



KAWASAKI HEAVY INDUSTRIES, LTD.,
(a.k.a. KAWASAKI JUKOGYO
KABUSHIKI KAISHA) and KAWASAKI
MOTORS (PHILS) CORP.,
Complainants,

-versus-

EASTWORLD MOTOR INDUSTRIES CORP.,
Respondent.

}
} IPV No. 10-2009-00007

}
} For: Design Patent Infringement
} and Unfair Competition,
} Violation of Laws on
} IP Rights

X-----X

NOTICE OF DECISION

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GREETINGS:

Please be informed that Decision No. 2015 - 09 dated June 15, 2015 (copy enclosed) was promulgated in the above entitled case.

Taguig City, June 15, 2015.

For the Director:


Atty. EDWIN DANILO A. DATING
Director III
Bureau of Legal Affairs



**KAWASAKI HEAVY INDUSTRIES, LTD.,
(a.k.a. KAWASAKI JUKOGYO
KABUSHIKI KAISHA) and KAWASAKI
MOTORS (PHILS) CORP.,
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**IPV No. 10- 2009-00007
Design Patent Infringement
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Violation of Laws on IP
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Respondent.**

X-----X

Decision No. 2015- 09

DECISION

Kawasaki Heavy Industries, Ltd., (“KHI”) and Kawasaki Motors (Phils.) Inc. (“KMPC”), referred collectively as Complainants, filed an administrative complaint for Design Patent Infringement and Unfair Competition against Eastworld Motor Industries Corp. (“Respondent”).

The Complainants allege the following:

“1. Plaintiff KHI is a Japanese corporation duly organized and existing under the laws of Japan with principal office at 1-1, Higashikawasaki-cho 3-chome, Chuo-ku, Kobe-shi, Hyogo-ken, Japan. Plaintiff KHI manufactures and sells a wide variety of traditional motorcycles, sporty mopeds and traditional mopeds, among others, including spare parts and other motorcycle accessories. For purposes of this suit, KHI may be served with summons and other processes at the care of its undersigned counsels. KHI has the capacity to institute these suits under the pertinent provisions of the Intellectual Property Code (‘IP Code’), Republic Act No. 8293, and international conventions and treaties, including the Paris Convention for the Protection of Industrial Property to which the Philippines and Japan adhere. Under Section 3 of the IP Code, any person who is a national or who is domiciled or has a real and effective industrial establishments in a country which is a party to any convention, treaty or agreement relating to intellectual property rights or the repression of unfair competition, to which the Philippines is also a party, or extends reciprocal rights to nationals of the Philippines by law, shall entitled to benefits to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of an intellectual property right is otherwise entitled by this Act.

“2. Plaintiff KHI has a subsidiary in the Philippines, Kawasaki Motors (Phils.) Corp. (‘KMPC’), which is also duly organized and existing under the laws of the Philippines with principal office at Km.23 East Service Road, Bo. Cupang, City of Muntinlupa City 1771, Philippines. KMPC manufactures and sells various categories of motorcycles including traditional motorcycles, sporty mopeds, and traditional mopeds in the Philippines through a non-exclusive license of the patents granted by KHI.

“3. Plaintiff KHI has registered industrial design patents with the Intellectual Property Office under No. 3-2008-00715 and No. 3-2008-00718 (collectively ‘KHI’s Patents’) both filed on

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August 21, 2008 (both of Japan application priority date: February 22, 2008), and both registered on February 9, 2009, attached as **Annexes A to B**. KHI's Patents cover innovative industrial designs that are 'new and original' within the meaning of Section 113.1 of the IP Code, which states that 'only industrial design that are original shall benefit from protection under this Act.'

"4. Defendant Eastwood Motor Industries Corp. ('Eastworld') is a corporation duly organized under the laws of Philippines with address at 213 Maria Clara street Corner 10th Avenue Grace Park, Caloocan City, Philippines, where it may be served with summons and other processes. Eastworld also manufactures and sells various categories of motorcycles that are in direct of competition with those of Kawasaki by using the brand name of Motorstar.

"5. Plaintiff Kawasaki's newest motorcycle, which was released to the Philippines' market on April 2008 as **Annex C**, is called Kawasaki Fury 125.

This model bears the industrial designs which are entirely covered by KHI's patent as depicted in the attached photographs marked as **Annex D** and made integral parts hereof. Within months after Kawasaki Fury 125 became available for sale in the Philippines, the model sales have been supported by various advertising displays and promotional materials that included Kawasaki Fury's displays in a movie tie-up 'Desperadas' on December 19, 2008, and other featured displays of Kawasaki Fury 125 at Umagang Kay Ganda on ABS-CBN, Philippine Daily Inquirer, Manila Bulletin and Inside Racing Magazine, attached as **Annexes E to G**.

"6. Kawasaki learned that defendant Eastworld had also manufactured and sold a motorcycle model called Eastworld SAPPHIRE 125 which would be launched on March 2009, attached as **Annexes H and I**.

This model bears and incorporates nearly all of the industrial design elements of Kawasaki Fury 125, that is, this model bears and incorporates nearly all of the registered KHI's patents elements as Annex D. These design elements which are copied by Eastworld are depicted in the material entitled The Design Comparison of Fury 125 and SAPPHIRE 125, attached as **Annex J**.

"7. Under Section 113.1 of the IP Code, only industrial designs that are new or original shall benefit from protection under the IP Code. The scopes of KHI's Patents are very broad, since these designs are unique and different from the conventional motorcycles and the mopeds as **Annex K**.

"8. Under Section 168.1 of the IP Code, Kawasaki, whether or not a registered mark is employed, has a property right in the goodwill of Kawasaki Fury 125 which should be protected in the same manner as other property rights, since Kawasaki Fury 125 has been identified in the mind of public from those of others by conducting the various advertising activities as aforementioned.

"9. Unless defendant Eastworld is enjoined from manufacturing and selling its Eastworld SAPPHIRE 125, whose design elements have been copied entirely from Kawasaki Fury 125, plaintiff Kawasaki will continue to suffer continuing financial damages to its extreme prejudice.

"10. Kawasaki has confirmed through an industrial design patent search at the Intellectual Property Office that Eastworld has filed application No. 3-2009-00062 on February 5, 2009 for the industrial design of its Eastworld SAPPHIRE 125. Since the filing date of Eastworld's industrial design patent application is later than the launching date of Kawasaki Fury 125 in the Philippines market and also later than the filing date of KHI's Patents, Eastworld's application is inappropriate and invalid under Section 113.1 of the IP Code."

The Respondent filed its Answer on 05 November 2009 alleging among other things the following:

"1. Respondent is the applicant and registrant of a duly filed, processed and approved industrial design patent under Application No. 3-2009-000062 filed on 5 February 2009 and which ripened into Industrial Design Registration No. 3-2009-000062 issued on 4 May 2009 by the Bureau of Patents, this Honorable Office.

"2. Under the same industrial design patent, the '[t]he REGISTRATION grants unto the applicant/s or assigns/s the exclusive right throughout the Philippines to make, use, sell or import the industrial design.' Clearly, thereunder, Respondent has every right to make, use, sell or import the motorcycle the industrial design for which is covered by Industrial Design Registration No. 3-2009-000062.

"3. At this juncture, it is best to recall the rigorous process of process of the examination that an industrial design patent application undergoes in the Bureau of Patents.

Under the IP Code, the Bureau shall examine whether the industrial design complies with the requirements of Sec. 112 [definition] and Sec. 113 [Substantive Conditions for Protection]. And where the Bureau finds that the conditions referred to in Sec. 113 are fulfilled, it shall order that registration be effected in the industrial design register and cause the issuance of an industrial design certificate of registration, otherwise, it shall refuse the application.

The *Rules and Regulations on Utility Models and Industrial Designs* provide a more detailed view of the process. It requires that registrable design show a variance [i.e., vis-a vis newness or originality] which enhances the aesthetic beauty and attractive appearance of the article and which significantly differs from known design features or combinations of known design features. The application shall be classified and examined as to the completeness of the formal requirements prescribed by the Regulations. An application which meets the formal requirements shall be published in the IPO-Gazette.

Within two months from publication, any interested party may furnish the Director of Patents in writing under oath information showing that the industrial design is not new; within two months from receipt of such adverse information, the Director shall decide whether or not to register the industrial design. In case the Director of Patents refuses or denies the registration, the applicant may appeal to the Director General, IPO; in case the Director of Patents allows the registration, any interested party may file a petition for cancellation with the Bureau of Legal Affairs, IPO. If the Director of Patents receives no adverse information within two months, he shall certify to that effect and direct the preparation and issuance of the certificate of registration.

"4. Stated differently, the fact that the Bureau of Patents has issued the certificate of registration of the industrial design of respondent means that the respondent's application was evaluated formally and substantially and found allowable for publication. After publication, the corresponding periods for any interested party [i.e., logically herein complainants] to raise objections thereto, that is, provide the Director of Patents with adverse information, expired without any such third party having objected to the registration of respondent's industrial design. Accordingly, the application having been evaluated as being new/original, the certificate of registration was issued.

"5. Certificate of Registration No. 3-2009-000062 in the name of respondent clearly enjoys the presumption that official duty has been regularly performed and that the ordinary course of business has been followed.

"6. More significantly, for purposes of the instant complaint, complainants have even not alleged that irregularity, much less fraud attended the issuance of the Certificate of Registration No. 3-2009-000062 in the proceedings before the Bureau of Patents; for otherwise, they would have instituted the action to have the same cancelled, which is the exactly the remedy provided for under the rules.

"7. Infringement has been defined as the making, using, offering for sale, selling, or importing a patented product x x x without the authorization of the patentee.

"8. In the instant case, respondent is itself the patentee, so that its act of making, using, offering for sale, selling or importing its patented product is clearly with the authorization of the patentee, which is respondent itself.

"9. Until such time that the respondent's patent is recalled or cancelled under procedures laid down by the rules, respondent's patent stands in the Books of the Patents and respondent can and shall continue to enjoy the rights appurtenant to the holder of a valid patent. The rights claimed by complainants under the *First Cause of Action* are also rights to which the respondent is properly entitled. Respondent was merely in the exercise of its rights as the holder of a duly issued certificate of registration.

"10. The motorcycle of respondent subject hereof and the industrial design for which is covered by Certificate of Registration No. 3-2009-000062 proudly bears the name of respondent. Said merchandise was never passed off as goods manufactured by complainants. Respondent committed no act of unfair competition as its motorcycles are packaged, marketed and sold under its own name. There is therefore no factual or legal basis for the *Second Cause of Action* of complainants.

Moreover, the existence of goodwill enjoyed by complainant is a question of fact that must be substantiated by clear evidence thereof.

Further, in this regard, the claim that the introduction of respondent's motorcycle allegedly being passed off as complainants' and that it adversely impacted on complainant's goodwill are also questions of fact that must be established by empirical evidence.

"11. As to the *Third Cause of Action* in the Complaint, the same merely reproduces the provisions of Rule 12 of *Rules and Regulations on Administrative Complaints For Violation of Laws Involving Intellectual Property Rights* with a nary discussion on how and why they are being invoked and relevant in the instant proceedings. There is, thus, no basis for this Honorable Office to apply the same to this case."

On 9 November 2009, Order No. 2009-78 was issued by the hearing officer denying the application for the issuance of the writ of preliminary injunction. After the pre-trial on 8 December 2009, the trial on the merits proceeded. The Complainants' evidence consists of the following:

1. Special Power of Attorney of KHI dated 9 July 2009;
2. Secretary's Certificate of KMPC dated 10 August 2009, Inside Racing Magazine Volume 6, Number 4 (2008);
3. Photograph's of billboards, television and movie placements, promotional display of Kawasaki Fury 125;
4. copy of Industrial Design Registration No. 3-2008-00715 and copy of Industrial Design Registration No. 3-2008-00718;
5. Kawasaki Fury 125 Motorcycle (sample);
6. Sapphire 125 Motorcycle (sample);
7. Delivery Receipt No. 1345 dated March 19, 2009 and Sales Invoice No. 0908 for the purchase of Sapphire 125;
8. Diagram entitled "Comparison of the design registration No. 3-2008-00715 and 3-2008-00718, Fury and Sapphire";

9. excerpt from website <http://maxriders.proboards.com>;
10. Diagram with heading "Design Comparison of FURY 125 and SAPPHIRE 125";
Diagram with heading "Category of Motorcycle";
11. Motorcycle Development Program Participant's Association Motorcycle Industry Sales Report for the month of May 2009; and
12. Motorcycle Sales Report for the year 2009";
13. Affidavits-testimonies of Rodel Pablo (Vice- President- marketing and Customer Support Division of KMPC), Dexter Espina (Member of KMPC's Product Testing Staff), Alexander Cumpas (Supervisor for Research and Development with the Engineering Department of KMPC), Romel Cuenca (Supervisor in the Quality Control Department of KMPC), Tadashi Nagayasu (Former Senior Manager of Research and Development Department of KHI), and Agerico de Rama Jr. (a "motorcycle enthusiast"); and
14. Two (2) separate "DVDs" containing the video of the testimony/presentation of their witnesses Alexander Cumpas comparing the design features of the Fury 125 and Sapphire 125¹ and Romel Cuenca fitting the parts of the Fury 125 and Sapphire 125².

The Respondent's presented the following as evidence:

1. Affidavits-Testimonies of Darwin Martin, dated 5 November 2010, and Joseph Sison, dated 2 February 2011;
2. Industrial Design Reg. No. 3-2009-000062; and
3. photographs showing the aspects of Kawasaki Fury 125 and Sapphire 125.

Thereafter, the parties filed their respective memoranda.

This Bureau is confronted by the issue of whether or not the Respondent should be held liable for infringement of the Complainants' Industrial Design Registration No. 3-2008-00715 and Industrial Design Registration No. 3-2008-00718, and corollarily, for unfair competition. In this regard, the Complainants' case is hinged on the argument that the design of the Respondent's product "Sapphire 125" copied the Complainants' design covered by Design Registration Nos. 3-2008-00715 and 3-2008-00718.

In this regard, Sec. 119 of Rep. Act No. 8293, also known as the Intellectual Property Code of the Philippines ("IP Code") provides that certain provisions, including but not limited to Chapters VII and VIII (Remedies), relating to patents shall apply *mutatis mutandis* to an industrial design registration. Corollarily, Sec. 76 of the IP Code defines an infringement of an industrial design registration, to wit:

Section 76. Civil Action for Infringement. - 76.1. The making, using, offering for sale, selling, or importing a patented product or a product obtained directly or indirectly from a patented process, or the use of a patented process without the authorization of the patentee constitutes patent infringement.

¹ 21 April 2010 hearing

² 03 June 2010 hearing.

A crucial element of infringement is that the use of the design is without authorization of the registrant.

In this regard, the Respondent raised the defense that it cannot be held liable because its product Sapphire 125 is covered by Industrial Design Reg. No. 3-2009-000062 which was issued in its favor on 04 May 2009. A scrutiny of the design under Reg. No. 3-2009-000062 shows that indeed Sapphire 125 is the subject thereof.

Thus, since Sapphire 125 is the subject of Reg. No. 3-2009-000062, authorization to use it must be obtained from the registrant, which in this case happens to be the Respondent itself. On this account, the Respondent cannot be held liable for design infringement. Stated otherwise, considering that the Respondent's product is based on its Reg. No. 3-2009-000062, it does not need authorization from the Complainants to produce and sell its "Sapphire 125".

The Complainants pointed out that the issuance of their design registrations and the launching of the Fury in 2008 were earlier than the filing date of the Respondent's application which was on 05 February 2009. This Bureau also noticed that the Complainants submitted evidence that the Respondent sold Sapphire 125 as early as March 2009, which was prior to the issuance of Reg. No. 3-2009-000062 in May 2009. But Sec. 118.1 of the IP Code provides that the "*registration of an industrial design shall be for a period of five (5) years from the filing date of the application*". This means that once registered the protection to design retroacts to the date of filing. Aptly, the subsequent registration of the Respondent's meant that it is already protected as of its filing date in February 2009.

Noteworthy is the Respondent's argument that during the examination process of its application, there was no adverse information filed by any party. Neither was there a petition to cancel Reg. No. 3-2009-000062. While the invalidity of a patent or design may be raised in an infringement action, this is as a matter of defense, as provided under Section 81, in relation to Sec. 119 of the IP Code, to wit:

Section 81. Defenses in Action for Infringement. - In an action for infringement, the defendant, in addition to other defenses available to him, may show the invalidity of the patent, or any claim thereof, on any of the grounds on which a petition of cancellation can be brought under Section 61 hereof. (Sec. 45, R.A. No. 165)

While Sec. 82 of the IP Code provides:

Section 82. Patent Found Invalid May be Cancelled. - In an action for infringement, if the court shall find the patent or any claim to be invalid, it shall cancel the same, and the Director of Legal Affairs upon receipt of the final judgment of cancellation by the court, shall record that fact in the register of the Office and shall publish a notice to that effect in the IPO Gazette. (Sec. 46, R.A. No. 165a)

this refers to court determination of the issue of invalidity. And assuming it does apply in administrative case, this is in relation to Sec. 81 of the IP Code, wherein the invalidity of a patent is raised as a matter of defense.

This Bureau is also aware that under Sec. 10.2 (b) of the IP Code, this Bureau “*After formal investigation, the Director for Legal Affairs may impose one (1) or more of the following administrative penalties: x x x (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*”. However, this penalty is accessory to the finding of infringement, succinctly when the issue is ownership and not an alleged colorable imitation, as contemplated in Sec. 68 of the IP Code, to wit:

Section 68. *Remedies of the True and Actual Inventor.* - If a person, who was deprived of the patent without his consent or through fraud is declared by final court order or decision to be the true and actual inventor, the court shall order for his substitution as patentee, or at the option of the true inventor, cancel the patent, and award actual and other damages in his favor if warranted by the circumstances. (Sec. 33, R.A. No. 165a)

As such, the invalidity of the Respondent’s design registration should have been brought as a direct action for cancellation as provided under Sec. 120 in relation to Sec. 10 of the IP Code, to wit:

Section 120. *Cancellation of Design Registration.* - 120.1. At any time during the term of the industrial design registration, any person upon payment of the required fee, may petition the Director of Legal Affairs to cancel the industrial design on any of the following grounds:

- (a) If the subject matter of the industrial design is not registrable within the terms of Sections 112 and 113;
- (b) If the subject matter is not new; or
- (c) If the subject matter of the industrial design extends beyond the content of the application as originally filed.

120.2. Where the grounds for cancellation relate to a part of the industrial design, cancellation may be effected to such extent only. The restriction may be effected in the form of an alteration of the effected features of the design. (n)

Furthermore, delving in the substantive issue of whether or not the Respondent’s design is the same as the Complainants’, it is established that in determining infringement of a design, it is the appearance to the eye that constitutes mainly, if not entirely, the contribution to the public which the law deems worthy of recompense, and identity of appearance or sameness of effect upon the eye is the main test of substantial identity of design.³ The landmark United States case of *Gorham v. Company v. White*⁴, while cannot operate as a precedent in this jurisdiction is nevertheless instructive on the matter. In *Gorham*, the plaintiff obtained pattern “cottage” designs for spoon and forks while defendant White obtained a patent for designs for the handles of spoons and forks, thus:

³ Justicia.com US Supreme Court Center, Syllabus accessible at <http://supreme.justicia.com/cases/federal/us/81/511/case.html>

⁴ *Gorham v. Company v. White* 81 U.S. 14 Wall, 511 (1871) accessible at <http://supreme.justicia.com/cases/federal/us/81/511/case.html>

"The acts of Congress which authorize the grant of patents for designs were plainly to give encouragement to the decorative art. xxx It is a new or original design for manufacture, whether of metal or other material. xxx And the thing invented or produced, for which a patent is given is that which gives a peculiar or distinctive appearance to the manufacture or article to which it may be applied or to which it gives form. xxx The appearance may be the result of peculiarity of configuration, or of ornament alone, or of both conjointly, but in any way produced, it is the new thing or product which the patent law regards. xxx We do not say that in determining whether two designs are substantially the same, differences in the lines, the configuration, or the mode by which the aspects they exhibit are not to be considered; but we think the controlling consideration is the resultant effect. [6 Chancery Appeal Cases. Law Reports 418]. That was a suit to restrain infringement of a design for ornamenting a woven fabric. The defense was a denial that the design used by the defendants was the same as that to which the plaintiffs were entitled. The ornament on both was in part, a star, but on one it was turned on the opposite direction from that in the other; yet the effect of the ornament was the same to the eye. The Lord Chancellor held the important inquiry was whether there was any difference in the effect of the designs, not whether there were differences in the details of ornament.

"We are now prepared to inquire what is the true test of identity of design. Plainly it must be the sameness of appearance, and mere difference of lines in the drawing, sketch, a greater or smaller number of lines, or slight variances in configuration, if sufficient to change the effect upon the eye, will not destroy the substantial identity. An engraving which has many lines may present to the eye the same picture, and to the mind the same idea or conception as another with much fewer lines. The design, however, would be the same. So a pattern for a carpet, or a print may be made up of wreaths of flowers arranged in a particular manner. Another carpet may have similar wreaths, arranged in a like manner, so that none but very acute observers could detect a difference. Yet in the wreaths upon one there may be fewer flowers, and the wreaths may be placed at wider distances from each other. Surely in such a case the designs are alike. The same conception was in the mind of the designer, and to that conception he gave expression.

"If then, identity of appearance or (as expressed in *McCrea v. Holdsworth*) sameness of effect upon the eye is the main test of substantial identity of design, the only remaining question upon this part of the case is whether it is essential that the appearance should be the same to the eye of an expert. The court below was of opinion that the test of a patent for a design is not the eye of an ordinary observer. The learned judge thought there could be no infringement unless there was "substantial identity"

"In view of the observation of a person versed in designs in the particular trade in question – of a person engaged in the manufacture or sale of articles containing such designs – of a person accustomed to compare such designs one with another, and who sees and examines the articles containing them side by side.

"There must, he thought, be a comparison of the features which make up the two designs. With this cannot concur. Such a test would destroy all the protection which the act of Congress intended to give. There never could be piracy of a patented design, for human ingenuity has never yet produced a design, in all its details, exactly like another – so like that an expert could not distinguish them. No counterfeit bank note so identical in appearance. xxx Experts are therefore, are not the persons to be deceived. xxx

"We hold therefore, that if, in the eye of the ordinary observer, giving such attention as a person usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other."⁵

Corollarily, Rule 302 of the Rules and Regulations on Utility Models and Industrial Designs provides "*Degree of Novelty Required.* x x x "*An industrial design shall not be considered new if it differs from prior designs only in minor respects that can be mistaken as such prior designs by an ordinary observer.*" It is fair to concede that under this standard, ordinary observer, not bound by curiosity to examine the minute technical aspects, would be subjective in giving his/her opinion. Also, the goods or subject in this case, regardless of manufacturer, have common parts, features and configurations.

Expectedly, the parties presented conflicting testimonies in comparing the two designs. One of the Complainants' witness, Alexander Cumpas⁶ enumerated the substantial similarities and alleged that there are no significant differences between the Fury 125 and the Sapphire 125. He testified that there is identity or substantial similarity in the following: location, size and outer design of the mufflers; design of the steps; location of the mounting angle of the single shocks; design of side covers; fenders for the front wheel; location of the installation holes; sewing lines for the seat; fuel tank cover; outline for tail lamps; outline for the speed meter design; handle bracket; swing arms; air cleaner box and front forks. Another Complainant's witness, Rommel Cuenca⁷ claims that in the fitting of Sapphire 125 plastic parts into the inspection jig used for Fury 125 almost all plastic parts and fuel tank fitted.

On the other hand, Respondent presented witness Darwin Martin, Production head of Eastworld Motorstar Brand who examined and compared the Sapphire 125 with the Kawasaki Fury. He testified:

Q: Please give us the details of the differences between Sapphire 125 and Kawasaki 125.

A: As to the functionality, first, in the ignition key, in Sapphire 125, upon turning the key to steering lock, the park light turns on automatically, whereas in Kawasaki, it is just a normal key switch. Secondly, as to the engine stop switch, Kawasaki has an engine stop switch, whereas Sapphire does not have one. Thirdly, Kawasaki's u-box, the battery case is located in the rear portion of the same while Sapphire's own u-box, the battery case is located in the front portion. And as an additional feature, the Sapphire's u-box has a small utility tool box which is not found in the Fury. Fourth, as to the dusk protector and mud guard, Sapphire does not have front fork dust protector while the Fury has one. With respect to the rear mud guard, Sapphire has one located under the rear fender, while Fury does not have one.

Lastly, as to the instrument panel, Sapphire has a gear indicator, and a separate left and right signal indicator whereas in the Fury, it is merely a single signal switch for both left and right and a neutral indicator.

As to the design elements, the headlight and tail light assembly of Sapphire and Fury are very different. Also, the tires of the two products are not the same, including the left and right

⁵ See 4, *Gorham v. Company v. White* 81 U.S. 14 Wall, 511 (1871)

⁶ DVD of Mr. Cumpas testimony

⁷ Exhibits "K" and "Y".

hand switch assembly. The location of the fuel cock/ switch of Eastworld's Sapphire is in the carburettor, while Kawasaki's Fury is on the side covers. The shapes of the chassis are different as well as the chassis deco cover. In Kawasaki, the cover is shorter so that you can easily see the steel bar while in Eastworld, the same is longer. The rear part side cover of Fury 125 has an inner and outer cover while Sapphire only has one straight cover.

It is also worth noting that the swing arm, front disc brake, the handle grips, tank cover shape, shifting lever, the kick arm, the bolts in the rear carrier, the foot brake, the air box, and rear fender of the Sapphire, among others, are very different from the Fury.

Q: Do you have evidence to support what you just testified on?

A: I do. I have pictures showing the differences I just mentioned.

Q: I am showing to you several photographs, would you please go over the same and tell this Honorable Office of these are the same photographs you were referring to?

A: They are the same.

Significantly, during the cross-examination of Complainants' Alexander Cumpas, the glaring dissimilarities between the Fury 125 and Sapphire 125 as well as commonality of some features in other motorcycles were underscored, to wit:⁸

Q: Can you, does not this particular location of the daylight lamp and the turn signal lamp are in fact generic to all kinds of motorcycle and not in peculiar to Fury and Sapphire?

A: Yes.

Q: And you likewise mentioned that the muffler of Sapphire and Fury, the location of which are similar is that not so?

A: Yes.

Q: Would you agree that the location of the said muffler is again a generic feature of all motorcycle not only of Sapphire and Fury?

A: Yes.

Q: May we, invite your attention to the headlight of the Fury and the Sapphire, will you please, will you agree with me that the headlight of the Sapphire and Fury are not the same?

A: Yes.

Q: I likewise invite your attention to this [design] element of the signal light of Sapphire, would you agree with me that this particular element is not in the Fury?

A: Yes.

Q: You mentioned in your Affidavit that the outline of the rear disk are similar?

A: Yes.

⁸ TSN dated 21 April 2010 pp. 20-25.

Q: I invite your attention again to the said break disk which you mentioned and you claimed to be similar to that of the Sapphire 125. I am giving you the opportunity to examine again the break disk that you said is similar. Would you agree with me that, in fact, would you still maintain your original statement that they are similar, if you look at the disk?

A: In according to its outline, it is similar but appearance is a little bit different.

Q: So now you are making a clarification. Mr. Witness, may I invite your attention to the fuel pump switch of the for Fury and the fuel pump switch of Sapphire?

A: Yes.

Q: Will you agree with me that there are differences between the location of the fuel cock Sapphire and the fuel cock switch of the Fury is on the carburetor?

A: Yes.

Q: You mentioned in your direct examination that the over-all feature of the Kawasaki Fury is similar to Sapphire?

A: Yes.

Q: Will you please go over the Motorstar Sapphire 125 and point to this Honorable Officer the engine stop switch?

A: Engine Stop Switch? There is none.

Q: How about the Fury 125?

A: There is.

Respondent through the testimony of its witness Joseph Sison⁹ presented evidence of the difference in design of the two motorcycles consisting of photographs of the FURY 125 and SAPPHIRE, to wit:

Kawasaki



Motorstar



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1/11/07
2/1/10

⁹ Exhibit "10- series".

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Kawasa Ki



Motorstar



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Kawasaki



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Kawasaki



Motorstar



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Kawasaki



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Kawasa ki



Motorstar



Kawasaki



Motorstar



Kawasa ki



Motorstar



11-5
Lyo
2/10

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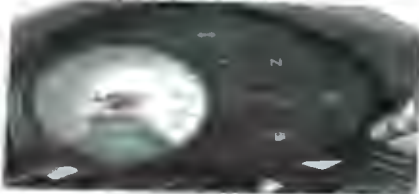
Kawasaki



Motorstar



Kawasaki



Motorstar



*Motor
Star
1/10*

To an ordinary observer, the overall design of Sapphire 125 is not identical or substantially similar to the design of Fury. The locations of the muffler, signal light and daylight lamp may be similar, but this aspect is “generic”. The ornamental designs of the gear indicator, speed meter design, location of the fuel cock, headlight, brake disk, are not the same. The “engine stop switch” is even absent in Sapphire 125. The design of the side cover bears the mark “Motorstar” which distinguishes it instantly from the other motorcycle. The products in the instant case are motorcycles which consumers meticulously assess and compare with each other, while keeping in mind that it has features or parts which although it appear to be the similar are necessarily present because they serve or are necessitated by a technical function. As such, taking into consideration the contour, shape and wholistic design, there is no identity of design.

Indeed, a casual observation of the opposing designs shows that there is a glaring difference in respect of the most noticeable features of a motorcycle, to wit:

Kawasaki



Motorstar



*up/k
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Kawasaki



Motorstar



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2/18*

As regards the issue of whether Respondent committed unfair competition, Sections 168.2 and 168.3(a) define unfair competition:

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 shall commit any acts calculated to produce said result, shall be guilty of unfair competition, and shall be subject to an action therefor.

168.3. In particular, and without in any way limiting the scope of protection against unfair competition, the following shall be deemed guilty of unfair competition:

(a) Any person who is selling his goods and gives them the general appearance of goods of another manufacturer or dealer, either as to the goods themselves or in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any other feature of

their appearance which would be likely to influence purchasers to believe that the goods offered are those of a manufacturer or dealer, other than the actual manufacturer or dealer, or who otherwise clothes the goods with such appearance as shall deceive the public and defraud another of his legitimate trade, or any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose;

(b) Any person who by any artifice, or device, or who employs any other means calculated to induce the false belief that such person is offering the services of another who has identified such services in the mind of the public; or

(c) Any person 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 goods, businesses or services of another.

Complainants allege that Respondents employed deception and other means contrary to good faith in passing off its goods as those of Kawasaki. The Supreme Court, however, has clarified that “unfair competition” cannot be applied in the case of patent infringement. In *Kenneth Roy Savage/K Angeline Export Trading v. Judge Aproniano Taypin*¹⁰, the High Court elucidated:

“There is evidently no mention of any crime of ‘unfair competition’ involving design patents in the controlling provisions on Unfair Competition. It is therefore unclear whether the crime exists at all, for the enactment of RA 8293 did not result in the reenactment of Act 189 of the Revised Penal Code.

xxx

“However, we are prevented from applying these principles along with the new provisions on Unfair Competition found in the IPR Code, to the alleged acts of the petitioners, for such acts constitute patent infringement as defined by the same Code”

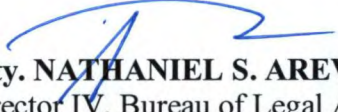
Moreover, there is no bad faith or fraud on the part of the Respondent because its Sapphire 125 is based on its Design Registration No. 3-2009-000062. And, as discussed above, consumers can easily distinguish one product from the other.

In conclusion, taking into account the legal and factual issues, this Bureau is constrained to rule that the Respondent cannot be held liable for design infringement and/or unfair competition.

WHEREFORE, premises considered, the instant complaint for design patent infringement and unfair competition hereby **DISMISSED**.

SO ORDERED.

Taguig City, 15 June 2015.


Atty. NATHANIEL S. AREVALO
Director IV, Bureau of Legal Affairs

¹⁰ G.R. No. 134217, May 11, 2000