and is made by said officer, as can be gleaned from the following provisions of the Rules-

"RULE 11. Section 1. *Rendition of Decisions* -- (a) x x x

All decisions determining the merits of the case shall be in writing, stating clearly and distinctly the facts and law on which they are based and signed by the Director."

x x x

"RULE 12. Section 1. *Administrative Penalties Imposable* – After formal investigation, the Director, may impose one (1) or more of the following administrative penalties: x x x

The Director may also require the respondent to submit periodic compliance reports and file a bond to guarantee compliance of his undertaking"

x x x

"RULE 13. Section 1. *Rendition of Judgments and Final Orders* – A judgment or final order determining the merits of the case shall be in writing, stating clearly and distinctly the facts and law on which it is based, signed by the Director, and filed with the appropriate Register of the Office."

The foregoing issues having been thoroughly discussed, the primary issues of the instant case may now properly be considered.

The first issue to be resolved is whether or not Respondent's use of the mark GOTCHA! constitutes trademark infringement. The applicable law is Section 155 of the IP Code, which 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 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 infringement takes place at the moment any of the acts stated in Subsection 155 1 or (his subsection are committed regardless of whether there is actual sale of goods or services using the infringing material."

The determinative factor in a contest involving of marks is not whether the challenged mark would actually cause confusion or deception of the purchasers but whether the use of the mark would likely cause confusion or mistake on the part of the buying public. The law does not require that the competing trademarks must be so identical as to produce actual error or mistake. For infringement to exist, it would be sufficient that the similarity between the two trademarks is such that there is a possibility or likelihood of the older brand mistaking the newer brand for it.

In the case of case of Etepha vs. Director of Patents (16 SCRA 502), the Supreme Court stated that:

"The essential element of infringement is colorable imitation This term has been defined as "such a close or ingenious imitation as to be calculated to deceive ordinary purchasers, or such resemblance of the infringing mark to the original as to deceive an

ordinary purchaser giving such attention as a purchaser usually gives, and to cause him to purchase the one, supposing it to be the other."

In the case of *Marvex Commercial Co. vs. Hawpia & Co.* (18 SCRA 1178), the Supreme Court found that:

"The tradename 'LIONPAS' for medicated plaster cannot be registered because it is confusingly similar to 'SALONPAS', a registered trademark also for medicated plaster. xxx Although the two tellers of 'SALONPAS' are missing in 'LIONPAS' the first letter a and the letter s, be that as it may, when the two words are pronounced, the sound effects are confusingly similar. xxx"

Likewise, in the case of *American Wire and Cable Co. vs. Director of Patents* (31 SCRA 544), the Supreme Court observed that:

"xxx The similarity between the two competing trademarks, DURAFLEX and DYNAFLEX is apparent. Not only are the initial letters and the last half of the appellations identical but the difference exists in only two out of the eight literal elements of the designations. Coupled with the fact that both marks cover insulated flexible wires under Class 20; xxx no difficulty is experienced in reaching the conclusion that there is a deceptive similarity that would lead the purchaser to confuse one product with the other"

In the case at bar, the word GOTCHA is the dominant feature in Complainant's registered mark, GOTCHA INC. & Device. In fact, it is the only feature protected by the registration since the word "INC." and the Device consisting of "a man holding a flag, firing a gun, three flying balls and a splat" were required to be disclaimed Respondent argues that no confusion as to source will result in its use of the mark GOTCHA! since the goods/services of the Complainant and those of the Respondent are unrelated. As per the evidence presented however, the goods/services offered by the parties both involve the use of the same media. i.e., the computer. Complainant provides customers access to a computer network so that they may play war games against each other within one network gaming outlet or against players in other outlets On the other hand, Respondent sells internet prepaid cards that provide customers access to the internet where they can, among others, download and play games. Respondent's internet prepaid cards are sold in internet gaming shops like those of Complainant's network gaming establishments. Complainant and Respondent's goods/goods flow through the same channels of trade and cater to the same set of customers. Confusion as to source of goods/services is thus likely. In fact, incidents of actual confusion have occurred as per the testimony of Vicente A. Padilla, Jr. in his affidavit, to wit:

"28. I do not doubt the consumer confusion created by the Respondent's use of our GOTCHA! trademark as shown by the following instances: a) I have personally received a phone call from one of Respondent's customers complaining that the card he purchased could not give him access to the internet; I informed the caller that we are not in any way related to the company selling the prepaid internet cards; h) I have further received inquiries from friends as to whether we own the prepaid internet cards and denied any relations; c) and at least on a couple of occasions, prospective buyers of Respondent's prepaid cards went inside our computer network gaming outlet inquiring whether they could buy the GOTCHA! prepaid cards; again I had to explain that we are not related to the company selling the such cards"

This actual confusion as to the source of Respondent's goods/services has, likewise, been attested to by Complainant's Operations Manager, Leonardo Decampong, in his oral testimony when he testified, thus:

"Q. You have earlier described your duties and responsibilities with Complainant. Gotcha Incorporated and you have mentioned that apart from performing the responsibilities of an Operations Manager or part of your responsibility as

Operations Manager is to receive complaints from customers, what complaints if any have you personally received from your customers?

- A. Specifically, one is difficulty in accessing the internet through the use of the prepaid cards. The second was the confusion as to the Gotcha internet card as to our mark.
- Q. OK, with respect to the first complaint, the first complaint that you received. Could you briefly explain to us what are the details of the complaints?
- A. One of my staff received a phone call which was transferred to me because I was the one handling the queries concerning about our company then this caller asked me why she is having difficulty in accessing the internet using Gotcha internet prepaid card.
- Q. And what was the reply to that inquiry, if any?
- A. I replied, we don't carry Gotcha internet card and we are a different entity from the ones selling that same mark.
- Q. Now, you have also indicated that you received another complaint which relates to the conclusion created by the Respondent's use of the Gotcha trademark? Could you please elaborate on that particular complaint?
- A. Actually this happened to a would-be franchisee of Gotcha Incorporated more specifically the virtual gaming network that we have because I am also handling the franchise of that. And she said, she was proposing a site in Imus. Cavite and I told her in my term, in tagalog "Ah, tamang tama po sa Imus, walang I Gotcha doon "So "OK, sigé, I'll have a site there"(sic). Then the next day, she called me again and told me "Deck, Totoo ba yon eh parang meron yatang nagbebenta na doon ng Gotcha"

x x x

- Q. So what happened, if any subsequent to the conversation where she indicated her interest in getting a franchise for I Gotcha Network Gaming? What happened if any during flip subsequent interaction with this prospective franchisee?
- A. Definitely. I have to reiterate and rectify her conclusion about the product that I told her it's a different entity." (TSN, pp 30-33, 21 November 2001)

As per the evidence presented, Complainant has been using the mark GOTCHA since 30 June 1999 in connection with its paintball war games business. Complainant and its major stockholder, Vicente A. Padilla, Jr., also applied for registration of variations of the trademark, GOTCHA for goods under Classes 6, 9, 12,13, 8, 22, 25, 26 and 28 and GOTCHA! (Paintball War Games) for conducting paintball war games, including sale and lease of paintball airgun equipment, supplies and accessories. In April 2000, Complainant expanded its business to computer network gaming, for which Complainant uses the GOTCHA! trademark variation i-GOTCHA. Beginning 04 August 2000, Complainant also filed applications for the registration of variations of the i-GOTCHA! trademark, i.e., iGOTCHA, i-GOTCHA & Device, i-GOTCHA Design, i-GOTCHA! Network Gaming and iGOTCHA! Network Gaming and Aiming Device. Clearly, the dominant feature in all of the trademark applications filed by Complainant is the word GOTCHA!. In its use of the GOTCHA! mark for more than a decade, Complainant can be said to have established a goodwill therefore. On the other hand, as per the affidavit -testimony of Respondent's Corporate Secretary Zeigys dela Cruz, Respondent started using the mark GOTCHA! In connection with its internet prepaid card business only after December 2000.

In the case of *Sta. Ana vs. Maliwat* (24 SCRA 1018), the Supreme Court ruled:

"Modern law recognizes that the protection to which the owner of a trademark is entitled is not limited to guarding his goods or business from actual market competition with identical or similar products of the parties, but extends to all cases in which the use by a junior appropriator of a trademark or trade name is likely to lead to a confusion of source, as where the prospective purchasers would be misled into thinking that the complaining party has extended his business into the field or it in any way connected with the activities of the infringer; or when it forestalls the normal potential expansion of his business. Mere dissimilarity of goods should not preclude relief where the junior user's goods are not too different or remote from any that the owner would tie likely to make or sell xxx."

In his affidavit, Mr. dela Cruz testified that "Prior to its use and adoption of the service mark 'GOTCHA!' prepared internet cards. IWEB Corp filed an application for registration of the said mark for "Internet Services" under Class 38 with the Intellectual Property Office under Application Serial No. 4-2000-09878." Respondent filed the subject application on 01 December 2000.

On the other hand, Complainant has been using the mark GOTCHA since 30 June 1990 and is likewise the registered owner thereof under Regn. 60898 issued 20 June 1995. As the registered owner of the mark GOTCHA! and the prior user and applicant for its variation i-GOTCHA!, Complainant, therefore, is entitled to be protected from infringement. The subsequent use by Respondent of the trademark GOTCHA! in connection with the sale of internet prepaid cards has caused confusion as to the source of said goods. As such, the use by Respondent of the trademark GOTCHA! constitutes infringement.

Respondent likewise claims that Complainant's applications for registration of the trademark i-GOTCHA! are invalid, hence, Complainant has not yet acquired rights for its new trademark applications such that Respondent's use of the GOTCHA! mark on different or unrelated goods/services is not in violation of the Complainant's rights. Respondent argues that it is a fundamental principle in Philippine Trademark Law that actual use in commerce in the Philippines is a pre-requisite to the acquisition of ownership over a trademark or a trade name. Complainant, however, had no valid commercial use of the mark i-GOTCHA! when the applications for the registration of said mark were filed with the IPO.

While the question as to the validity or invalidity of the applications for the iGOTCHA! trademarks has no effect on the findings of this Office concerning the infringement of Complainant's trademark rights as protected under Certificate of Registration No. 60898, this Office shall now address this issue to shed light on the difference between the requirements for registration under the old Trademark Law and the new IP Code, under which the questioned i-GOTCHA! trademark applications were filed .

Under Section 5(a) of R.A. 166 or the old Trademark Law, the submission of a sworn statement stating, among others, the date of the applicant's first use of the mark or trade name, is an essential requirement for trademark applications. This is because under R.A. 166, it is the prior user of a mark that has exclusive rights thereto. Under the IP Code, however, prior use of a mark is no longer a requisite for registration. In lieu thereof, the IP Code has adopted the first-to file system. Accordingly, the submission of an affidavit stating the date of first use is no longer required. Instead, the IP Code requires the applicant to file a declaration of actual use of the mark, within three (3) years from the filing date of the application. The relevant IP Code provisions, Section 124 .1 and 124 .2, provide:

"SEC 124. *Requirements of Application* –

124.1. The application for the registration of the mark shall be in Filipino or in English and shall contain the following:

- (a) A request for registration;
 - (b) The name and address of the applicant.
 - (c) The name of a State of which the applicant is a national or where he has domicile; and the name of a State in which the applicant has a real and effective industrial or commercial establishment, if any;
 - (d) Where the applicant is a juridical entity, the law under which it is organized and existing,
 - (e) The appointment of an agent or representative, if the applicant is not domiciled in the Philippines;
 - (f) Where the applicant claims the priority of an earlier application, an indication of:
 - (i) The name of the State with whose national office the earlier application was filed or it filed with an office other than a national office, the name of that office,
 - (ii) The date on which the earlier application was filed, and
 - (iii) Where available, the application number of the earlier application;
 - (g) Where the applicant claims color as a distinctive feature of the mark, a statement to that effect as well as the name or names of the color or colors claimed and an indication, in respect of each color, of the principal parts of the mark which are in that color;
 - (h) Where the mark is a three dimensional mark, a statement to that effect;
 - (i) One or more reproductions of the mark, as prescribed in the Regulations ;
 - (j) A transliteration or translation of the mark or of some parts of the mark, as prescribed in the Regulations;
 - (k) The names of the goods or services for which the registration is sought, grouped according to the classes of the Nice Classification, together with the number of the class of the said Classification to which each group of goods or services belongs: and
 - (l) A signature by, or other self-identification of, the applicant or his representative.
- 124.2. The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations within three (3) years from the filing date of the application. Otherwise the application shall be refused or the mark shall be removed from the Register by the Director."

Finally, respondent argues that its use of the mark GOTCHA! does not constitute infringement as it is done in good faith. Respondent claims that it had no intention to imitate Complainant's trademark as it was not even aware of the existence of the mark GOTCHA INC. & Device. Suffice it to state that the intent to imitate is immaterial in infringement cases. It is enough that there is colorable imitation of a registered mark for infringement to exist. Good faith or bad faith is material only in cases of unfair competition.

This brings us to the next issue which is, whether or not Respondent's use of the mark GOTCHA! constitutes unfair competition. The applicable law is Section 168 of the IP Code which provides:

"SEC. 168. *Unfair Competition, rights, Regulation and Remedies* -

x x x

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 the case of *Del Monte Corp. vs. Court of Appeals* (181 SCRA 410), the Supreme Court made the following distinctions between infringement of trademark and unfair competition:

"(1) Infringement of trademark is the unauthorized use of a trademark . whereas unfair competition is the passing off of one's goods as those of another, (2) In infringement of trademark fraudulent intent is unnecessary. Whereas in unfair competition fraudulent intent is essential (3) In infringement of trademark, the prior registration of a trademark is a prerequisite to the action, where as in unfair competition, registration is not necessary." (Underscoring supplied)

In the instant case, fraudulent intent on the part of the Respondent to pass off its goods/services as that of the Complainant has not been established. It cannot be concluded from the evidence presented that Respondent's use of the trademark GOTCHA! is with intent to deceive. In fact, malicious intent on the part of the Respondent negated by the indication printed on the prepaid cards stating "by iWEB Advanced Solutions". This indication clearly pointed to the Respondent as the source or origin of said goods. Fraudulent intent not having been established, Respondent's use of the mark GOTCHA! does not constitute unfair competition.

Another issue raised is whether or not Respondent's use of the mark GOTCHA! violates Complainant's business name rights . The applicable law is Section 165 of the IP Code, to wit:

"SEC. 165. *Trade Names or Business Names* –

"165. 1. A name or designation may not be used as a trade name if by its nature or the use to which such name or designation may be put, it is contrary to public order or morals and if, in particular. It is liable to deceive trade circles or the public as to the nature of the enterprise identified by that name.

"165 2. (a) Notwithstanding any laws or regulations providing for any obligation to register trade names, such names shall be protected, even prior to or without registration, against any unlawful act committed by third parties. (b) In particular any subsequent use

of the trade name by a third party, whether as a trade name or a mark or collective mark or any such use of a similar trade name or mark, likely to mislead the public shall be - deemed unlawful.

"165 3. The remedies provided for in Sections 153-156 and Sections 166 and 167 shall apply mutatis mutandis." (Underscoring provided)

In the case of Converse Rubber Corporation vs. Universal Rubber Products, Inc. (147 SCRA 155), the Supreme Court ruled that a corporation is entitled to the cancellation of a mark that is confusingly similar to its corporate name. Appropriation by another of the dominant part of a corporate name is an infringement. The risk of damage is not limited to the 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. In the instant case, the word GOTCHA is the dominant feature of Complainant's trade name which identifies Complainant from other corporations, hence, Respondent's use of the trademark GOTCHA! violates Complainant's business name rights.

Finally, on the issue of whether or not Complainant is entitled to damages for Respondent's use of the trademark GOTCHA!, in case of trademark infringement, Section 156.1 of the IP Code provides:

"SEC. 156. Actions, and Damages and Injunction for Infringement –

156.1. The owner of a registered mark may recover damages from any person who infringes his rights, and the measure of the 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 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 or the value of the services in connection with which the mark or trade name was used in the infringement of the rights of the complaining party."

The foregoing provision provides the basis for the award of actual damages from any of the following: (a) the profit which Complainant would have made had Respondent not infringed his rights; or (b) the profit which defendant actually made out of the infringement; or (c) percentage of gross sales of the defendant or value of services. While Complainant prays for Php5, 000,000 actual damages, however, Complainant failed to present evidence that would justify said award using any of the foregoing basis. Complainant did not present any evidence to show that it incurred loss in profits due to Respondent's use of the GOTCHA! trademark. Neither did Complainant present any proof that Respondent financially profited from said use. Thus, actual damages may not properly be awarded to the Complainant.

Complainant also prayed for an award of Php2, 000,000 moral damages and Php1, 000,000 exemplary damage. In the absence of proof that Respondent's use of the trademark GOTCHA! was fraudulent and in bad faith, however, Respondent cannot be made liable for moral and exemplary damages .

Attorney's fees while prayed for in the amount of Php400, 000.00 cannot likewise be awarded for lack of evidence presented to substantiate the same.

WHEREFORE, premises considered, Respondent is hereby ORDERED TO CEASE AND DESIST from further infringing and/or using the mark GOTCHA! of Complainant, or any reproduction or colorable imitation thereof in connection with the sale, offering for sale, distribution or advertising of its internet prepaid cards and other related goods and services

Costs of suit against Respondent.

SO ORDERED.

Makati City, August 14, 2002.

ESTRELLITA BELTRAN-ABELARDO
Director
Bureau of Legal Affairs
IPO