

Title: Victorio P. Diaz vs. People of the Philippines and Levi Strauss, Inc.

Facts:

The legal battle commenced on February 10, 2000, when the Department of Justice, on behalf of Levi Strauss & Co. (Levi's), filed two separate informations against Victorio P. Diaz for violation of the Intellectual Property Code of the Philippines - specifically, infringement of Levi's registered trademarks. This was due to Diaz's alleged engagement in unlawfully selling counterfeit LEVI'S 501 jeans that imitated various Levi's trademarks, such as the Arcuate Design, Two Horse Brand, and others.

The case, assigned to the Regional Trial Court (RTC) of Las Piñas City, was solidified by evidences showcasing that Diaz, through his tailoring shops in Las Piñas City, was indeed selling these counterfeit jeans. The prosecution laid out findings from a private investigation group hired by Levi's Philippines, which, after surveillance and purchase of the counterfeit jeans, collaborated with the National Bureau of Investigation (NBI) in securing a search warrant against Diaz's shops. The execution of these warrants resulted in the seizure of numerous fake LEVI'S 501 jeans.

Defending himself, Diaz countered the allegations by declaring he did not manufacture Levi's jeans but rather created jeans under the label "LS Jeans Tailoring", which, according to him, was distinct and not intended to infringe upon Levi's trademarks. He argued that his products were markedly different and catered to a different segment of the market.

Upon review, the RTC found Diaz guilty, sentencing him to imprisonment and ordering him to pay fines and damages. The appeal to the Court of Appeals (CA) was dismissed due to the late filing of the appellant's brief, a decision upheld even after reconsideration, leaving Diaz to elevate the matter to the Supreme Court.

Issues:

1. Whether the dismissal of Diaz's appeal by the Court of Appeals, due to the late filing of the appellant's brief despite multiple extensions, was justifiable.
2. Whether the trademarks used by Diaz indeed constituted infringement upon Levi's registered trademarks under the Intellectual Property Code.

Court's Decision:

The Supreme Court approached the issues comprising both procedural and substantive aspects. Regarding the procedural dilemma caused by the delayed appeal, the Court underscored that while rules of procedure should ordinarily be observed, the interests of

justice and the fundamental rights of the accused warranted a relaxation in this instance. Acknowledging the severe consequences of the procedural lapse on Diaz's liberty and the significance of ensuring a substantive review of his case, the Court decided to examine the merits of the appeal directly.

Substantially, the Court delved into the core issue of trademark infringement. The application of the Holistic Test—prioritizing the entirety of the trademarks over isolated similarities—led to the recognition of significant distinctions between Diaz's "LS JEANS TAILORING" and Levi's trademarks. It highlighted the improbability of confusion or deception given the physical differences in the trademarks, the differing target markets, and channels of distribution between Diaz's and Levi's products. The Court underscored the absence of a likelihood of confusion, which is essential for establishing trademark infringement. Consequently, Diaz was acquitted due to the prosecution's failure to establish guilt beyond a reasonable doubt.

Doctrine:

The case reaffirmed the importance of the likelihood of confusion as the gravamen of trademark infringement and highlighted the holistic test's relevance in determining confusing similarity in trademark infringement cases. It also outlined the discretionary power of appellate courts in handling procedural lapses, emphasizing justice and fairness over strict procedural adherence.

Class Notes:

- The elements of trademark infringement according to the Intellectual Property Code: (1) the trademark is registered; (2) there's reproduction, counterfeiting, or imitation of the trademark; (3) the infringing mark is used in commerce; (4) the use is likely to cause confusion; (5) the use is without the consent of the trademark owner.
- The "Holistic Test" in trademark infringement evaluates the entirety of the marks in contention to ascertain confusion.
- Judicial discretion in procedural matters, especially in situations where strict adherence to technical rules would result in injustice or where substantial rights are at stake.

Historical Background:

The backdrop of this legal entanglement outlines the broader challenges in intellectual property rights enforcement, particularly in countries encountering rampant cases of counterfeiting and piracy. The ruling underscores the judicial system's balancing act between protecting intellectual property rights and ensuring justice, especially when issues

of personal liberty are involved. It further delineates the evolving interpretation and application of intellectual property laws in the Philippines, within the context of global standards and the domestic socio-economic landscape.