

SECOND DIVISION

[G.R. No. 164321, March 23, 2011]

SKECHERS, U.S.A., INC., PETITIONER, VS. INTER PACIFIC INDUSTRIAL TRADING CORP., AND/OR INTER PACIFIC TRADING CORP. AND/OR STRONG SPORTS GEAR CO., LTD., AND/OR STRONGSHOES WAREHOUSE AND/OR STRONG FASHION SHOES TRADING AND/OR TAN TUAN HONG AND/OR VIOLETA T. MAGAYAGA AND/OR JEFFREY R. MORALES AND/OR ANY OF ITS OTHER PROPRIETOR/S, DIRECTORS, OFFICERS, EMPLOYEES AND/OR OCCUPANTS OF ITS PREMISES LOCATED AT S-7, ED & JOE'S COMMERCIAL ARCADE, NO. 153 QUIRINO AVENUE, PARAÑAQUE CITY, RESPONDENTS.

TRENDWORKS INTERNATIONAL CORPORATION, PETITIONER-INTERVENOR, VS. INTER PACIFIC INDUSTRIAL TRADING CORP. AND/OR INTER PACIFIC TRADING CORP. AND/OR STRONG SPORTS GEAR CO., LTD., AND/OR STRONGSHOES WAREHOUSE AND/OR STRONG FASHION SHOES TRADING AND/OR TAN TUAN HONG AND/OR VIOLETA T. MAGAYAGA AND/OR JEFFREY R. MORALES AND/OR ANY OF ITS OTHER PROPRIETOR/S, DIRECTORS, OFFICERS, EMPLOYEES AND/OR OCCUPANTS OF ITS PREMISES LOCATED AT S-7, ED & JOE'S COMMERCIAL ARCADE, NO. 153 QUIRINO AVENUE, PARAÑAQUE CITY, RESPONDENTS.

R E S O L U T I O N

PERALTA, J.:

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

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

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

Two search warrants^[5] were issued by the RTC and were served on the premises of

respondents. As a result of the raid, more than 6,000 pairs of shoes bearing the "S" logo were seized.

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

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

Aggrieved, petitioner filed a petition for *certiorari*^[7] with the Court of Appeals (CA) assailing the RTC Order. On November 17, 2003, the CA issued a Decision^[8] affirming the ruling of the RTC.

Subsequently, petitioner filed the present petition^[9] before this Court which puts forth the following assignment of errors:

- A. WHETHER THE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION IN CONSIDERING MATTERS OF DEFENSE IN A CRIMINAL TRIAL FOR TRADEMARK INFRINGEMENT IN PASSING UPON THE VALIDITY OF THE SEARCH WARRANT WHEN IT SHOULD HAVE LIMITED ITSELF TO A DETERMINATION OF WHETHER THE TRIAL COURT COMMITTED GRAVE ABUSE OF DISCRETION IN QUASHING THE SEARCH WARRANTS.
- B. WHETHER THE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION IN FINDING THAT RESPONDENTS ARE NOT GUILTY OF TRADEMARK INFRINGEMENT IN THE CASE WHERE THE SOLE TRIABLE ISSUE IS THE EXISTENCE OF PROBABLE CAUSE TO ISSUE A SEARCH WARRANT.^[10]

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

On November 30, 2006, this Court rendered a Decision^[12] dismissing the petition.

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

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

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

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

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

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

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

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

(g) THE COURT OF APPEALS COMMITTED ERRORS OF JURISDICTION.^[13]

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

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

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

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

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

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

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

Remedies; Infringement. -- Any person who shall, without the consent of the owner of the registered mark:

155.1. Use in commerce any reproduction, counterfeit, copy, **or colorable imitation of a registered mark or the same container or a dominant feature thereof** in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps necessary to carry out the sale of any goods or services on or in connection **with which such use is likely to cause confusion, or to cause mistake, or to deceive;** or

155.2. Reproduce, counterfeit, copy or colorably imitate a registered mark or a **dominant feature thereof** and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which **such use is likely to cause confusion, or to cause mistake, or to deceive,** shall be liable in a civil action for infringement by the registrant for the remedies hereinafter set forth: Provided, That the infringement takes place at the moment any of the acts stated in Subsection 155.1 or this subsection are committed regardless of whether there is actual sale of goods or services using the infringing material.

[15]

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

In contrast, the Holistic or Totality Test necessitates a consideration of the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. The discerning eye of the observer must focus not only on the predominant words, but also on the other features appearing on both labels so that the observer may draw conclusion on whether one is confusingly similar to the other.^[17]