

Republic of the Philippines
SUPREME COURT
Manila

SECOND DIVISION

G.R. No. L-27906 January 8, 1987

CONVERSE RUBBER CORPORATION, petitioner,

vs.

UNIVERSAL RUBBER PRODUCTS, INC. and TIBURCIO S. EVALLE, DIRECTOR OF PATENTS, respondents.

Parades, Poblador, Nazareno, Azada & Tomacruz for petitioner.

R E S O L U T I O N

FERNAN, J.:

The undisputed facts of the case are as follows:

Respondent Universal Rubber Products, Inc. filed an application with the Philippine Patent office for registration of the trademark "UNIVERSAL CONVERSE AND DEVICE" used on rubber shoes and rubber slippers.

Petitioner Converse Rubber Corporation filed its opposition to the application for registration on grounds that:

a] The trademark sought to be registered is confusingly similar to the word "CONVERSE" which is part of petitioner's corporate name "CONVERSE RUBBER CORPORATION" as to likely deceive purchasers of products on which it is to be used to an extent that said products may be mistaken by the unwary public to be manufactured by the petitioner; and,

b] The registration of respondent's trademark will cause great and irreparable injury to the business reputation and goodwill of petitioner in the Philippines and would cause damage to said petitioner within the, meaning of Section 8, R.A. No. 166, as amended.

Thereafter, respondent filed its answer and at the pre-trial, the parties submitted the following partial stipulation of facts:

1] The petitioner's corporate name is "CONVERSE RUBBER CORPORATION" and has been in existence since July 31, 1946; it is duly organized under the laws of Massachusetts, USA and doing business at 392 Pearl St., Malden, County of Middle sex, Massachusetts;

2] Petitioner is not licensed to do business in the Philippines and it is not doing business on its own in the Philippines; and,

3] Petitioner manufacturers rubber shoes and uses thereon the trademarks "CHUCK TAYLOR "and "ALL STAR AND DEVICE".¹

At the trial, petitioner's lone witness, Mrs. Carmen B. Pacquing, a duly licensed private merchant with stores at the Sta. Mesa Market and in Davao City, testified that she had been selling

CONVERSE rubber shoes in the local market since 1956 and that sales of petitioner's rubber shoes in her stores averaged twelve to twenty pairs a month purchased mostly by basketball players of local private educational institutions like Ateneo, La Salle and San Beda.

Mrs. Pacquing, further stated that she knew petitioner's rubber shoes came from the United States "because it says there in the trademark Converse Chuck Taylor with star red or blue and is a round figure and made in U.S.A."² In the invoices issued by her store, the rubber shoes were described as "Converse Chuck Taylor",³ "Converse All Star",⁴ "All Star Converse Chuck Taylor",⁵ or "Converse Shoes Chuck Taylor."⁶ She also affirmed that she had no business connection with the petitioner.

Respondent, on the other hand, presented as its lone witness the secretary of said corporation who testified that respondent has been selling on wholesale basis "Universal Converse" sandals since 1962 and "Universal Converse" rubber shoes since 1963. Invoices were submitted as evidence of such sales. The witness also testified that she had no Idea why respondent chose "Universal Converse" as a trademark and that she was unaware of the name "Converse" prior to her corporation's sale of "Universal Converse" rubber shoes and rubber sandals.

Eventually, the Director of Patents dismissed the opposition of the petitioner and gave due course to respondent's application. His decision reads in part:

... the only question for determination is whether or not the applicant's partial appropriation of the Opposer's [petitioner'] corporate name is of such character that in this particular case, it is calculated to deceive or confuse the public to the injury of the corporation to which the name belongs ...

I cannot find anything that will prevent registration of the word 'UNIVERSAL CONVERSE' in favor of the respondent. In arriving at this conclusion, I am guided by the fact that the opposer failed to present proof that the single word "CONVERSE" in its corporate name has become so Identified with the corporation that whenever used, it designates to the mind of the public that particular corporation.

The proofs herein are sales made by a single witness who had never dealt with the petitioner . . . the entry of Opposer's [petitioner's] goods in the Philippines were not only effected in a very insignificant quantity but without the opposer [petitioner] having a direct or indirect hand in the transaction so as to be made the basis for trademark pre- exemption.

Opposer's proof of its corporate personality cannot establish the use of the word "CONVERSE" in any sense, as it is already stipulated that it is not licensed to do business in the Philippines, and is not doing business of its own in the Philippines. If so, it will be futile for it to establish that "CONVERSE" as part of its corporate name Identifies its rubber shoes. Besides, it was also stipulated that opposer [petitioner], in manufacturing rubber shoes uses thereon the trademark "CHUCK TAYLOR" and "ALL STAR and DEVICE" and none other.

Furthermore, inasmuch as the Opposer never presented any label herein, or specimen of its shoes, whereon the label may be seen, notwithstanding its witness' testimony touching upon her Identification of the rubber shoes sold in her stores, no determination can be made as to whether the word 'CONVERSE' appears thereon.

. . .the record is wanting in proof to establish likelihood of confusion so as to cause probable damage to the Opposer.⁷

Its motion for reconsideration having been denied by the respondent Director of Patents, petitioner instituted the instant petition for review.

As correctly phrased by public respondent Director of Patents, the basic issue presented for our consideration is whether or not the respondent's partial appropriation of petitioner's corporate name is of such character that it is calculated to deceive or confuse the public to the injury of the petitioner to which the name belongs.

A trade name is any individual name or surname, firm name, device or word used by manufacturers, industrialists, merchants and others to identify their businesses, vocations or occupations.⁸ As the trade name refers to the business and its goodwill ... the trademark refers to the goods.⁹ The ownership of a trademark or tradename is a property right which the owner is entitled to protect "since there is damage to him from confusion or reputation or goodwill in the mind of the public as well as from confusion of goods. The modern trend is to give emphasis to the unfairness of the acts and to classify and treat the issue as fraud."¹⁰

From a cursory appreciation of the petitioner's corporate name "CONVERSE RUBBER CORPORATION," it is evident that the word "CONVERSE" is the dominant word which identifies petitioner from other corporations engaged in similar business. Respondent, in the stipulation of facts, admitted petitioner's existence since 1946 as a duly organized foreign corporation engaged in the manufacture of rubber shoes. This admission necessarily betrays its knowledge of the reputation and business of petitioner even before it applied for registration of the trademark in question. Knowing, therefore, that the word "CONVERSE" belongs to and is being used by petitioner, and is in fact the dominant word in petitioner's corporate name, respondent has no right to appropriate the same for use on its products which are similar to those being produced by petitioner.

A corporation is entitled to the cancellation of a mark that is confusingly similar to its corporate name."¹¹ "Appropriation by another of the dominant part of a corporate name is an infringement."¹²

Respondent's witness had no idea why respondent chose "UNIVERSAL CONVERSE" as trademark and the record discloses no reasonable explanation for respondent's use of the word "CONVERSE" in its trademark. Such unexplained use by respondent of the dominant word of petitioner's corporate name lends itself open to the suspicion of fraudulent motive to trade upon petitioner's reputation, thus:

A boundless choice of words, phrases and symbols is available to one who wishes a trademark sufficient unto itself to distinguish his product from those of others. When, however, there is no reasonable explanation for the defendant's choice of such a mark though the field for his selection was so broad, the inference is inevitable that it was chosen deliberately to deceive.¹³

The testimony of petitioner's witness, who is a legitimate trader as well as the invoices evidencing sales of petitioner's products in the Philippines, give credence to petitioner's claim that it has earned a business reputation and goodwill in this country. The sales invoices submitted by petitioner's lone witness show that it is the word "CONVERSE" that mainly identifies petitioner's products, i.e. "CONVERSE CHUCK TAYLOR,"¹⁴ "CONVERSE ALL STAR,"¹⁶ "ALL STAR CONVERSE CHUCK TAYLOR,"¹⁷ or "CONVERSE SHOES CHUCK and TAYLOR."¹⁷ Thus, contrary to the determination of the respondent Director of Patents, the word "CONVERSE" has grown to be identified with petitioner's products, and in this sense, has acquired a second meaning within the context of trademark and tradename laws.

Furthermore, said sales invoices provide the best proof that there were actual sales of petitioner's products in the country and that there was actual use for a protracted period of

petitioner's trademark or part thereof through these sales. "The most convincing proof of use of a mark in commerce is testimony of such witnesses as customers, or the orders of buyers during a certain period.¹⁸ Petitioner's witness, having affirmed her lack of business connections with petitioner, has testified as such customer, supporting strongly petitioner's move for trademark pre-emption.

The sales of 12 to 20 pairs a month of petitioner's rubber shoes cannot be considered insignificant, considering that they appear to be of high expensive quality, which not too many basketball players can afford to buy. Any sale made by a legitimate trader from his store is a commercial act establishing trademark rights since such sales are made in due course of business to the general public, not only to limited individuals. It is a matter of public knowledge that all brands of goods filter into the market, indiscriminately sold by jobbers dealers and merchants not necessarily with the knowledge or consent of the manufacturer. Such actual sale of goods in the local market establishes trademark use which serves as the basis for any action aimed at trademark pre- exemption. It is a corollary logical deduction that while Converse Rubber Corporation is not licensed to do business in the country and is not actually doing business here, it does not mean that its goods are not being sold here or that it has not earned a reputation or goodwill as regards its products. The Director of Patents was, therefore, remiss in ruling that the proofs of sales presented "was made by a single witness who had never dealt with nor had never known opposer [petitioner] x x x without Opposer having a direct or indirect hand in the transaction to be the basis of trademark pre- exemption."

Another factor why respondent's applications should be denied is the confusing similarity between its trademark "UNIVERSAL CONVERSE AND DEVICE" and petitioner's corporate name and/or its trademarks "CHUCK TAYLOR" and "ALL STAR DEVICE" which could confuse the purchasing public to the prejudice of petitioner,

The trademark of respondent "UNIVERSAL CONVERSE and DEVICE" is imprinted in a circular manner on the side of its rubber shoes. In the same manner, the trademark of petitioner which reads "CONVERSE CHUCK TAYLOR" is imprinted on a circular base attached to the side of its rubber shoes. The determinative factor in ascertaining whether or not marks are confusingly similar to each other "is not whether the challenged mark would actually cause confusion or deception of the purchasers but whether the use of such mark would likely cause confusion or mistake on the part of the buying public. It would be sufficient, for purposes of the law, that the similarity between the two labels is such that there is a possibility or likelihood of the purchaser of the older brand mistaking the new brand for it."¹⁹ Even if not on the details just mentioned were identical, with the general appearance alone of the two products, any ordinary, or even perhaps even [sic] a not too perceptive and discriminating customer could be deceived ... "²⁰

When the law speaks co-purchaser," the reference is to ordinary average purchaser.²¹ It is not necessary in either case that the resemblance be sufficient to deceive experts, dealers, or other persons especially familiar with the trademark or goods involve."²²

The similarity in the general appearance of respondent's trademark and that of petitioner would evidently create a likelihood of confusion among the purchasing public. But even assuming, arguendo, that the trademark sought to be registered by respondent is distinctively dissimilar from those of the petitioner, the likelihood of confusion would still subsists, not on the purchaser's perception of the goods but on the origins thereof. By appropriating the word "CONVERSE," respondent's products are likely to be mistaken as having been produced by petitioner. "The risk of damage is not limited to a 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."²³

It is unfortunate that respondent Director of Patents has concluded that since the petitioner is not licensed to do business in the country and is actually not doing business on its own in the Philippines, it has no name to protect in the forum and thus, it is futile for it to establish that "CONVERSE" as part of its corporate name identifies its rubber shoes. That a foreign corporation

has a right to maintain an action in the forum even if it is not licensed to do business and is not actually doing business on its own therein has been enunciated many times by this Court. In *La Chemise Lacoste, S.A. vs. Fernandez*, 129 SCRA 373, this Court, reiterating *Western Equipment and Supply Co. vs. Reyes*, 51 Phil. 115, stated that:

... a foreign corporation which has never done any business in the Philippines and which is unlicensed and unregistered to do business here, but is widely and favorably known in the Philippines through the use therein of its products bearing its corporate and tradename, has a legal right to maintain an action in the Philippines to restrain the residents and inhabitants thereof from organizing a corporation therein bearing the same name as the foreign corporation, when it appears that they have personal knowledge of the existence of such a foreign corporation, and it is apparent that the purpose of the proposed domestic corporation is to deal and trade in the same goods as those of the foreign corporation.

We further held:

xxx xxx xxx

That company is not here seeking to enforce any legal or control rights arising from or growing out of, any business which it has transacted in the Philippine Islands. The sole purpose of the action:

Is to protect its reputation, its corporate name, its goodwill whenever that reputation, corporate name or goodwill have, through the natural development of its trade, established themselves.' And it contends that its rights to the use of its corporate and trade name:

Is a property right, a right in recess which it may assert and protect against all the world, in any of the courts of the world even in jurisdictions where it does not transact business-just the same as it may protect its tangible property, real or personal against trespass, or conversion. Citing sec. 10, Nims on Unfair Competition and Trademarks and cases cited; secs. 21-22, Hopkins on Trademarks, Trade Names and Unfair Competition and cases cited That point is sustained by the authorities, and is well stated in *Hanover Star Milling Co. vs. Allen and Wheeler Co.* [208 Fed., 5131, in which the syllabus says:

Since it is the trade and not the mark that is to be protected, a trademark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader's goods have become known and Identified by the use of the mark.

The ruling in the aforecited case is in consonance with the Convention of the Union of Paris for the Protection of Industrial Property to which the Philippines became a party on September 27, 1965. Article 8 thereof provides that "a trade name [corporate name] shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of the trademark." [emphasis supplied]

The object of the Convention is to accord a national of a member nation extensive protection "against infringement and other types of unfair competition" [*Vanitary Fair Mills, Inc. vs. T. Eaton Co.*, 234 F. 2d 6331.

The mandate of the aforementioned Convention finds implementation in Sec. 37 of RA No. 166, otherwise known as the Trademark Law:

Sec. 37. Rights of Foreign Registrants-Persons who are nationals of, domiciled or have a bona fide or effective business or commercial establishment in any foreign country, which is a party to an international convention or treaty relating to marks or tradenames on the repression of unfair competition to which the Philippines may be a party, shall be entitled to the benefits and subject to the provisions of this Act

Tradenames of persons described in the first paragraph of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks. [emphasis supplied]

WHEREFORE, the decision of the Director of Patents is hereby set aside and a new one entered denying Respondent Universal Rubber Products, Inc.'s application for registration of the trademark "UNIVERSAL CONVERSE AND DEVICE" on its rubber shoes and slippers.

SO ORDERED.

Feria (Chairman), Alampay, Gutierrez, Jr. and Paras, JJ., concur.

Footnotes:

- 1 p. 3, Rollo.
- 2 TSN, pp. 7-8,20-21, Feb. 24, 1965.
- 3 Exh. C
- 4 Exh. C-1. _
- 5 Exh. C-3.
- 6 Exh. C-4.
- 7 pp. 11-12, Rollo.
- 8 CIA General de Tabacos vs. Alhambra Cigar, 33 Phil 485, underscoring supplied.
- 9 Nollado, Commercial law Review, p. 839.
- 10 Ang vs. Toribio, 74 Phil 219.
- 11 Callman Vol. 4, P. 2185.
- 12 *Ibid*, Vol. 3, p. 1439.
- 13 III Callman, Unfair Competition, 2nd Ed., pp. 1527-1528.
- 14 Exh. C.
- 15 Exh. C-1.
- 16 Exh. C-3.
- 17 Exh. C-4.
- 18 Ault and Wibogr vs. Ault 50 App. B.C 156 269, Fed. 627, [19201 cited in Vol. 3, Callman, p. 1185.
- 19 American Wire and Cable Co., Inc. vs. Director of Patents, 31 SCRA 544. "
- 20 Converse Rubber Corp. vs. Jacinto Rubber and Plastics Co., Inc., 97 SCRA 169.
- 21 R.F. & J. Alexander & Co., Ltd. vs. Ang et. al, 97 Phil. 157.
- 22 52 Am. Jur. p. 601
- 23 Callman Vol. 4, p. 2186.