

Republic of the Philippines  
SUPREME COURT  
Manila

G.R. No. 164321

March 23, 2011

SKECHERS, U.S.A., INC., Petitioner,

vs.

INTER PACIFIC INDUSTRIAL TRADING CORP., and/or INTER PACIFIC TRADING CORP. and/or STRONG SPORTS GEAR CO., LTD., and/or STRONGSHOES WAREHOUSE and/or STRONG FASHION SHOES TRADING and/or TAN TUAN HONG and/or VIOLETA T. MAGAYAGA and/or JEFFREY R. MORALES and/or any of its other proprietor/s, directors, officers, employees and/or occupants of its premises located at S-7, Ed & Joe's Commercial Arcade, No. 153 Quirino Avenue, Parañaque City, Respondents.

x - - - - -x

TRENDWORKS INTERNATIONAL CORPORATION, Petitioner-Intervenor,

vs.

INTER PACIFIC INDUSTRIAL TRADING CORP. and/or INTER PACIFIC TRADING CORP. and/or STRONG SPORTS GEAR CO., LTD., and/or STRONGSHOES WAREHOUSE and/or STRONG FASHION SHOES TRADING and/or TAN TUAN HONG and/or VIOLETA T. MAGAYAGA and/or JEFFREY R. MORALES and/or any of its other proprietor/s, directors, officers, employees and/or occupants of its premises located at S-7, Ed & Joe's Commercial Arcade, No. 153 Quirino Avenue, Parañaque City, Respondents.

PERALTA, J.:

For resolution are the twin Motions for Reconsideration<sup>1</sup> filed by petitioner and petitioner-intervenor from the Decision rendered in favor of respondents, dated November 30, 2006.

At the outset, a brief narration of the factual and procedural antecedents that transpired and led to the filing of the motions is in order.

The present controversy arose when petitioner filed with Branch 24 of the Regional Trial Court (RTC) of Manila an application for the issuance of search warrants against an outlet and warehouse operated by respondents for infringement of trademark under Section 155, in relation to Section 170 of Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines.<sup>2</sup> In the course of its business, petitioner has registered the trademark "SKECHERS"<sup>3</sup> and the trademark "S" (within an oval design)<sup>4</sup> with the Intellectual Property Office (IPO).

Two search warrants<sup>5</sup> were issued by the RTC and were served on the premises of respondents. As a result of the raid, more than 6,000 pairs of shoes bearing the "S" logo were seized.

Later, respondents moved to quash the search warrants, arguing that there was no confusing similarity between petitioner's "Skechers" rubber shoes and its "Strong" rubber shoes.

On November 7, 2002, the RTC issued an Order<sup>6</sup> quashing the search warrants and directing the NBI to return the seized goods. The RTC agreed with respondent's view that Skechers rubber shoes and Strong rubber shoes have glaring differences such that an ordinary prudent purchaser would not likely be misled or confused in purchasing the wrong article.

Aggrieved, petitioner filed a petition for certiorari<sup>7</sup> with the Court of Appeals (CA) assailing the RTC Order. On November 17, 2003, the CA issued a Decision<sup>8</sup> affirming the ruling of the RTC.

Subsequently, petitioner filed the present petition<sup>9</sup> before this Court which puts forth the following assignment of errors:

A. WHETHER THE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION IN CONSIDERING MATTERS OF DEFENSE IN A CRIMINAL TRIAL FOR TRADEMARK INFRINGEMENT IN PASSING UPON THE VALIDITY OF THE SEARCH WARRANT WHEN IT SHOULD HAVE LIMITED ITSELF TO A DETERMINATION OF WHETHER THE TRIAL COURT COMMITTED GRAVE ABUSE OF DISCRETION IN QUASHING THE SEARCH WARRANTS.

B. WHETHER THE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION IN FINDING THAT RESPONDENTS ARE NOT GUILTY OF TRADEMARK INFRINGEMENT IN THE CASE WHERE THE SOLE TRIABLE ISSUE IS THE EXISTENCE OF PROBABLE CAUSE TO ISSUE A SEARCH WARRANT.<sup>10</sup>

In the meantime, petitioner-intervenor filed a Petition-in-Intervention<sup>11</sup> with this Court claiming to be the sole licensed distributor of Skechers products here in the Philippines.

On November 30, 2006, this Court rendered a Decision<sup>12</sup> dismissing the petition.

Both petitioner and petitioner-intervenor filed separate motions for reconsideration.

In petitioner's motion for reconsideration, petitioner moved for a reconsideration of the earlier decision on the following grounds:

(a) THIS HONORABLE COURT MUST RE-EXAMINE THE FACTS OF THIS CASE DUE TO THE SIGNIFICANCE AND REPERCUSSIONS OF ITS DECISION.

(b) COMMERCIAL QUANTITIES OF THE SEIZED ITEMS WITH THE UNAUTHORIZED REPRODUCTIONS OF THE "S" TRADEMARK OWNED BY PETITIONER WERE INTENDED FOR DISTRIBUTION IN THE PHILIPPINE MARKET TO THE DETRIMENT OF PETITIONER – RETURNING THE GOODS TO RESPONDENTS WILL ADVERSELY AFFECT THE GOODWILL AND REPUTATION OF PETITIONER.

(c) THE SEARCH WARRANT COURT AND THE COURT OF APPEALS BOTH ACTED WITH GRAVE ABUSE OF DISCRETION.

(d) THE SEARCH WARRANT COURT DID NOT PROPERLY RE-EVALUATE THE EVIDENCE PRESENTED DURING THE SEARCH WARRANT APPLICATION PROCEEDINGS.

(e) THE SOLID TRIANGLE CASE IS NOT APPLICABLE IN THIS CASE, AS IT IS BASED ON A DIFFERENT FACTUAL MILIEU. PRELIMINARY FINDING OF GUILT (OR ABSENCE THEREOF) MADE BY THE SEARCH WARRANT COURT AND THE COURT OF APPEALS WAS IMPROPER.

(f) THE SEARCH WARRANT COURT OVERSTEPPED ITS DISCRETION. THE LAW IS CLEAR. THE DOMINANCY TEST SHOULD BE USED.

(g) THE COURT OF APPEALS COMMITTED ERRORS OF JURISDICTION.<sup>13</sup>

On the other hand, petitioner-intervenor's motion for reconsideration raises the following errors for this Court's consideration, to wit:

(a) THE COURT OF APPEALS AND THE SEARCH WARRANT COURT ACTED CONTRARY TO LAW AND JURISPRUDENCE IN ADOPTING THE ALREADY-REJECTED HOLISTIC TEST IN DETERMINING THE ISSUE OF CONFUSING SIMILARITY;

(b) THE COURT OF APPEALS AND THE SEARCH WARRANT COURT ACTED CONTRARY TO LAW IN HOLDING THAT THERE IS NO PROBABLE CAUSE FOR TRADEMARK INFRINGEMENT; AND

(c) THE COURT OF APPEALS SANCTIONED THE TRIAL COURT'S DEPARTURE FROM THE USUAL AND ACCEPTED COURSE OF JUDICIAL PROCEEDINGS WHEN IT UPHELD THE QUASHAL OF THE SEARCH WARRANT ON THE BASIS SOLELY OF A FINDING THAT THERE IS NO CONFUSING SIMILARITY.<sup>14</sup>

A perusal of the motions submitted by petitioner and petitioner-intervenor would show that the primary issue posed by them dwells on the issue of whether or not respondent is guilty of trademark infringement.

After a thorough review of the arguments raised herein, this Court reconsiders its earlier decision.

The basic law on trademark, infringement, and unfair competition is Republic Act (R.A.) No. 8293. Specifically, Section 155 of R.A. No. 8293 states:

*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 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.<sup>15</sup>

The essential element of infringement under R.A. No. 8293 is that the infringing mark is likely to cause confusion. In determining similarity and likelihood of confusion, jurisprudence has developed tests □ the Dominancy Test and the Holistic or Totality Test. The Dominancy Test focuses on the similarity of the prevalent or dominant features of the competing trademarks that might cause confusion, mistake, and deception in the mind of the purchasing public. Duplication or imitation is not necessary; neither is it required that the mark sought to be registered suggests an effort to imitate. Given more consideration are the aural and visual impressions created by the marks on the buyers of goods, giving little weight to factors like prices, quality, sales outlets, and market segments.<sup>16</sup>

In contrast, the Holistic or Totality Test necessitates a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. The discerning eye of the observer must focus not only on the predominant words, but

also on the other features appearing on both labels so that the observer may draw conclusion on whether one is confusingly similar to the other.<sup>17</sup>

Relative to the question on confusion of marks and trade names, jurisprudence has noted two (2) types of confusion, viz.: (1) confusion of goods (product confusion), where the ordinarily prudent purchaser would be induced to purchase one product in the belief that he was purchasing the other; and (2) confusion of business (source or origin confusion), where, although the goods of the parties are different, the product, the mark of which registration is applied for by one party, is such as might reasonably be assumed to originate with the registrant of an earlier product, and the public would then be deceived either into that belief or into the belief that there is some connection between the two parties, though inexistent.<sup>18</sup>

Applying the Dominancy Test to the case at bar, this Court finds that the use of the stylized "S" by respondent in its Strong rubber shoes infringes on the mark already registered by petitioner with the IPO. While it is undisputed that petitioner's stylized "S" is within an oval design, to this Court's mind, the dominant feature of the trademark is the stylized "S," as it is precisely the stylized "S" which catches the eye of the purchaser. Thus, even if respondent did not use an oval design, the mere fact that it used the same stylized "S", the same being the dominant feature of petitioner's trademark, already constitutes infringement under the Dominancy Test.

This Court cannot agree with the observation of the CA that the use of the letter "S" could hardly be considered as highly identifiable to the products of petitioner alone. The CA even supported its conclusion by stating that the letter "S" has been used in so many existing trademarks, the most popular of which is the trademark "S" enclosed by an inverted triangle, which the CA says is identifiable to Superman. Such reasoning, however, misses the entire point, which is that respondent had used a stylized "S," which is the same stylized "S" which petitioner has a registered trademark for. The letter "S" used in the Superman logo, on the other hand, has a block-like tip on the upper portion and a round elongated tip on the lower portion. Accordingly, the comparison made by the CA of the letter "S" used in the Superman trademark with petitioner's stylized "S" is not appropriate to the case at bar.

Furthermore, respondent did not simply use the letter "S," but it appears to this Court that based on the font and the size of the lettering, the stylized "S" utilized by respondent is the very same stylized "S" used by petitioner; a stylized "S" which is unique and distinguishes petitioner's trademark. Indubitably, the likelihood of confusion is present as purchasers will associate the respondent's use of the stylized "S" as having been authorized by petitioner or that respondent's product is connected with petitioner's business.

Both the RTC and the CA applied the Holistic Test in ruling that respondent had not infringed petitioner's trademark. For its part, the RTC noted the following supposed dissimilarities between the shoes, to wit:

1. The mark "S" found in Strong Shoes is not enclosed in an "oval design."
2. The word "Strong" is conspicuously placed at the backside and insoles.
3. The hang tags and labels attached to the shoes bears the word "Strong" for respondent and "Skechers U.S.A." for private complainant;
4. Strong shoes are modestly priced compared to the costs of Skechers Shoes.<sup>19</sup>

While there may be dissimilarities between the appearances of the shoes, to this Court's mind such dissimilarities do not outweigh the stark and blatant similarities in their general features. As can be readily observed by simply comparing petitioner's Energy<sup>20</sup> model and respondent's Strong<sup>21</sup> rubber shoes, respondent also used the color scheme of blue, white and gray utilized by petitioner. Even the design and "wavelike" pattern of the midsole and outer sole of respondent's shoes are very similar to petitioner's shoes, if not exact patterns thereof. At the side of the

midsole near the heel of both shoes are two elongated designs in practically the same location. Even the outer soles of both shoes have the same number of ridges, five at the back and six in front. On the side of respondent's shoes, near the upper part, appears the stylized "S," placed in the exact location as that of the stylized "S" on petitioner's shoes. On top of the "tongue" of both shoes appears the stylized "S" in practically the same location and size. Moreover, at the back of petitioner's shoes, near the heel counter, appears "Skechers Sport Trail" written in white lettering. However, on respondent's shoes appears "Strong Sport Trail" noticeably written in the same white lettering, font size, direction and orientation as that of petitioner's shoes. On top of the heel collar of petitioner's shoes are two grayish-white semi-transparent circles. Not surprisingly, respondent's shoes also have two grayish-white semi-transparent circles in the exact same location.

Based on the foregoing, this Court is at a loss as to how the RTC and the CA, in applying the holistic test, ruled that there was no colorable imitation, when it cannot be any more clear and apparent to this Court that there is colorable imitation. The dissimilarities between the shoes are too trifling and frivolous that it is indubitable that respondent's products will cause confusion and mistake in the eyes of the public. Respondent's shoes may not be an exact replica of petitioner's shoes, but the features and overall design are so similar and alike that confusion is highly likely.

In *Converse Rubber Corporation v. Jacinto Rubber & Plastic Co., Inc.*,<sup>22</sup> this Court, in a case for unfair competition, had opined that even if not all the details are identical, as long as the general appearance of the two products are such that any ordinary purchaser would be deceived, the imitator should be liable, to wit:

From said examination, 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 the 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. x x x<sup>23</sup>

Neither can the difference in price be a complete defense in trademark infringement. In *McDonald's Corporation v. L.C. Big Mak Burger. Inc.*,<sup>24</sup> this Court held:

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 trade-mark or trade-name is likely to lead to a confusion of source, as where prospective purchasers would be misled into thinking that the complaining party has extended his business into the field (see 148 ALR 56 et seq; 53 Am. Jur. 576) or is in any way connected with the activities of the infringer; or when it forestalls the normal potential expansion of his business (v. 148 ALR 77, 84; 52 Am. Jur. 576, 577). x x x<sup>25</sup>

Indeed, the registered trademark owner may use its mark on the same or similar products, in different segments of the market, and at different price levels depending on variations of the products for specific segments of the market.<sup>26</sup> The purchasing public might be mistaken in thinking that petitioner had ventured into a lower market segment such that it is not inconceivable for the public to think that Strong or Strong Sport Trail might be associated or connected with petitioner's brand, which scenario is plausible especially since both petitioner and respondent manufacture rubber shoes.

Withal, the protection of trademarks as intellectual property is intended not only to preserve the goodwill and reputation of the business established on the goods bearing the mark through actual use over a period of time, but also to safeguard the public as consumers against confusion on these goods.<sup>27</sup> While respondent's shoes contain some dissimilarities with petitioner's shoes, this Court cannot close its eye to the fact that for all intents and purpose, respondent had deliberately attempted to copy petitioner's mark and overall design and features of the shoes. Let it be remembered, that defendants in cases of infringement do not normally copy but only make colorable changes.<sup>28</sup> The most successful form of copying is to employ enough points of similarity to confuse the public, with enough points of difference to confuse the courts.<sup>29</sup>

WHEREFORE, premises considered, the Motion for Reconsideration is GRANTED. The Decision dated November 30, 2006 is RECONSIDERED and SET ASIDE.

SO ORDERED.

DIOSDADO M. PERALTA  
Associate Justice

WE CONCUR:

ANTONIO T. CARPIO  
Associate Justice  
Chairperson

ANTONIO EDUARDO B. NACHURA  
Associate Justice

ROBERTO A. ABAD  
Associate Justice

JOSE CATRAL MENDOZA  
Associate Justice

#### A T T E S T A T I O N

I attest that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO  
Associate Justice  
Second Division, Chairperson

#### C E R T I F I C A T I O N

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

RENATO C. CORONA  
Chief Justice

#### FOOTNOTES:

<sup>1</sup> Rollo, pp. 1046-1071 & 1078-1118.

<sup>2</sup> An Act Prescribing the Intellectual Property Code and Establishing the Intellectual Property Office, Providing for Its Powers and Functions, and for Other Purposes. Took effect on January 1, 1998.

<sup>3</sup> Under Registration No. 63364; see rollo, p. 107.

<sup>4</sup> Under Registration No. 4-1996-110182; see rollo, p. 109.

<sup>5</sup> Search Warrant Nos. 02-2827 and 02-2828; see rollo, pp. 144-146, 147-148.

<sup>6</sup> Rollo, pp. 173-176.

<sup>7</sup> Id. at 195-220.

<sup>8</sup> Id. at 72-83.

<sup>9</sup> Id. at 11-59.

<sup>10</sup> Id. at 26-27.

<sup>11</sup> Id. at 557-603.

<sup>12</sup> Penned by Associate Justice Minita V. Chico-Nazario, with Chief Justice Artemio V. Panganiban and Associate Justices Consuelo Ynares-Santiago, Ma. Alicia Austria-Martinez and Romeo J. Callejo, Sr. concurring; id. at 1032-1045.

<sup>13</sup> Rollo, p. 1079.

<sup>14</sup> Id. at 1047-1048.

<sup>15</sup> Emphasis supplied.

<sup>16</sup> Prosource International, Inc. v. Horphag Research Management SA, G.R. No. 180073, November 25, 2009, 605 SCRA 523, 531; McDonald's Corporation v. MacJoy Fastfood Corporation, G.R. No. 166115, February 2, 2007, 514 SCRA 95, 106; McDonald's Corporation v. L.C. Big Mak Burger, Inc., 480 Phil. 402, 434 (2004).

<sup>17</sup> Philip Morris, Inc. v. Fortune Tobacco Corporation, G.R. No. 158589, June 27, 2006, 493 SCRA 333, 357.

<sup>18</sup> McDonald's Corporation v. L.C. Big Mak Burger, Inc., supra note 16, at 428, citing Sterling Products International, Incorporated v. Farbenfabriken Bayer Aktiengesellschaft, et al., 137 Phil. 838, 852 (1969).

<sup>19</sup> Rollo, p. 174.

<sup>20</sup> See rollo, pp. 498-500, 572-574.

<sup>21</sup> Id.

<sup>22</sup> 186 Phil. 85 (1980).

<sup>23</sup> Id. at 94-95.

<sup>24</sup> Supra note 16.

<sup>25</sup> Id. at 432.

<sup>26</sup> Dermaline, Inc v. Myra Pharmaceuticals, Inc., G.R. No. 190065, August 16, 2010.

<sup>27</sup> Berris Agricultural Co., Inc., v. Norvy Abyadang, G.R. No. 183404, October 13, 2010.

<sup>28</sup> Del Monte Corporation v. Court of Appeals, 260 Phil. 435, 443 (1990).

<sup>29</sup> Id.