



PANASONIC ELECTRIC WORKS CO., LTD.
and PANASONIC ELECTRIC WORK SALES
PHILIPPINES CORPORATION,
Complainants,

-versus-

AKARI LIGHTING AND TECHNOLOGY
CORPORATION,
Respondent.

IPV No. 10-2009-00002

For: Infringement of Design
Patent and Damages

x-----x

NOTICE OF DECISION

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GREETINGS:

Please be informed that Decision No. 2015 - 08 dated May 12, 2015 (copy enclosed)
was promulgated in the above entitled case.

Taguig City, May 12, 2015.

For the Director:


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



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Decision No. 2015 - 08

DECISION

Panasonic Electric Works Co., Ltd.¹ and Panasonic Electric Works Sales Philippines², (Complainants) filed on 29 January 2009 an administrative complaint against Akari Lighting and Technology Corporation ("Respondent")³.

The complaint alleges among other things, the following:

"5. PANASONIC, formerly known as Matsushita Electric Works, Ltd. traces its root to the company started by Konosuke Matsushita in 1918. PANASONIC operates in six (6) business sectors of lighting products, information equipment and siring products, home appliances, building products, electronic and plastic materials and automation controls. PANASONIC's products are used in houses, buildings, commercial and public facilities, and factories to support communications, industry and everyday living and working activities. PANASONIC takes an integrated approach to its operations which start with research and development, manufacturing and sales and extend to proposals for product usage and installation and servicing. The PANASONIC group of 57,665 employees includes 90 consolidated subsidiaries worldwide, ranging from production sites to research laboratories. The PANASONIC global sales network is comprised of 213 sales offices and 2,482 agents.

"6. PANASONIC actively works toward the creation of new products and new businesses. PANASONIC continues its efforts at value-creating management with growth in new directions by offering attractive solutions for diverse customer needs. As part of its strategic focus, the brand name 'Panasonic' shall be used on all products. In October 2008, the name Matsushita Electric

¹ A corporation organized and existing under the laws of Japan with principal address at 1048 Kadoma, Osaka Japan.

² A domestic corporation organized and existing under the laws of the Philippines with principal address at 4th Floor Makati Sky Plaza 6788 Ayala Avenue, Makati City.

³ A domestic corporation duly organized and existing under the laws of the Philippines with principal place of business at Carlson Corporate Center, 97 Tomas Arguelles Street, Brgy. Santol Quezon City.

Works, Ltd. Was changed to Panasonic Electric Works Co., Let., hence, unifying its three internationally well-known brand names 'Matsushita', 'National' and 'Panasonic', to form one global brand: PANASONIC. x x x

"7. Being the leading manufacturer in the electrical industry, one of PANASONIC'S more popular products, particularly in the Philippines, are its switches. These products are locally distributed through different retail outlets all over the country. x x x

"8. Cognizant of the need to protect its intellectual property rights in countries where its products are found, PANASONIC obtained the following industrial design registrations for some of its switches from the Intellectual Property Office of the Philippines ('IPOP HL'), to wit:

Title	Registration No.	Date Filed	Date Issued
A Seesaw Switch	3-1997-12873	Sept. 12, 1997	June 13, 2000
Seesaw Switch	3-1999-00322	May 28, 1999	April 20, 2001
Seesaw Switch	3-1999-00323	May 28, 1999	May 7, 2001
Seesaw Switch	3-1999-00324	May 28, 1999	May 7, 2001

"9. Sometime in February, 2007, Complainants discovered that AKARI was selling and distributing, in the Philippines, switches the appearance of which were similar to PANASONIC'S registered industrial designs without consent and authorization of PANASONIC, thereby infringing on the same. These are:

- a) AKARI AW 1111PS, Infringed on Industrial Design Registration No. 3-1997-012873;
- b) Switch for 1-Wide Device, AKARI AWD1014, infringed on Industrial Design Registration No. 3-1997-00324;
- c) Switch for 2-Wide Device, AKARI AWD 2015, infringed on Industrial Design Registration No. 3-1999-00323;
- d) Switch B for 3-wide Device, AKARI AWD1016 W, infringed on Industrial Design Registration NO. 3-1999-00322;
- e) AKARI AWD 1015 PWC infringed on Industrial Design Resignation NO. 3-1997-12873.

"10. Alarmed by its discovery of the infringement of its design patents, Complainants met with the undersigned counsel and upon instruction sent AKARI a cease and desist letter dated February 7, 2007, demanding the following:

- a) To cease the manufacture, sales and distribution of the AKARI switches and all other switches that infringe on PANASONIC'S Industrial Design Registrations;
- b) To destroy all inventories of AKARI and all other infringing similar switches including all moldings, and other equipment or materials used to produce the infringing switches;
- c) To recall from the market all the infringing AKARI and other switches, within two (2) months from receipt of said letter;

- d) To cause the publication in either the Philippine Daily Inquirer or the Manila Bulletin of an apology that AKARI shall never infringe on PANASONIC's industrial design registrations.

"11. On February 20, 2007, the undersigned counsel received the response of AKARI date Feb. 9, 2007, thru its counsel, stating that AKARI is not the manufacturer of the questioned switches and that AKARI, as a 'measure of good faith, had already suspended the marketing and distribution of all its electric switches pending receipt of confirmation from its foreign supplier that the subject switches are indeed covered by prior art', and that AKARI had 'begun recalling from the retail market the items in question'.

"12. On May 10, 2007, a meeting was held between PANASONIC's counsel and AKARI's counsel. During said meeting, AKARI's counsel reiterated that AKARI is not the manufacturer of the questioned switches and that as sign of good faith, AKARI had already suspended the marketing and distribution of the questioned electric switches. In addition, during the meeting, AKARI's counsel also said that his client has stopped all importations of models W 1014, 2015, 1016, and 1015 and that indeed AKARI immediately recalled from the market the infringing switches as soon as PANASONIC's letter was received. AKARI's counsel demonstrated, by drawing AKARI model AW1111 PW, that in the case of said switch model, it is different from the PANASONIC design. On May 15, 2007, PANASONIC sent AKARI's counsel a sample of AKARI Model No. AW 1111PW purchased from Ace Hardware to show that the actual product is different from that drawn by him, and to reiterate that said model infringes on PANASONIC's Industrial Design Registration No. 3-1997-012873.

"13. On August 14, 2007, PANASONIC thru the undersigned counsel wrote AKARI's counsel stating that from visits made to such retail outlets as True Value and Ace Hardware, the infringing AKARI AW 1014, AW 1015, AWD 1016, AW 1015 were still being sold in said outlets contrary to AKARI's representations and commitment.

"14. In a letter dated August 25, 2007, AKARI thru counsel, claimed that it had already instructed the immediate pull out of the subject switches, and that it has directed all its marketing supervisors to visit all distributors. In the case of AKARI Model No. AW1111PW, said counsel reiterated the 'fundamental differences' between said model and PANASONIC's Design No. 3-1997-012873.

"15. As of December 2008, the infringing AKARI switches are still available in the market."

This Bureau issued on 06 February 2009 a Notice to Answer requiring the Respondent to file an Answer within ten (10) days from receipt thereof. The Respondent filed its Answer on 26 February 2009. In its Answer, the Respondent admitted paragraph 4, paragraph 10 regarding the receipt of the 07 February 2007 letter from Matsushita Electric Works Ltd.'s counsel (MEWL for brevity), paragraph 11 regarding sending out the 19 February 2007 letter to MEWL's counsel, paragraph 12 insofar as the meeting with the counsel of MEWL was held on 10 May 2007, paragraph 13 insofar as 14 August

2007 letter was sent by MEWL's counsel, and paragraph 14 insofar as 25 August 2007 letter was sent by Respondent's counsel. As an affirmative defenses, the Respondent alleges, among other things, the following:

"11. Respondent is the distributor of Akari brand electrical devices, equipment and supplies.

"12. Sometime February 2007, it received the 7 February 2007 letter from the counsel of MEWL alleging that respondent was infringing upon the Industrial Design Registration Nos. 3-1999-00322, 3-1999-00323 and 3-1999-000324. MEWL did not make any reference or allegation of infringement with regard to Industrial Design No. 3-1997-012873 in its first correspondence.

"13. Respondent asked its counsel to respond to the 7 February 2007 letter. Consequently, respondent's counsel sent the 19 February 2007 letter to the counsel of MEWL. As stated in the letter, without admitting any liability, respondent undertook its own investigation in the reported infringement of the aforementioned industrial designs and sought to clarify this matter from its supplier. As a measure of good faith pending its investigation, respondent suspended the marketing and distribution of the questioned electric switches. It likewise recalled these products from the market as part of its internal inquiry.

"14. Further to its 19 February 2007 letter, respondent's counsel offered to meet with the counsel of MEWL to thresh out the issues raised by MEWL in its 7 February 2007 correspondence. Thus, on 10 May 2007, respondent's counsel met with MEWL's counsel at the office of the latter to discuss the alleged infringement with the understanding that the discussion would be kept confidential and no admission of any liability would be imputed.

"15. Respondent continued to abide by its representations in its 19 February 2007 letter to MEWL. When Respondent received the 14 August 2007 letter from the counsel of MEWL, respondent immediately directed all its marketing supervisors to visit its distribution outlets to insure that the subject switches remain off the market. Respondent informed MEWL about its inaction in the 25 August 2007 response to the 14 August 2007 letter from the counsel of MEWL.

"16. On the matter of respondent's Switch Model No. AW1111PW, it has maintained that there are fundamental differences between its switch and Industrial Design No. 3-1997-012873, to wit:

- a. Respondent's switch has longer but thinner light window than that of MEWL's;
- b. The light window of respondent's switch is located closer on one of the traverse side compared to that represented in Industrial Design No. 3-1997-012873;
- c. The operation handle/push button of respondent's switch when view from the side is substantially rectangular while that of Industrial Design NO. 3-1997-012873 has a generally inverted pentagon-like body; and
- d. The bottom portion of respondent's switch has a generally flat

surface while Industrial Design No. 3-1997-012873 has projections provided on its four corners.

"17. Despite the substantial differences mentioned, respondent, on its initiative ceased from further marketing and distributing switch Model No. AW1111PW beginning September 2007 as the demand for this switch design began to decline. Thus, as shown in its marketing catalogue for 2008 and 2009, Model No. AW 1111PW or any of its variants were no longer included in the inventory of AKARI products available in the market.

"18. As a matter of fact, all the purchase orders for 2008 and 2009 by respondent's clients have been switches other than Model No. AW1111PW and any of its variants as respondent has not been carrying this switch model since the last quarter of 2007.

"19. The foregoing allegations are reproduced and pleaded herein by reference.

"20. The complaint failed to state a cause of action against respondent.

"21. The Certificate of Registration of Industrial Design No. 3-1997-012873 is still under the name of MEWL. There is no indication therein that said Certificate had been assigned, transferred or amended to conform to the purported change of name of MEWL to complainant Panasonic Electric Works co. any right pertaining to Industrial Design No. 3-1997-012873 remains with MEWL. Consequently, assuming respondent committed an act of infringement (which is denied), such act would be in violation of the right of MEWL and not of the complainants.

"22. The filing of the complaint is likewise premature. Respondent has been notified of the existence of Industrial Design No. 3-1997-012873 as registered under the name of MEWL. Upon receipt of the Complaint, this is the first instance when respondent has learned of the purported change of name of MEWL to Panasonic Electric Works Co., Ltd. and Panasonic Electric Works Sales Philippines Corporation.

"23. Granting that respondent continues to distribute and sell model No. AW1111PW and any of its variants (which is denied) and these acts purportedly infringe upon the rights of complainants (which is likewise denied), no notice had been given to respondent that complainants now hold the patent for Industrial Design No. 3-1997-012873. From complainants' own record, the purported change of name happened only in October 2008."

The case was referred to mediation. The parties, however, failed to come into settlement, and the cases proceeded to the pre-trial conference⁴. Thereafter, the trial on the merits was conducted. During the trial, the Complainant presented their witnesses and offered the following documentary and object evidence consisting of Exhibits "A" to

⁴ Order No. 2009-77 dated 03 November 2009.

“W-19” inclusive of sub markings, which were duly admitted⁵ by the Bureau; and rebuttal evidence offered as Exhibits “X” and “Z-5-b” which were also admitted:

1. Authenticated copy of the Special Power of Attorney executed by Kouchi Hatanaka, President of Panasonic Electric Works Co. Ltd., in favor of the Law Office of Hechanova Bugay and Vilchez;
2. Authenticated copy of the full certificate of current registration of Panasonic Electric Works Co. Ltd.;
3. Judicial affidavit of Desiree Ballarta dated 21 January 2009;
4. Amended Certificate of Articles on Incorporation of Panasonic Electric Works Sales Philippines;
5. Panasonic Ideas for Life General Catalogue for 2007 to 2008;
6. Certified true copy of Design Registration No. 3-1997-12873 under the name of Matsushita Electric Works Company Ltd.;
7. Certified true copy of Design Registration No. 3-1990-00322 under the name of Matsushita Electric Works Company Ltd.;
8. Certified true copy of Design Registration No. 3-1997-00323 under the name of Matsushita Electric Works Company Ltd.;
9. Certified true copy of Design Registration No. 3-1997-00324 under the name of Matsushita Electric Works Company Ltd.;
10. 2005 Akari Catalogue;
11. Cease and Desist Letter dated 07 February 2007 addressed to respondent;
12. Reply letter dated 19 February 2007 from Fortun Narvasa Salazar signed by Atty. Bayani Loste;
13. Letter dated 20 February 2007 of Hechanova Bugay & Vilchez addressed to Fortun Narvasa Salazar;
14. Letter dated 14 August 2007 of Hechanova Bugay & Vilchez to Fortun Narvasa Salazar;
15. Letter dated 25 August 2007 from Fortun Narvasa Salazar to Hechanova Bugay & Vilchez;
16. Akari Switch Model No. AW1111PW;
17. Official Receipt dated 29 October 2008;
18. Front view, left view, rear view, bottom view, top plain view photographs of Akari Switch Model No. AW 1111PW;
19. Market share analysis of Panasonic Electric Works Sales Philippines;
20. Loss of market share incurred by complainants by reason of respondent's acts of infringement;
21. Graphical presentation of complainant's product positioning in relation to loss incurred by the complainants;
22. Registrability Report for Industrial Design Registration No. 1997-12873;
23. Affidavit of Maricus E. Orenea;
24. Akari Switch AWD 1GTEL WS;
25. Front view, rear/back view photographs of Akari Switch AWD 1GTEL WS;
26. Akari Switch AWD1016PWC;

⁵ Order No. 2011-30 dated 27 April 2011.

27. Front view, rear view, left side view, right side view photographs of Akari Switch AWD1016PWC;
28. Ace Hardware Phils. Inc. receipt;
29. Akari Switch AWD2015 PW;
30. Front view, rear view photographs of AWD 2015PW;
31. Ace Hardware Philippine Inc. receipt dated 03 November 2008;
32. Akari Switch AWD1014;
33. Front view, rear view photographs of AWD1014;
34. Akari AWD1015PWC;
35. Front view, side view, rear/back view photographs of Akari Switch Model No. AWD 1015PWC;
36. Waltermark Handyman Incorporated Receipt dated 04 November 2008;
37. Akari switch AWD1531PWC;
38. Front view, rear view, right side view, front view, bottom view, left side view photographs of Akari Switch AWD1531PWC;
39. Akari Switch AWD1321PW;
40. Bottom plain view, top plan view, rear plain view, front view, left side view, right side view photographs of Akari Switch AWD 1321PW;
41. Akari Switch AWD1111-N;
42. Front view, rear view, left side view, right side view, top side view, bottom view photographs of Akari Switch Model No. AWD 1111-N;
43. Ace Hardware Phil. Inc. receipt dated 11 December 2008;
44. Akari Switch AWD 1323PW;
45. Rear view, right side view, left side view, top plain view, bottom plan view, front view photographs of Akari Switch AWD 1323PW;
46. Akari Switch AWD1323PWC;
47. Rear view, left side view, left side view, top plain view, bottom plain view, front view photographs of Akari Switch AWD 1323PW;
48. True Value Home Receipt dated 11 December 2008;
49. Secretary's certificate dated 08 July 2009 signed by Mely Jane G. Bertillo;
50. Secretary's certificate dated 24 March 2010 signed by Mely Jane G. Bertillo;
51. Judicial Affidavit of Editha Hechanova;
52. Akari AWD 1111PWC (2 pieces);
53. Akari AWD1323PWC;
54. Ace Hardware receipt dated 09 April 2009;
55. Certified true copy of Design Registration Nos. 3-1997-12873, 3-1999-00322, 3-1999-00323, 3-1999-00324 under the name of Panasonic Electric Works Co. Ltd.;
56. Raw data to determine Complainants' market share vs. share of its competitors in the field of swatches in 2005;
57. Summary pie chart showing market share of Complainant vs. its competitors in 2005;
58. Raw data to determine Complainants' market share vs. share of its competitors in the field of swatches in 2006;
59. Summary pie chart showing market share of Complainant vs. its competitors in 2006;

60. Raw data to determine Complainants' market share vs. share of its competitors in the field of swatches in 2007;
61. Summary pie chart showing market share of Complainant vs. its competitors in 2007;
62. Panasonic Ideas for Life – Full color wide series flyer;
63. Akari 2008 Pricelist;
64. Akari 2008 Product Catalogue;
65. Front view, bottom plain view, left side view, right side view, rear view, top plain view photographs of Akari AWD 1111PCW;
66. Akari Switch Model AWD 1111PCW
67. Judicial Affidavit of Rey Abraham Negre dated 05 April 2010;
68. Curriculum Vitae of Rey Abraham B. Negre;
69. Judicial Affidavit and signature of Editha R. Hechanova dated 12 October 2010;
70. Annex-A of Editha R. Hechanova's Judicial Affidavit containing a summary of attorney's fees paid by complainants in the amount of \$13,749.20 for legal service as of September 2010;
71. HBV Official Receipt No. 109 dated April 2007;
72. Citibank Payment Order dated 02 April 2007;
73. HBV Debit Note Nos. 7089, 7110 date 18 April 2007, 7332 dated 31 October 2008, 7345 dated 26 November 2008; 7402 dated 24 March 2009, 7510 dated 28 September 2009, 7555 dated 01 March 2010;
74. HBV Official Receipt Nos. 228, 484 dated 19 November 2008, 515, 578, 752 dated 12 October 2009, 775 dated 29 April 2010;
75. Payment Orders dated 14 April 2009, 12 October 2009;
76. Judicial Affidavit and signature of Nino C. Ner dated 08 February 2012;
77. Panasonic General Catalogue Electrical Construction Materials for 2009 to 2010;
78. Encircled illustration on the top portion of page 14 of the Catalogue; and
79. Pictures of Akari Lighting display booth in Citi Hardware, Bacolod City and Kalibo, Aklan.

On the part of the Respondent, it presented its witnesses and offered the following documentary and object evidence consisting of Exhibits "1" to "11-j" inclusive of sub markings, which were duly admitted⁶ by this Bureau; and sur-rebuttal evidence which were also offered and admitted as Exhibits "12" and "12-a"⁷.

1. Akari Product Catalogue 2008;
2. Akari Product Catalogue 2009;
3. Purchase orders/agreements for 2008 to 2009;
4. Affidavit to Arch. Paul C. Guevara;
5. Letter of Matsushita Electric Works Limited (MEWL)'s counsel dated 7 February 2007;
6. Letter of MEWL's counsel dated 14 August 2007;

⁶ Order No. 2012-21 dated 20 March 2012.

⁷ Order No. 2013-110 dated 06 August 2013.

7. Letter of Respondent's counsel dated 25 August 2007;
8. Affidavit of Carter Tiu;
9. Affidavit of Jaime Ponce de Leon;
10. Affidavit of Henierose Baldoado with attach provisional receipts;
11. Affidavit of Elizabeth Navarro; and
12. Akari Memorandum dated 12 May 2009.

This Bureau directed the parties to file their respective memoranda. The Complainants submitted their Memorandum on 04 November 2013, while the Respondent filed its Memorandum on 17 September 2013.

The issues to be resolved in this case are: 1) Whether or not the complaint filed is premature; 2) Whether or not Respondent is guilty of infringement of Industrial Design Registration No. 3-1997012873; and 3) Whether or not parties are liable for damages.

On the first issue, Respondent alleged that Certificate of Registration of Industrial Design No. 3-1997-012873 is in the name of Matsushita Electric Works Limited (MEWL), and that it was not assigned, transferred or amended to conform to the purported change of name of MEWL to Complainant Panasonic Electric Works Co. Thus, the Respondent argues, any act of infringement is in violation of MEWL's right and not of the Complainant.

In this regard, records show that the Complainants submitted a Certificate of Filing of Amended Articles of Incorporation of Panasonic Electric Works Sales Philippines Corporation⁸, dated 22 July 2005, issued by the Securities and Exchange Commission. It indicates that the corporation's name was formerly Matsushita Electric Works (Philippines) Corporation. Complainants also presented an authenticated copy of the Full Certificate of Current Registration of Panasonic Electric Works Co. Ltd. This document specifies a trade name Matsushita Electric Works Ltd., and likewise Panasonic Electric Works Co., Ltd., being revised and registered on 01 October 2008⁹. Aptly, these documents show that there was merely a change of name from MEWL to Panasonic Electric Works Ltd. A change in the corporate name does not make a new corporation, whether effected by a special act or under a general law. It has no effect in the identity of the corporation, or on its property, rights, or liabilities. The corporation, upon such change in its name, is in no sense a new corporation, not the successor of the original corporation. It is the same corporation with a different name, and its character is in no respect changed.¹⁰

The change of name of Complainant Panasonic Electric Works Co. will not also affect the registration certificate which according to the Respondent, remained under the name of MEWL. The law only requires procedural formality¹¹ in case of assignment. In this instant case, there is no need to conform to the formalities because there was no

⁸ Exhibits "C-6" to "C-6-F" of Complainants.

⁹ Exhibits "B-2" to "B-12" of Complainants.

¹⁰ P.C. Javier & Sons, Inc., et al. vs. Court of Appeals, et. Al., G.R. No. 129552.

¹¹ Sec. 105 in relation to Sec. 104 and 106 of R.A. No. 8293.

transmission of any substantive right, title, or interest. Thus the complaint filed is not premature as Complainant Panasonic Electric Works Philippines Corporation and MEWL is one and the same entity, and the former has the legal personality to institute the case.

Going now to the issue of whether or not Respondent committed infringement, Section 112 par. 1 of Rep. Act. No. 8293 also known as the Intellectual Property Code of the Philippines ("IP Code") provides for the definition of Industrial Design, to wit:

"An industrial design is any composition of lines or colors or any three-dimensional form, whether or not associated with lines or colors. Provided, that such composition or form gives a special appearance to and can serve as pattern for an industrial product or handicraft."

Corollary, provision regarding Rights of Patentee and Infringement of Patents shall apply mutatis mutandis to industrial designs.¹² As such, a design registration confer on its owner the exclusive right to restrain, prohibit and prevent any unauthorized person or entity from making, using, offering for sale, selling or importing that product.¹³ Thus, until such time that the invalidity of Complainants' Design patent is established in the manner provided by law, Complainants enjoy the exclusive right to make, use and sell his registered design patent.

In the case at bar, the Complainants alleged that Respondent copied and infringed its Industrial Design Registration No. 3-1997-12873 issued on 13 June 2000 entitled "A Seesaw Switch"¹⁴, when the latter copied, sold, distributed in the Philippines, switches of similar appearance bearing the brand AKARI, specifically AKARI Switch Model Nos. AWD1111PW, AWD1111PWC, AWD 1016PWC, AWD IGTEL WS, AWD 2015 PW, AWS 1014, AWD 1015 PWC, AWD 1531 PWC, AWD1321 PW, AWD 1111-N, AWD 1323 and AWD 1113 PWC without the consent and authorization of the Complainant.

To constitute infringement, Section 76 of R.A. 8293¹⁵ defines Patent Infringement, to wit:

"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."

In determining infringement of 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.¹⁶

¹² Chapter VIII, Sec. 119.3, IP Code.

¹³ Sec 71.1(a), IP Code.

¹⁴ Exhibit "T" of Complainants.

¹⁵ IP Code.

¹⁶ Justica.com US Supreme Court Center, Syllabus accessible at <http://supreme.justica.com/cases/federal/us/81/511/case.html>

The landmark U.S. case of *Gorham v. Company vs. White* is instructive on the matter. To determine whether there is infringement, it is indispensable to understand what constitutes identity of design.

"The acts of Congress which authorize the grant of patents for designs were plainly to give encouragement to the decorative art. x x x It is a new or original design for manufacture, whether of metal or other material. x x x And the thing invented or produce, 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. x x x **The appearance maybe 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.** x x x We do not say that in determining whether two designs are substantially the same, differences in the line, the configuration, or the more 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 4[8]]. That was a suit to restrain infringement of a 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 that 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 chance the effect upon the eye, will not destroy the substantial identity.** x x x

If then, identity of appearance or (as expressed in *McCrea v. Holdsworth*) sameness in effect upon the eye is the main test of substantial identity of design, the only remaining question upon his 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 observed. The learned judge through 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 privacy 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. x x x

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 observed, including him to purchase one supposing it to be the other, the first one patented is infringed by the other.¹⁷ (Emphasis Supplied)

Complainants presented Engr. Abraham B. Negre whose judicial affidavit¹⁸ states his examination and comparison of the contending products. Part of his cross-examination¹⁹ is provided, to wit:

“ATTY. LOSTE:	When you applied your own conclusions, you examine the particular switch in question, Exhibit ‘C-18’ and compare this particular switch to the seven (7) figures of the design registration that is shown to you which is the Exhibit ‘I’.
MR. WITNESS:	Yes, Sir.
ATTY. LOSTE:	Can you tell us exactly how it is similar to each particular figure and that design registration number we are talking about.
MR. WITNESS:	Aside comparing each figure, the one I drafted, the general appearance of this one. Four (4) figure plus the general appearance, general description of the switch. So, when comparing tis, I’m looking from that...
ATTY. LOSTE:	Witness removing the switch marked as Exhibit ‘C-18’ from the packaging.
MR. WITNESS:	Figure 1 is the specification, front view of the switch, so, this is the front view of the switch. They are similar shape and similar ornamentation.
ATTY. LOSTE:	How about figure 2?
MR. WITNESS:	Figure 2 is a rear view of this one. If this is the front view. Basically this is slight difference in this particular view.
ATTY. LOSTE:	There is slight difference. How about figure 3?
MR. WITNESS:	Figure 3 is the right side view. This one is the right side view. In this position, substantial similar with this one (1), you can see elliptical portion.
ATTY. LOSTE:	How about figure 4?
MR. WITNESS:	Figure 4 is the left side view. In this figure we can see the ornamentation.
ATTY. LOSTE:	How about figure 5?
MR. WITNESS:	Figure 5 is a top plain view, the ornamentation is like this (pointing to the switch). Figure 6 is the bottom plain view.
ATTY. LOSTE:	How about figure 7?
MR. WITNESS:	This is be when open the item.
ATTY. LOSTE:	I see. Is it a fact that Figure 7 is also part of design registration?
MR. WITNESS:	Yes.

¹⁷ Gorham Co. v. White 81 U.S. 511, 528 (1871); Avia group Int. Inc. v. L.A. Gear Calif., Inc. 853 F. 2d 1557, 7 USPQ2d 1548 (Fed. Cir. 1988); Unette Corp. v. Unit Pack Co., 785 F. 2d 1026, 228 USPQ 933 (Fec. Circ 1986).

¹⁸ Exhibits “U” to “U-15” of Complainants.

¹⁹ Dated May 18, 2010.

ATTY. LOSTE:

You were not able to check whether the internal view of this particular switch and compare it with this design registration.

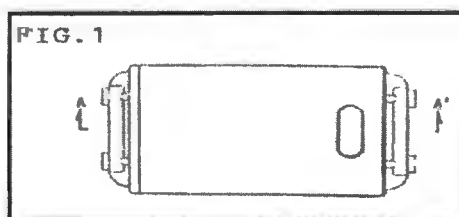
MR. WITNESS:

Yes because it is very material when we look at the general appearance of the switch." (TSN, May 18, 2010, pp. 20-22)

While Engr. Negre is presented as an expert witness in the field of Industrial Design and Patent²⁰, he answered in an ordinary observer view, manifesting in his above-quoted answers on the general appearance and general description of the product rather than the internal view of a particular switch. He did not mention any highly technical terminology in patent but merely pointed out the substantial similarities of the contending products.

The Ordinary Observer Rule provides that an ordinary purchaser's opinion is credited in examining the substantial similarity of products in question. However, the same rule does not make any disqualification for an expert to likewise testify in the position of an ordinary observer for that matter. In fact, if an expert is deceived and likely confused by the contending goods, an ordinary purchaser has more reason to be deceived because of the expert's higher threshold in terms of product examination.

Some photographs of the contending products, submitted by the Complainants are hereby reproduced. The other AKARI models are illustrated in 2005 AKARI Catalogue²¹ which has the appearance similar to, as shown hereunder:



Front view of Industrial Design Registration No. 3-1997-12873²²



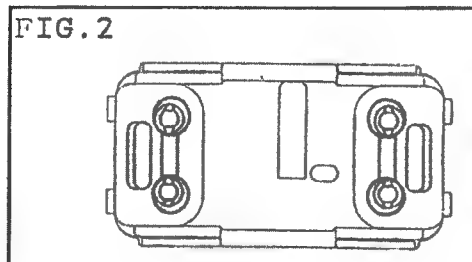
²⁰ Exhibit "V" of Complainants.

²¹ Exhibit "C-12" to "C-12-v" of Complainants.

²² Exhibits "C-8-b" of Complainants.

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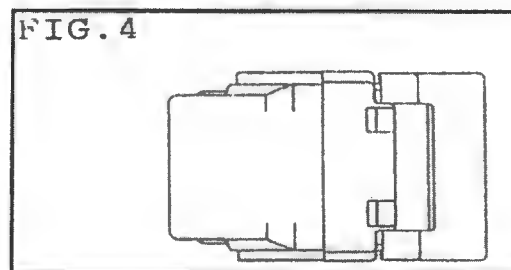
Front view of AKARI AWD 1111PW²³



Rear view of Industrial Design Registration No. 3-1998-12873²⁴



Rear view of AKARU AWD 1111PWC²⁵



Left Side Elevational view of Industrial Design Registration No. 3-1998-12873²⁶

²³ Exhibit "C-18" of Complainants

²⁴ Exhibit "C-8-e" of Complainants.

²⁵ Exhibit "C-18" of Complainants.

²⁶ Exhibit "C-8-f" of Complainants

A handwritten signature or mark in blue ink, located in the bottom right corner of the page. It appears to be a stylized signature or initials.



Left Side Elevational view AKARI AWD 1111 PW²⁷

Respondent on the other hand, failed to refute the claim that the contending products are substantially similar in general design appearance. Mr. Jaime Ponce De Leon, an interior design consultant, averred in his judicial affidavit²⁸, that the difference between Complainants' and Respondent's products is only the price and quality. He made no mention about the design and appearance of the products. It is provided, to wit:

- | | | |
|----|-----------|--|
| “4 | QUESTION: | Are you familiar with the electrical switch brands ‘PANASONIC’ and ‘AKARI’? |
| | ANSWER: | Yes. |
| 5. | QUESTION: | Why are you familiar with said switch brands? |
| | ANSWER: | I have been using these switch brands for the projects that I have completed. |
| 6. | QUESTION: | What are the differences, if any, between the switch brands ‘PANASONIC’ and ‘AKARI’? |
| | ANSWER: | ‘PANASONIC’ switches are more expensive and are well-known for their quality. ‘AKARI’ switches, on the other hand, are cheaper and of lesser quality. |
| 7. | QUESTION: | Based on your experience, how do you choose between using ‘PANASONIC’ or ‘AKARI’ switch brands? |
| | ANSWER: | In my projects where the price of the switches is not an issue, I chose ‘PANASONIC.’ In my projects where my clients were conscious about the cost, I used ‘AKARI’ switches. |
| 8. | QUESTION: | Aside from the price and quality, what other factors influence you to choose between one brand or the other? |
| | ANSWER: | Price and quality are the only factors I consider in choosing what switch to use.” |

²⁷ Id at 24.

²⁸ Exhibit “10” of Respondent.

In fact, in his cross-examination²⁹, he affirmed the visual similarity of the products. It is provided, to wit:

“ATTY. HECHANOVA: So, the question was, from your experience, in relation to these two (2) switches, are there Panasonic switches which looks like Exhibit ‘H’ ad Exhibit ‘P-1’?
MR. WITNESS: Yes.
ATTY. HECHANOVA: The answer is yes. That would be all, you Honor.”
(TSN, October 5, 2011, p.8)

As defined in the preceding paragraphs, industrial design connotes any composition of lines or colors or any three-dimensional form, whether or not associated with lines or colors, giving special appearance to and can serve as pattern for an industrial product or handicraft.³⁰ Quality is a general term which may refer to the characteristic or features of a product whereas; price depends on the quality of the thing. Price and quality are not elements of a patent design.

The exchanges of communication between the Complainants and the Respondent show Respondent’s actual distribution and sale of subject AKARI switches.³¹ Further, evidence constituting receipts by different stores and hardware show the continuous distribution and sale of the described AKARI switches.³²

The usual defense in patent infringement action as in trademark infringement is the lack of novelty, that the invention or industrial design is obvious, that the patent has not sufficiently or fairly set put the manner in which the invention is to be worked, that the invention is not useful, that it has been obtained on a false suggestion or misrepresentation, or that it has wrongfully been obtained from another.³³ These defenses were not invoked by the Respondent, as it claimed the absence of substantial similarity of its products to that of the Complainants. However, it failed to overcome the prima facie evidence of the validity of Complainants’ exclusive ownership, as registrant of the patent design.

In conclusion, this Bureau finds that the Respondent’s acts of distributing and selling AKARI branded switches substantially similar to Complainants’ Industrial Design Registration No. 3-1997-12873 without obtaining consent and authorization and continuously distributing and selling the said switches, constitute patent infringement.

This Bureau now turns on the reliefs sought by the Complainants, the determination of damages suffered as a consequence of Respondent’s acts of infringing Complainant’s design patent. Regarding damages for patent infringement, the law provides that, according to the circumstances of the case, award damages in a sum above

²⁹ Dated 05 October 2011.

³⁰ Sec. 112, par. 1, IP Code.

³¹ Exhibits “C” to “C-13-aa”, “C-14” to “C-14-a”, “C-15” to “C-15-c”, “C-16”, “C-17” to “C-17-a” of Complainants.

³² Exhibits “E-15”, “E-18”, “H-3” of Complainants.

³³ ATTY. VICENTE AMADOR, p. 559 Patent Under the Intellectual property Code.

the amount found as actual damages sustained, provided that the award does not exceed three (3) times the amount of such actual damages.³⁴

In the instant case, Complainants presented to this Bureau computation for loss of profits by submitting documents showing loss of market share by reason of the infringement,³⁵ graphical presentation of its product positioning in relation to loss incurred,³⁶ raw data of Complainants' market share vs. its competitors for 2005,³⁷ 2006,³⁸ and 2007,³⁹ and summary pie charts showing Complainant's market share vs. its competitors for the years 2005, 2006, and 2007.⁴⁰ These documents are not concrete evidence that fully substantiate the actual claim of damages by the Complainants. Nevertheless, Complainants are entitled to temperate damages as provided under Article 2224 of the Civil Code for the loss it suffered. When pecuniary loss has been suffered but the amount cannot, from the nature of the case, be proven with certainty, temperate damages may be recovered. Temperate damages may be allowed in cases where from the nature of the case, definite proof of pecuniary loss cannot be adduced, although the court is convinced that the aggrieved party suffered some pecuniary loss.⁴¹ Undoubtedly, Complainants suffered pecuniary loss brought about by the specific acts of infringement as thoroughly discussed and passed upon in the foregoing. The failure to prove the actual amount of damages allows this Bureau to grant the Complainants temperate damages. Regarding attorney's fees, the same may be recovered since the Complainants are compelled to litigate or incur expenses to protect its interest by reason of an unjustified act of the Respondent.⁴² Also, Section 10.2(b) of the IP Code provides that this Bureau is also authorized to impose one or more of the administrative penalties enumerated therein.

WHEREFORE, this Bureau finds Respondent guilty of infringing Complainants' Industrial Design Reg. no. 3-1997-12873. Accordingly, the Respondent is hereby permanently enjoined to use in commerce any reproduction, counterfeit, copy, or colorable imitation of the subject design registration in connection with the sale, offering for sale, distribution, advertising including other preparatory steps in the sale or use thereof; to reproduce, counterfeit, copy or colorably imitate a registered mark or a dominant feature thereof and apply such to labels, signs, prints, packages, wrappers, receptacles or advertisements in connection with the sale, distribution or advertising. Respondent is likewise, ordered to deliver to this Bureau for destruction any and all AKARI switches that are still in the possession of Respondent within fifteen (15) days from receipt of this Decision, and to recall from the market all infringing AKARI

³⁴ Sec. 76.4, IP Code.

³⁵ Exhibit "C-19-a" of Complainants.

³⁶ Exhibits "C-19-a-1, a-2", of Complainants.

³⁷ Exhibits "M" to "M-2" of Complainants.

³⁸ Exhibits "N" to "N-2" of Complainants.

³⁹ Exhibits "O" to "O-3" of Complainants.

⁴⁰ Exhibit "M-3", "N-3", and "O-4" of Complainants.

⁴¹ Emerita M. De Guzman vs. Antonio Tumolva, G.R. No. 188072, 19 October 2011, citing Seguritan v. People of the Philippines, G.R. No. 172896, April 9, 2010, 618 SCRA 406, 420, citing Canada v. All Commodities Marketing Corp., G.R. No. 146141, October 17, 2008, 569 SCRA 321, 329.

⁴² Spouses Nora Saguid and Rolanda P. Saguid vs. Secretary of Finance, Inc., G.R. No. 159467, December 9, 2005, citing Terminal Facilities and Services Corp. vs. Philippines Sports Authority, G.R. No. 135639, February 27, 2002

branded, switches subject of this instant case. Finally, Respondent is hereby ordered to pay Complainants:

1. The amount of Php 500,000.00 as temperate damages; and
2. The amount of Php 591,216.00 plus cost of litigation with government receipts.

SO ORDERED.

Taguig City, 12 May 2015.



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