

## FIRST DIVISION

[ G.R. NO. 164321, November 30, 2006 ]

**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.**

### D E C I S I O N

#### **CHICO-NAZARIO, J.:**

Before Us is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Civil Procedure, assailing the Decision<sup>[1]</sup> of the Court of Appeals in CA-G.R. SP No. 77269, dated 17 November 2003, which denied petitioner's Petition for *Certiorari* seeking to annul the Order<sup>[2]</sup> of the Regional Trial Court (RTC) of Manila, Branch 24 dated 7 November 2002, quashing Search Warrant No. 02-2827 and directing National Bureau of Investigation (NBI) Special Investigator Carlos N. Borromeo III to return the seized items to respondents and the Order dated 6 March 2003 denying petitioner's Motion for Reconsideration.

Petitioner is a foreign corporation existing under the laws of the State of California, United States of America and engaged in the manufacture of footwear. Petitioner is not doing business in the Philippines and is suing before the trial court only to protect its intellectual property rights. In the course of business, petitioner registered the trademark "SKECHERS" with the Intellectual Property Office (IPO) under Registration No. 63364, Class 25 on 30 August 1996, and the trademark "S" (within an oval design) under Registration No. 4-1996-110182, Class 25 on 12 July 2000, both to be used in men's, women's, and children's footwear, namely, shoes,

boots and slippers of all kinds, and men's, women's and children's clothing, namely, t-shirts, sweat shirts, sweat pants, socks, shorts, and hats. Petitioner also has a pending application for the trademark "S" and design to be used for the same kinds of goods.

Sometime in March 2002, petitioner engaged the services of Zetetic Far East, Inc. (Zetetic), a private investigative firm, to conduct an investigation on Inter Pacific Industrial Trading Corporation (Inter Pacific) in coordination with the NBI to confirm if Inter Pacific is indeed engaged in the importation, distribution and sale of unauthorized products bearing counterfeit or unauthorized trademarks owned by petitioner.

On 11 April 2002, Mr. Alvin Ambion, a Market Researcher for Zetetic, visited the business address of Inter Pacific/Strongshoes Warehouse and/or Strong Fashion Shoes Trading at S-7 No. 153 Quirino Avenue, Parañaque City. Located at said business address was Warehouse No. 7 of Ed & Joe's Commercial Arcade. Upon entering said warehouse, Mr. Ambion saw different kinds and models of rubber shoes including shoes bearing the "S" logo. During the visit, Mr. Ambion allegedly talked with the caretakers of said warehouse who informed him that Inter Pacific directly imports the goods from China and that their company distributes them to wholesalers and retailers in the Baclaran area. One of the caretakers allegedly claimed that the shoes bearing the "Strong" name with the "S" logo have the same style as Skechers shoes. Another caretaker purportedly informed Mr. Ambion that they have an outlet located at Stall C-11, Baclaran Terminal, Plaza 2 Shopping Center, Taft Avenue Ext., Pasay City, managed by Violeta T. Magayaga, which sells the same footwear products.

Together with his colleague, Ms. Amelita Angeles, Mr. Ambion again visited respondent's warehouse on 12 April 2002 and purchased four pairs of rubber shoes bearing the "Strong" mark containing the "S" logo for P730.00, for which he was issued Sales Invoice No. 0715. On the same day, Mr. Ambion and Ms. Angeles visited respondent's outlet store in Baclaran.

On 17 May 2002, counsel for petitioner filed a letter complaint with the Office of the NBI Director requesting their assistance in stopping the illegal importation, manufacture and sale of counterfeit products bearing the trademarks owned by petitioner, and in prosecuting the owners of the establishments engaged therein. Thus, on 21 May 2002 Mr. Ambion and Ms. Angeles, together with NBI Special Investigator Carlos N. Borromeo III of the Intellectual Property Rights Division of the NBI, visited respondent's warehouse located at Ed & Joe's Commercial Arcade and purchased 24 pairs of rubber shoes bearing the "Strong" name and the "S" logo. Afterwards, they went to respondent's outlet store in Baclaran and therein purchased a pair of rubber shoes also bearing the "Strong" name and the "S" logo.

On 11 June 2002, Special Investigator Borromeo of the NBI, with Mr. Ambion as witness, proceeded to Branch 24, RTC, Manila, to apply for search warrants against the warehouse and outlet store being operated and managed by respondent for infringement of trademark under Section 155<sup>[3]</sup> in relation to Section 170<sup>[4]</sup> of Republic Act No. 8293, otherwise known as The Intellectual Property Code of the Philippines.

After personally examining the search warrant applicant and his witness, the court a

*quo* found probable cause to issue the search warrants applied for and thus issued on the same day Search Warrant Nos. 02-2827 and 02-2828 to be served on the warehouse and retail outlet of respondent. That same afternoon, the search warrants were simultaneously served by the operatives of the Intellectual Property Rights Division of the FBI and seized from the warehouse 71 boxes containing 36 pairs of rubber shoes each or 2,556 pairs of rubber shoes bearing the "S" logo, 147 boxes containing 24 pairs per box or 3,528 pairs of rubber shoes bearing the "S" logo and six pages of various documents evidencing the sale and distribution of similar merchandise; and from the outlet store, 295 pairs of rubber shoes bearing the "S" logo and five pieces of rubber shoes bearing the "S" logo.

In compliance with the Order dated 9 July 2002 of the RTC directing respondents to file their Comment on the issuance of the search warrant, respondents filed their Compliance and Comment with Prayer to Quash the search warrants. On 28 August 2002, respondents filed their Amended Comment with Motion to Quash Search Warrants on the ground that there is no confusing similarity between the petitioner's Skechers' rubber shoes and respondent's Strong rubber shoes.

On 7 November 2002, the lower court issued the assailed Order quashing Search Warrant No. 02-2827 and directing the FBI to return to respondents the items seized by virtue of said search warrant. According to the court *a quo*:

The question to be posed in this case is this: Will the purchaser be deceived or likely to be deceived into purchasing respondent's Strong Rubber Shoes because of the belief that they are Skechers shoes in the ordinary course of purchase? We answer in the negative.

A careful perusal of the Strong Rubber Shoes and Skechers shoes presented by both respondents and private complainants reveals glaring differences that an ordinary prudent purchaser would not likely be misled or confused in purchasing the wrong article. Some of these are;

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

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Similarly as in this case, although the mark "S" is prominent on both products, the same should be considered as a whole and not piecemeal. Factoring the variables already cited make the dissimilarities between the two marks conspicuous, noticeable and substantial.

Further, the products involved in the case at bar are not your ordinary

household items. These are shoes which vary in price. The casual buyer is predisposed to be more cautious and discriminating and would prefer to mull over his purchase. Confusion and deception is less likely.

Finally, like beer and maong pants and jeans, the average consumer generally buys his rubber shoes by brand. He does not ask the sales clerk for rubber shoes but for, say Adidas, Reebok, or Nike. He is, more or less, knowledgeable and familiar with his preference and will not easily be distracted. (*Emerald Garment Manufacturing Corp., v. Court of Appeals*, 251 SCRA 600, supra)

ACCORDINGLY, respondent's Inter Pacific Industrial Trading Corporation, Motion to Quash Search [Warrant] is hereby granted. Search Warrant No. 02-2827 is quashed. The applicant, Carlos N. Borrromeo of the National Bureau of Investigation is hereby directed to return to respondents the seized items.<sup>[5]</sup>

Petitioner's Motion for Reconsideration was subsequently denied in an Order dated 6 March 2003. Aggrieved, petitioner filed a Petition for *Certiorari* under Rule 65 of the Rules of Court before the Court of Appeals assailing the Orders of the court *a quo* on the ground that public respondent court committed grave abuse of discretion amounting to lack and/or excess of jurisdiction in ruling that the act of private respondents in selling and distributing rubber shoes which contain the trademarks and designs owned by petitioner does not constitute trademark infringement.

On 17 November 2003, the appellate court denied the petition in this wise:

In the instant case, after examining and evaluating the foregoing factual milieu and the respective arguments of the parties, We are inclined to agree with the ruling of the public respondent that the holistic test is better suited to the present case and consequently, hold that the private respondents' appropriation and use of the letter "S" on their rubber shoes did not constitute an infringement of the trademark of the petitioner. Hence, the instant petition must necessarily fail.

A careful appreciation of the products in question readily reveals that these products are not the ordinary household items like catsup, coffee or candy which are commonly inexpensive. As such, the ordinary purchaser would be naturally inclined to closely examine specific details and would prefer to mull over his purchase. The case of *Del Monte Corp. vs. Court of Appeals* (181 SCRA 410), is clear on this point:

Among these, what essentially determines the attitudes of the purchaser, specifically his inclination to be cautious, is the cost of the goods. To be sure, a person who buys a box of candies will not exercise as much care as one who buys an expensive watch. As a general rule, an ordinary buyer does not exercise as much prudence in buying an article for which he pays a few centavos as he does in purchasing a more valuable thing. Expensive and valuable items are normally bought only after deliberate, comparative and analytical investigation. But mass products, low priced articles in wide use, and matters of