

# Trademark Rights and Protection-Some Queasy Issues on Enforcement

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MARY JUDE V. CANTORIAS\*

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Considered as a “non-human right” because it is not enshrined in the Universal Declaration of the Rights of Man, IPR is a concept borne of exigency, evolving as it did from the increased commercial interaction among nations and spurred by the need to place a premium on man’s ingenuity. The TRIPS Agreement, on the other hand, sets the dimensions within which these commercial rights can be demanded and preserved in accordance with a pre-determined universal consensus. *At the core lies the enforcement of IPR, which is all that really matters as far as a holder of an IPR is concerned.*

- Hon. Hilario G. Davide, Jr.,  
Chief Justice, Philippine Supreme Court

## Introduction

The Philippine government formally welcomed freer trade when in 1980 it became a contracting party to the GATT<sup>1</sup>. Since then and until this present time, the Philippines has made consistent efforts to adopt a more liberal and open policy structure aimed at honoring its trade commitments under its membership in the WTO, when in 1995 the Philippines acceded to the Agreement establishing the WTO.

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\* The author is an Arellano University School of Law alumna. She worked in the Supreme Court and the Philippine Senate earlier in her career. At present, she is engaged in private practice.

<sup>1</sup> The GATT was established in 1947 to promote a multilateral trading system among countries through non-discriminatory trade liberalization, and through fair and effective rules and disciplines. The GATT was composed of 120 contracting parties and observers that account for about 90% of the world trade. It, however, dealt with trade in tangible goods alone. As successor of the GATT, the WTO (created at the Uruguay Round of multilateral trade negotiations sponsored by the General Agreement on Tariffs and Trade (GATT) in 1994) also covers trade in services, intellectual property rights and provides for an effective mechanism for dispute settlement — Growth Opportunities Into the 21st Century, A Question and Answer Primer Prepared by the Bureau of International Trade Relations, Department of Trade and Industry, pp. 1, 37 [1994].

Currently, the Philippines faces the challenge of continuing to accelerate liberalization through economic reforms and of sustaining economic growth through trade liberalization. It has achieved certain impetus in terms of diminishing if not totally eliminating trade barriers as part of its internal measures to accelerate liberalization. [I]t may even be said that the Philippines is quite an open economy.<sup>2</sup>

To a certain extent, some sectors doubt that expanding and sustaining trade liberalization will provide continued economic growth, but [m]any studies on the impact of the WTO on the Philippine economy provide a general conclusion that the impact has been, on the whole, positive for the Philippines.<sup>3</sup>

Specifically recognized is the close relationship between trade and competition policy. The WTO Working Group on the Interaction between Trade and Competition Policy (WGTCP) was established at the Singapore Ministerial Conference in December 1996 to consider issues raised by Members relating to the interaction of these two policy fields. Since its initial meeting in July 1997, the Group has examined a wide range of such issues.

Meanwhile, the Philippines has undertaken major reforms in what would be considered as the first layer of competition policy: trade reforms.<sup>4</sup> The government in the area of intellectual property rights has upped its efforts to honor its international commitments to foster an environment of competition in terms of protecting intellectual property rights, which presumably would encourage fair trading thereby contributing to economic and social development.

In recognition of its WTO commitments, the Philippine legislature passed into law Republic Act 8293 or the Intellectual Property Code of the Philippines<sup>5</sup> which effectively superseded, among others, Republic Act 166 or the old Trademark Law. In essence, RA 8293 codified the country's existing amalgam of intellectual property laws pertaining to Patents, Trademarks, Service Marks and Tradenames, and Copyright.

Amidst a backdrop of continued skepticism to liberalization or globalization by some sectors, particularly in the area of intellectual property rights, there is a need to facilitate public debate on this issue.

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<sup>2</sup> The Philippines in the World Trade Organization, Jose Antonio S. Buencamino, *Arellano Law and Policy Review*, Vol. 2 Number 1, pp. 15, May 2002.

<sup>3</sup> *Ibid.*

<sup>4</sup> Overview and Integrative Report, Erlinda M. Medalla, *Toward a National Competition Policy for the Philippines*, PASCN, p.2.

<sup>5</sup> Signed into law on 06 June 1997 by President Fidel V. Ramos and took effect on 01 January 1998.

This paper will not attempt to present an in-depth analysis of all fields of intellectual property rights and protection. The discussion in this paper will be limited to the field of trademark rights, specifically on the issue of infringement and unfair competition and how Philippine law and jurisprudence and our competition policy, in general, have responded to the needs of the trademark owner to be protected in his economic rights vis-à-vis his creations on one hand and the right of the public to have access, through lawful channels, to these creations on the other. Specifically, how has the government balanced the interest of the country with respect to the enforcement rights of foreign trademark owners to their “intellectual creations”?

The prevalence of “piracy” is of course a source of major irritation particularly to our local entertainment industry as the public’s lessening buying capacity has constrained them to patronize “pirated” goods. Counterfeiting of well-known branded goods is another perennial problem which developing countries like the Philippines have been stepping up efforts to control, if not totally eradicate.

This writer endeavours to present the tableau where the Philippines finds itself in the specific arena of trademark rights and protection, the advances thus far covered, and those gray areas where compromise may be the only panacea for a developing country like ours that hope to participate and manifest an impact in the global market.

### **Competition Policy and Trademark Rights and Protection- Symmetry**

Over the last few decades there has been a rapid increase in the movement of capital, as well as goods and services, across international borders. These two trends together make up what is commonly referred to as “globalization”.<sup>6</sup> Broadly speaking, globalization refers to the increasing economic integration and interdependence of countries. Economic globalization in this century has proceeded along two main lines: trade liberalization (the increased circulation of goods) and financial liberalization (the expanded circulation of capital).<sup>7</sup>

On the other hand, competition law refers to the framework of rules and regulations designed to foster the competitive environment in a national economy. It consists of measures intended to promote a more competitive

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<sup>6</sup> A concise guide to the Multilateral Agreement on Investment- Supporters’ and Opponents’ Views, Michael Sforza-Roderick, Scott Nova and Mark Weisbrot, The Preamble Center for Public Policy, [www.globalpolicy.org/index.htm](http://www.globalpolicy.org/index.htm).

<sup>7</sup> [www.currencytax.org/glossary.php](http://www.currencytax.org/glossary.php)

environment as well as enactments designed to prevent a reduction in competition. Competition policy broadly refers to all laws, government policies and regulations aimed at establishing competition and maintaining the same. It includes measures intended to promote, advance and ensure competitive market conditions by the removal of control, as well as to redress anti-competitive results of public and private restrictive practices.<sup>8</sup>

An effective competition policy must at least include a policy towards consumer protection – includes all laws and regulations that ensure truthful advertising about products, truthful advertising about the cost of credit, the risks of injury associated with consumer products and the workplace, and about protection of the environment in general.<sup>9</sup>

On the whole, when the market is competitive, there is a strong incentive for achieving economic efficiency. Market forces ensure that goods consumers want are produced in the quantities they want, using the most efficient production methods and are marketed and distributed to consumers who wish to purchase them in the most efficient means possible. In addition, competitive market forces provide incentives for efficient levels of investment in discovering new production technologies, new production processes and new products.<sup>10</sup>

With these concepts in mind, it is easy to conceive where trademark rights and protection come in, considering that the increase in circulation of goods (and services) offer a variety to consumers and some goods (or services for that matter) will be more equal than others, taking captive most of the market. When certain goods (and services) have already established for themselves a name that by and of itself readily sells the product, these trademarks/service marks or trade names may fall prey to enterprising individuals who may decide to appropriate for themselves the benefits of the goodwill of such well-known brands. Riding on the popularity of these established brands, the infringers are able to obtain the profits without having to pay the cost.

Thus, the policies of consumer protection, property rights, and the free exchange of business ideas underlie the law of trademarks. These policies are sometimes conflicting and must be weighed and sifted by the court.<sup>11</sup> Some authors project fears that trademark rights partake of some of the “evils” of monopoly considering that it tends to allow the trademark owner some “control”

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<sup>8</sup>Tariff Commission Information Division Primer (Update) August 2002, <http://www.tariffcommission.gov.ph/competit.html>.

<sup>9</sup> Ibid.

<sup>10</sup> Supra, note 6.

<sup>11</sup> Trademarks and Unfair Competition, J. Thomas McCarthy, Vol. 1, p. 44, The Lawyer’s Co-operative Publishing Co., 1973 Ed.; citing National Color Laboratories Inc. vs. Philip’s Foto Co. (1967, DC NY) 273 F Supp 1002.

over a segment of the market. But these fears have been rebutted in this wise: In truth, a trademark confers no monopoly whatever in a proper sense, but it is merely a convenient means for facilitating the protection of one's goodwill in trade by placing a distinguishing mark or symbol – a commercial signature – upon the merchandise or the package in which it is sold.<sup>12</sup>

More succinctly, another writer rebutted the monopoly argument by saying that: There is no monopoly involved at all. A trademark precludes the idea of monopoly. It is a means of distinguishing one product from another; it follows therefore that there must be others to distinguish from. If there are others there is no monopoly, and if there is a monopoly there is no need for any distinguishing.<sup>13</sup>

Today, the trademark is not merely a symbol of origin and goodwill; it is often the most effective agent for the actual creation and protection of goodwill. It imprints upon the public mind an anonymous and impersonal guaranty of satisfaction, creating a desire for further satisfaction. In other words, the mark actually sells the goods. The mark has become the "silent salesman," the conduit through which direct contact between the trademark owner and the consumer is assured. It has invaded popular culture in ways never anticipated that it has become a more convincing selling point than even the quality of the article to which it refers.<sup>14</sup>

Thus, matters that involve both IP and antitrust<sup>15</sup>, or competition policies as it were, can be exceedingly complex, both legally and factually. In important respects, the issues involve concepts of property rights. It is now well understood that an effective legal regime defining and protecting property rights is essential to a well-functioning competitive economy. IP law plays an important role in this overall property rights regime.<sup>16</sup> As can other holders of property rights, a registered trademark owner can attempt, and does have the existing right, to preclude misappropriation of his IP rights, particularly in terms of infringement and unfair competition.

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<sup>12</sup> Id at 51; citing *United Drug Co. vs. Theodore Rectanus Co.* (1918) 248 US 90, 63 L Ed. 141, 39 S Ct. 48.

<sup>13</sup> Id at 52; citing Rogers, *Goodwill, Trademarks and Unfair Trading* 50-52.

<sup>14</sup> Pribhdas J. Mirpuri vs. Court of Appeals, et.al., GR No. 114508, November 19, 1999; citing Kozinski, *supra*, at 965-966; Callmann, *supra*, vol. 2, at 881-812 [1945], *citing* Schechter, *The Historical Foundations of the Law Relating to Trademarks* [1925], Note 15, p. 64.

<sup>15</sup> Antitrust or competition laws legislate against trade practices which undermine competitiveness or are considered to be unfair. The term antitrust derives from the US law which was originally formulated to combat business trusts - now commonly known as cartels;  
<http://www.answers.com/antitrust&r=67>.

<sup>16</sup> Competition and Intellectual Property Policy: The Way Ahead, Prepared Remarks of Timothy J. Muris, Chairman of the Federal Trade Commission,  
<http://www.ftc.gov/speeches/muris/intellectual.htm>

In essence, the owner of a registered mark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.<sup>17</sup>

In other words, trademark laws prohibit anti-competitive behavior that creates confusion, whether actual or mere likelihood of confusion, among consumers with respect to the source or origin of goods or services. In a general sense, trademark violations cover two aspects: infringement and unfair competition.

### **Republic Act 8293 – In Keeping with Treaty Obligations**

RA 8293 or the Intellectual Property Code of the Philippines (IPC) was enacted in 1997 to enhance, among other purposes, the intellectual property regime in the country. The law has adopted certain changes aimed at streamlining administrative procedures of registering patents, trademarks and copyrights, at liberalizing the registration of transfer of technology, and at enhancing the enforcement of intellectual property rights in the country.<sup>18</sup>

The IPC lays down the remedies available to the trademark owner in case of a violation of his trademark rights. The law provides administrative, civil and criminal sanctions against violators of the IP law. These remedies will be discussed at length in other parts of this paper.

The advent of RA 8293 has allowed for innovative changes in the old law. For instance, under the present law prior use or actual use of a mark in Philippine commerce is no longer a requirement for trademark application, as the IPO will not require any proof of use in commerce in the processing of a trademark application.<sup>19</sup> As the law now stands, rights to a mark shall be acquired through registration made validly in accordance with the provisions of the IP Code.<sup>20</sup> However, although those with an earlier filing or priority date has an advantage, nonetheless, the applicant must still file a declaration of actual use of the mark, with evidence to that effect, within three (3) years from the filing

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<sup>17</sup> Sec. 147, Part II, RA 8293.

<sup>18</sup> Sec. 2. Declaration of State Policy, RA 8293.

<sup>19</sup> Rule 204, Part 2, Implementing Rules and Regulations of RA 8293, which took effect 15 days after its publication in the Manila Times on September 30, 1998.

<sup>20</sup> Sec. 122, RA 8293.

date of the application. Otherwise, the application shall be refused or the mark shall be removed from the Register by the Director of Trademarks.<sup>21</sup>

The foregoing provision may well be consistent with TRIPS Article 15.3, which provides:

"Members may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application."

The TRIPS Agreement or the Agreement on Trade Related Aspects of Intellectual Property Rights is annex 1-C of the Marrakesh Agreement Establishing the World Trade Organization. It is the first successful attempt to treat protection of intellectual property as an item of trade negotiations among nations. This may have resulted from the concerns expressed by intellectual property rights holders in industrialized countries that ineffective protection of intellectual property rights is a disincentive to the entry of foreign investments in the countries with lax enforcement mechanisms.<sup>22</sup>

Before its (TRIPS Agreement) advent, IPR was already being protected and enforced in many countries through several international conventions, some of which date back over a century. This would include the 1883 Paris Convention for the Protection of Industrial Property, the 1886 Berne Convention for the Protection of Literary and Artistic Works, and the 1961 Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations. Trade dynamics called for periodic revisions of these cluttered treaties; for the Paris Convention, the latest changes occurred via the Lisbon Act of 1958 and the Stockholm Act of 1967. In the last 50 years, the Berne Convention has undergone three revisions: the Brussels Act of 1948, the Stockholm Act of 1967, and the Paris Act of 1971. The loose provisions of these conventions were consolidated and a uniform set of remedies was devised to give rise to the TRIPS Agreement.<sup>23</sup>

Consistent with our TRIPS commitment, an innovation in the IP Code is the provision on International Conventions and Reciprocity, under section 3 thereof, which provides that any person who is a national or who is domiciled or

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<sup>21</sup> Sec. 124.2, RA 8293.

<sup>22</sup> Significant Developments in Intellectual Property Law: Treaties, Statutes and Jurisprudence, Vicente B. Amador, [http://www.ibp.org.ph/mainframe/pdf\\_file/journalxx](http://www.ibp.org.ph/mainframe/pdf_file/journalxx).

<sup>23</sup> Keynote address delivered by Chief Justice Hilario G. Davide, Jr. at the ASEAN Colloquium for Judges and Prosecutors on Enforcement of Intellectual Property Rights in the Context of the TRIPS Agreement, Ballroom, Manila Diamond Hotel, 9:00 a.m., 27 October 1999; <http://www.supremecourt.gov.ph>.

has a real and effective industrial establishment in a country which is a party to any convention, treaty or agreement relating to intellectual property rights or the repression of unfair competition, to which the Philippines is also a party or extends reciprocal rights to nationals of the Philippines by law, shall be entitled to benefits to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of an intellectual right is otherwise entitled under RA 8293.

In other words, the IPC espouses a principle of reciprocity whereby, any person meeting the requirements above set forth shall be entitled to the benefits under such convention, treaty, or reciprocal law, to the extent that any Philippine national shall also be entitled, in addition to the rights set forth in the IPC.

By implication, the IPC also provides for reverse reciprocity.<sup>24</sup> This principle states that any condition, restriction, or limitation imposed by a foreign country's law on a Philippine national seeking protection of intellectual property rights in that foreign country shall reciprocally be enforceable upon nationals of said country within the Philippine jurisdiction.

This rule on reciprocity appears to be one of the more vital points of the new law insofar as enforcement of IP rights are concerned considering that quite a number of foreign trademark owners do attempt to have their trademark rights enforced in this jurisdiction notwithstanding the fact that they "are not doing business" in the Philippines. The synergy of these principles shall be discussed at greater length in later parts of this paper.

However, it is also noted that even under the old Trademark Law, particularly Sec. 21-A of RA 166, the rights of foreign corporation were recognized, under certain conditions, to wit: "Any foreign corporation or juristic person to which a mark or trade-name has been registered or assigned under this act may bring an action hereunder for infringement, for unfair competition, or false designation of origin and false description, whether or not it has been licensed to do business in the Philippines under Act Numbered Fourteen hundred and fifty-nine, as amended, otherwise known as the Corporation Law, at the time it brings complaint: Provided, That the country of which the said foreign corporation or juristic person is a citizen or in which it is domiciled, by treaty, convention or law, grants a similar privilege to corporate or juristic persons of the Philippines."

Now Section 160 of the IPC provides that any foreign national or juridical person who meets the requirements of Section 3 of this Act and does not engage in business in the Philippines may bring a civil or administrative action hereunder for opposition, cancellation, infringement, unfair competition, or false

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<sup>24</sup> [http://www.disini.ph/res\\_phil\\_investment\\_III.htm](http://www.disini.ph/res_phil_investment_III.htm)

designation of origin and false description, whether or not it is licensed to do business in the Philippines under existing laws.

To further protect a right holder who meets the requirements set forth in Section 3 of the IPC, a priority right may be claimed by a person referred to in said Section 3, whereby his application for registration of a mark in this jurisdiction shall be considered as having been filed as of the day the application was first filed in the foreign country<sup>25</sup>

It would seem that a limitation to the principle on reciprocity is placed by the provision that protection is limited to the time when registration of the foreign mark is secured here, with priority date as to the date of filing in the foreign country being considered as the date of filing here in the Philippines. No right accrues in favor of the foreign mark registered outside this jurisdiction until and unless registration is secured here as well, such that acts committed prior to the date on which the mark is registered here are not actionable.

The rule on “well-known” marks, however, is not as stringent. Notwithstanding the foregoing, the owner of a well-known mark that is not registered in the Philippines, may, against an identical or confusingly similar mark, oppose its registration, or petition the cancellation of its registration or sue for unfair competition, without prejudice to availing himself of other remedies provided for under the law.<sup>26</sup>

The foregoing appears to be consistent with the Paris Convention and with the TRIPS Agreement. Article 4D of the Paris Convention provides:

- "(1) Any person desiring to take advantage of the priority of a previous filing shall be required to make a declaration indicating the date of such filing and the country in which it was made. Each country shall determine the latest date on which such declaration must be made.
- (2) These particulars shall be mentioned in the publications issued by the competent authority, and in particular in the patents and the specifications relating thereto.
- (3) The countries of the Union may require any person making a declaration of priority to produce a copy of the application (description, drawings, etc.) previously filed. The copy, certified as correct by the authority which received such application, shall not require any authentication, and may in

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<sup>25</sup> Sec. 131, RA 8293.

<sup>26</sup> Sec. 131.3, RA 8293.

any case be filed, without fee, at any time within three months of the filing of the subsequent application. They may require it to be accompanied by a certificate from the same authority showing the date of filing, and by a translation.

- (4) No other formalities may be required for the declaration of priority at the time of filing the application. Each country of the Union shall determine the consequences of failure to comply with the formalities prescribed by this Article, but such consequences shall in no case go beyond the loss of the right of priority.
- (5) Subsequently, further proof may be required. Any person who avails himself of the priority of a previous application shall be required to specify the number of that application; this number shall be published as provided for by paragraph (2), above."

### Scope of Protection

A "mark" means any visible sign capable of distinguishing the goods (trademark) or services (service mark) of an enterprise.<sup>27</sup> Modern authorities on trademark law view trademarks as performing three distinct functions: (1) they indicate origin or ownership of the articles to which they are attached; (2) they guarantee that those articles come up to a certain standard of quality; and (3) they advertise the articles they symbolize.<sup>28</sup>

Generally, marks that do not fall under the exclusions/exceptions in Section 123<sup>29</sup>, paragraphs (a) to (m) of the IP Code are registrable.

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<sup>27</sup> Sec. 121.1, RA 8293.

<sup>28</sup> Pribhdas J. Mirpuri vs. Court of Appeals, et.al., GR No. 114508, November 19, 1999.

<sup>29</sup> Sec. 123. Registrability. – 123.1. A mark cannot be registered if it:

- (a) Consists of immoral, deceptive or scandalous matter, or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute;
- (b) Consists of the flag or coat of arms or other insignia of the Philippines or any of its political subdivisions, or of any foreign nation, or any simulation thereof;
- (c) Consists of a name, portrait or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the Philippines during the life of his widow, if any, except by written consent of the widow, if any, except by written consent of the widow;
- (d) Is identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date (as above stated)
- (e) Is identical with, or confusingly similar to, or constitutes the translation of a mark which is considered by the competent authority of the Philippines to be well-known internationally and in the Philippines, whether or not it is registered here, as being already the mark of a person other than the applicant for registration, and use for identical or similar goods or

Interestingly, opposition<sup>30</sup> and cancellation<sup>31</sup> cases for trademarks mostly cover instances that fall under letters (d), (e) and (f), which provide, as follows: “A mark cannot be registered if it:

- (d) Is identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date, in respect of:
  - (i) The same goods or services, or
  - (ii) Closely related goods or services, or
  - (iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion;
- (e) Is identical with, or confusingly similar to or constitutes a translation of a mark which is considered by the competent authority of the Philippines to be well-known internationally and in the Philippines,

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services: *Provided*, that in determining whether a mark is well-known, account shall be taken of the knowledge of the relevant sector of the public, rather than of the public at large, including knowledge in the Philippines which has been obtained as a result of the promotion of the mark;

- (f) Is identical with, or confusingly similar to, or constitutes a translation of a mark considered well-known in accordance with the preceding paragraph, which is registered in the Philippines with respect to goods or services which are not similar to those with respect to which registration is applied for: *Provided*, That use of the mark in relation to those goods or services would indicate a connection between those goods or services, and the owner of the registered mark: *Provided further*, That the interests of the owner of the registered mark are likely to be damaged by such use;
- (g) Is likely to mislead the public, particularly as to the nature, quality, characteristics or geographical origin of the goods or services;
- (h) Consists exclusively of signs that are generic for the goods or services that they seek to identify;
- (i) Consists exclusively of signs or of indications that have become customary or usual to designate the good or services in everyday language or in *bona fide* and established trade practice;
- (j) Consist exclusively of signs or of indications that may serve in trade to designate the kind, quality, quantity, intended purpose, value, geographical origin, time or production of the goods or rendering of the services, or other characteristics of the goods or services;
- (k) Consists of shapes that maybe necessitated by technical factors or by the nature of the goods themselves or factor that affect their intrinsic value;
- (l) Consists of color alone, unless defined by a given form; or
- (m) Is contrary to public order or morality.

<sup>30</sup> Any person who believes that he will be damaged by the registration of a mark may, upon payment of the required fee and within 30 days after the publication xxx file with the Office (Intellectual Property Office) an opposition to the application. xxx (Sec. 134, RA 8293; Sec. 1 (a), Rule 7, IRR of RA 8293 )

<sup>31</sup> Any person who believes that he is or will be damaged by the registration of a mark may file with the Bureau (Bureau of Legal Affairs of the Intellectual Property Office) a petition to cancel such registration. (Sec. 1, Rule 8, IRR of RA 8293)

whether or not it is registered here, as being already the mark of a person other than the applicant for registration, and used for identical or similar goods or services xxx;

- (f) Is identical with, or confusingly similar to or constitutes a translation of a mark considered well-known in accordance with (e), which is registered in the Philippines with respect to goods or services which are not similar to those with respect to which registration is applied for: Provided, That the use of the mark in relation to those goods or services, and the interest of the owner the registered mark are likely to be damaged by such use.”

In other words, registration of any mark that falls under the foregoing categories is relatively proscribed under the IP Code. In effect, these provisions, more particularly (e) and (f), in relation to Section 3 on international conventions and reciprocity, give life to the country’s accession to the WTO Agreement and the Convention of Paris for the Protection of Industrial Property, otherwise known as the Paris Convention, a multilateral treaty that seeks to protect industrial property consisting of patents, utility models, industrial designs, trademarks, service marks, trade names and indications of source or appellations of origin, and at the same time aims to repress unfair competition, among other international treaties.

As earlier stated, among those annexed to the WTO is the TRIPS Agreement. Members to this Agreement "desire to reduce distortions and impediments to international trade, taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade." To fulfill these objectives, the members have agreed to adhere to minimum standards of protection set by several Conventions.<sup>32</sup>

By the adherence of the government to the foregoing, some provisions of the WTO TRIPS Agreement were incorporated by our lawmakers in RA 8293.

### **Certificate of Registration vis-à-vis Well-known Marks**

Whereas in the old law a Supplemental Register was maintained, whereby registration therein merely served as notice to the public of the use of such mark, without conferring any exclusive right to use such mark, RA 8293 provides for only one Registry in which shall be registered marks, numbered in

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<sup>32</sup> Pribhdas J. Mirpuri vs. Court of Appeals, et.al., GR No. 114508, November 19, 1999; citations omitted.

the order of their registration, and all transactions in respect of each mark, required to be recorded by virtue of said law.<sup>33</sup>

Nonetheless, the issuance of a Certificate of Registration does not confer such right upon the holder thereof as to cover any and all goods not specified therein. The registrant of a mark shall have the exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate,<sup>34</sup> barring non-registrants from using an identical or similar mark to identical goods or services, which use would result in a likelihood of confusion. Where a party, other than the registered owner, uses the registered mark for identical goods or services, a likelihood of confusion shall be presumed.<sup>35</sup> In other words, when a trademark is used by a party for a product in which the other party does not deal, the use of the same trademark on the latter's product cannot be validly objected to.<sup>36</sup>

The words "related thereto" were not found in the old law, and may therefore, provide some lee-way in terms of interpreting what goods/services may be considered as "related thereto".

In cases of confusion of business or origin, the question that usually arises is whether the respective goods or services of the senior user and the junior user are so related as to likely cause confusion of business or origin, and thereby render the trademark or tradenames confusingly similar. Goods are related when they belong to the same class or have the same descriptive properties; when they possess the same physical attributes or essential characteristics with reference to their form, composition, texture or quality. They may also be related because they serve the same purpose or are sold in grocery stores, or that they flow through the same channels in commerce.<sup>37</sup>

In case of a well-known mark as set forth in (e) and (f) above, the exclusive right to use the mark inuring to the registered owner shall extend to goods and services which are not similar to those in respect of which the mark is registered; provided that such use by someone other than the registered owner of the mark to goods or services other than for which it was registered would indicate a connection between those goods or services and the owner of the registered mark, whose interest is likely to be damaged by such use.<sup>38</sup> These are new provisions to the IPC and an implementation of the provisions of the TRIPS Agreement, particularly Article 16 (3).

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<sup>33</sup> Sec. 137, RA 8293.

<sup>34</sup> Sec. 138, RA 8293.

<sup>35</sup> Sec. 147, RA 8293.

<sup>36</sup> Canon Kabushiki Kaisha vs. Court of Appeals, CA GR No. 120900, 20 July 2000.

<sup>37</sup> Ibid.

<sup>38</sup> Sec. 147.2, RA 8293.

Otherwise stated, the protection above mentioned may be invoked by the owner of an internationally well-known mark even for goods or services that are of a different nature from the goods or services of the junior applicant only if said well-known mark is also registered with the Intellectual Property Office (IPO). If it is not so registered, the protection will only be for the same goods or services for which the internationally well-known mark is used.

Further on the issue of “well-knownness”, the Paris Convention protects such well-known marks in this wise:

Article *6bis*

- (1) The countries of the Union undertake, either administratively if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.
- (2) A period of at least five years from the date of registration shall be allowed for seeking the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be sought.
- (3) No time limit shall be fixed for seeking the cancellation or the prohibition of the use of marks registered or used in bad faith.

Art. *6bis* was first introduced at The Hague in 1925 and amended in Lisbon in 1952. It is a self-executing provision and does not require legislative enactment to give it effect in the member country. It may be applied directly by the tribunals and officials of each member country by the mere publication or proclamation of the Convention, after its ratification according to the public law of each state and the order for its execution. The essential requirement under Article *6bis* is that the trademark to be protected must be "well-known" in the country where protection is sought. The power to determine whether a trademark is well-known lies in the "competent authority of the country of registration or use." This competent authority would be either the registering authority if it has

the power to decide this, or the courts of the country in question if the issue comes before a court.<sup>39</sup>

In this jurisdiction, the protection of well-known marks finds further meaning in Rule 102<sup>40</sup> of the Implementing Rules and Regulations of the IP Code which lays down the criteria for determining whether or not a mark is well-known. To this extent, the Philippine government has laid down the ground work for easier access to protective remedies by foreign marks.

### **Infringement and Unfair Competition- When is there a Likelihood of Confusion?**

The law of unfair competition covers a greater scope than the law of trademark infringement. The emphasis and thrust of trademark protection and registration is in the direction of deciding whether an alleged symbol in fact functions to identify and distinguish the goods or services of one seller. For registration purposes, this is the basic issue. In trademark infringement litigation (and in registration proceedings where an applicant's mark is alleged to be similar to a mark already in use) the next step is to compare what has been determined to be a mark with that usage by another which is alleged to cause a likelihood of confusion. On the other hand, unfair competition law is not so limited in scope. Liability for unfair competition can result from the buyer's likely confusion between two products or services based upon the total impact of all aspects of the parties' selling efforts—from the symbols, letters, pictures, colors, shapes and sizes connected with the products to the advertising

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<sup>39</sup> Supra, note 32, citations omitted.

<sup>40</sup> In determining whether a mark is well-known, the following criteria or nay combination thereof may be taken into account:

- (a) the duration, extent and geographical area of any use of the mark, in particular, the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
- (b) the market share, in the Philippines and in other counties, of the goods and/or services to which the mark applies;
- (c) the degree of the inherent or acquired distinction of the mark;
- (d) the quality-image or reputation acquired by the mark;
- (e) the extent to which the mark has been registered in the world;
- (f) the exclusivity of registration attained by the mark in the world;
- (g) the extent to which the mark has been used in the world;
- (h) the exclusivity of use attained by the mark in the world;
- (i) the commercial value attributed to the mark in the world;
- (j) the record of successful protection of the rights in the mark;
- (k) the outcome of litigations dealing with the issue of whether the mark is a well-known mark; and,
- (l) the presence or absence of identical or similar marks validly registered for or used on identical or similar goods or services and owned by persons other than the person claiming that his mark is a well-known mark.

representations made. In unfair competition, everything that is likely to have an impact upon the purchaser is relevant to the ultimate determination of whether there is probable “unfairness” or confusion by those purchasers.<sup>41</sup>

Under Section 155 of RA 8293, infringement has been defined as the use in commerce of 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 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 which such use is likely to cause confusion, or to cause mistake, or to deceive. Infringement is committed regardless of whether there is actual sale of goods or services using the infringing material.

On the other hand, any person who shall employ deception or any other means contrary to good faith by which he shall pass off the goods manufactured by him or in which he deals, or his business, or services for those of the one having established such goodwill, or who shall commit any acts calculated to produce said result, shall be guilty of unfair competition, under Section 168.2 of RA 8293. The law further states that a person who has identified in the mind of the public the goods he manufactures or deals in, his business or services from those of others, whether or not a registered mark is employed, has a property right in the goodwill of the said goods, business or services so identified, which will be protected in the same manner as other property rights.<sup>42</sup>

The thin line that divides infringement and unfair competition is the fact that in the former, there must be a registered mark involved whereas in the latter, registration of the mark is not a prerequisite. Indeed, it can be said that any behaviour or conduct that is unethical or unfair in terms of appropriating for himself the goodwill and profits which otherwise should have inured to the one who has identified in the mind of the public his goods or services but instead resulted in a loss on account of said conduct or behaviour, may be denominated as unfair competition. It is in this sense that unfair competition runs along a wider spectrum as opposed to infringement.

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<sup>41</sup> *Supra*, note 11, at 45; citing *Corning Glass Works vs. Jeanette Glass Co.* (1970, DC NY) 308 F Supp 1321, *affd per curiam* (CA2) 432 F2d 784.

<sup>42</sup> Sec. 168, RA 8293.

In many factual situations, the same result is reached whether the legal wrong is called trademark infringement or unfair competition. The keystone of that portion of unfair competition law which relates to trademarks is the avoidance of a likelihood of confusion in the minds of the buying public. Whatever route one travels, whether by trademark infringement or unfair competition, the signs give direction to the same enquiry – whether defendant's acts are likely to cause confusion.<sup>43</sup>

The Supreme Court has made the distinctions between unfair competition and infringement in this wise: (1) Infringement of trademark is the unauthorized use of a trademark, whereas unfair competition is the passing off of one's goods as those of another; (2) In infringement of trademark fraudulent intent is unnecessary whereas in unfair competition fraudulent intent is essential; (3) In infringement of trademark the prior registration of the trademark is a prerequisite to the action, whereas in unfair competition registration is not necessary.<sup>44</sup>

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<sup>43</sup> Supra, note 11, at 46; citations omitted.

<sup>44</sup> Del Monte Corporation vs. Court of Appeals, GR No. L-78325, 25 January 1990.

## Remedies

The owner of a registered mark can avail of civil and criminal<sup>45</sup> remedies from regular courts, as well as administrative remedies from the Bureau of Legal Affairs of the IPO.

All actions for infringement and unfair competition, false designations or origin and false description or representation shall be brought before the appropriate courts.<sup>46</sup> To implement and ensure the speedy disposition of cases involving violations of intellectual property rights under RA No. 8293, the Supreme Court issued A.M. No. 02-1-11-SC, dated 19 February 2002, designating certain Regional Trial Courts (RTCs) as Intellectual Property Courts. On 17 June 2003, the Court further issued a Resolution consolidating jurisdiction to hear and decide Intellectual Property Code and Securities and Exchange Commission cases in specific RTCs designated as Special Commercial Courts.<sup>47</sup> Meanwhile, actions for opposition under Section 134 and cancellation under Section 151 of the IPC may be filed with the Bureau of Legal Affairs of the IPO. The Bureau shall likewise have original jurisdiction in administrative actions for violations of laws involving intellectual property rights where the total damages claimed are not less than two hundred thousand pesos (P200,000), which actions are considered independent and without prejudice to the filing of any action with the regular courts.

Upon filing of a civil action in court, the owner of a registered mark may avail of such provisional remedies as a Temporary Restraining Order (TRO) or a preliminary injunction<sup>48</sup> so as to prevent further damage on his business while the case is on-going. An injunction is also provided as a remedy under Article 44 of the TRIPS Agreement. This, however, can be quite tricky as the one seeking the remedy must meet certain standards to be entitled to the relief.

In the case of *Philip Morris, Inc., et.al. vs. CA and Fortune Tobacco Corporation*<sup>49</sup>, petitioners are foreign corporation not doing business in the Philippines but are suing on an isolated transaction. As registered owners of "MARK VII", "MARK TEN", and "LARK" per certificates of registration issued by the Philippine Patent Office on April 26, 1973, May 28, 1964, and March 25, 1964, respectively, petitioners asserted that respondent Fortune Tobacco Corporation has no right to manufacture and sell cigarettes bearing the allegedly

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<sup>45</sup> Section 239 of RA 8293 expressly repealed Articles 188 and 189 of the Revised Penal Code, relating to Frauds in Commerce and Industry.

<sup>46</sup> Sec. 163, RA 8293.

<sup>47</sup> As cited in *Manolo P. Samson vs. Hon. Reynaldo B. Daway, et.al.*, GR No. 160054-55, 21 July 2004.

<sup>48</sup> Sec. 156, RA 8293.

<sup>49</sup> GR No. 91332, 16 July 1993.

identical or confusingly similar trademark "MARK" in contravention of Section 22 of the then Trademark Law, and should, therefore, be precluded during the pendency of the case from performing the acts complained of *via* a preliminary injunction. The Supreme Court affirmed the Court of Appeals' lifting of the writ of preliminary injunction it had earlier issued against Fortune Tobacco, ratiocinating thus:

Petitioners may have the capacity to sue for infringement irrespective of lack of business activity in the Philippines on account of Section 21-A of the Trademark Law but the question whether they have an exclusive right over their symbol as to justify issuance of the controversial writ will depend on actual use of their trademarks in the Philippines in line with Sections 2 and 2-A of the same law. xxx Such a foreign corporation may have the personality to file a suit for infringement but it may not necessarily be entitled to protection due to absence of actual use of the emblem in the local market.

xxx It is virtually needless to stress the obvious reality that critical facts in an infringement case are not before us more so when even Justice Feliciano's opinion observes that "the evidence is scanty" and that petitioners "have yet to submit copies or photographs of their registered marks as used in cigarettes" while private respondent has not, for its part, "submitted the actual labels or packaging materials used in selling its "Mark" cigarettes." Petitioners therefore, may not be permitted to presume a given state of facts on their so called right to the trademarks which could be subjected to irreparable injury and in the process, suggest the fact of infringement. Such a ploy would practically place the cart ahead of the horse."

It would seem that petitioners failed to present factual evidence sufficient to convince the Court that by the lifting of the writ, it will be prejudiced or that it stands to suffer irreparable injury on account of lack of actual use of the mark in Philippine commerce, and that in any event, the counterbond posted by respondent corporation would amply cover for such damage, should it be later found that petitioners are entitled to the relief sought. It must be remembered that at the time the case was decided, Philippine trademark law required prior use of the mark before registration may be allowed.<sup>50</sup>

However, it must be noted that this case was decided prior to the passage of RA 8293 which, as earlier stated, now provides that actual use in commerce prior to registration is not a requirement in an application to register a mark, without prejudice to the requirement that a declaration of actual use must be filed

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<sup>50</sup> Sec. 2 of the old Trademark Law provides that "*said trademarks, tradenames, or service marks are actually in use in commerce and services not less than two months in the Philippines before the time the applications for registration are filed.*"

within three (3) years from the filing date of the application. Otherwise, the application shall be refused or removed.

Another issue that pertains to enforcement of a trademark right is whether or not a pending cancellation case before the BLA bars a subsequent action for infringement with the regular courts in connection with the same registered mark? The Supreme Court ruled that a cancellation case is not a prejudicial question over an action to enforce the rights to the same registered mark considering that while the certificate subsists (as the cancellation has yet to be resolved), the owner of the registered mark may still enforce his ownership by filing an action for infringement and recover damages against any person who commits any act of infringement.<sup>51</sup> However, the filing of a suit to enforce the registered mark with the proper court or agency shall exclude any other court or agency from assuming jurisdiction over a subsequently filed petition to cancel the same mark.<sup>52</sup>

Whether a case is yet to be filed or has already been brought to court, a search warrant may also be issued, in case of a criminal action for infringement, where the applicant must present sufficient evidence to convince the court that there is probable cause that a crime has been committed and that the goods object of the crime will likely be found in the place sought to be searched.

An issue may be raised as to whether an RTC in Manila may properly issue a search warrant for contraband goods to be seized in a provincial area, say Cebu. There may be instances where the infringing goods are being sold in the province and the urgency of the situation would call for the application of a warrant in Manila but to be implemented and enforced elsewhere.

The Supreme Court ruled in *Malaloan vs. Court of Appeals*<sup>53</sup> that when necessitated and justified by compelling considerations of urgency, subject, time and place, a court whose territorial jurisdiction does not embrace the place to be searched may issue a search warrant therefor, provided that as a matter of policy, where a criminal case is already pending, i.e. an information has already been filed, the application shall only be made in the court where the criminal action is pending. This is now expressly recognized in Section 2, Rule 126 of the Rules of Court.

Care must be given, though, in alleging the compelling reasons in the application for the search warrant to obviate any collateral actions that may be taken to assail the validity of the warrant. In *Malaloan*, the Supreme Court

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<sup>51</sup> Shangri-La International Hotel Management LTD., et.al. vs. CA, et.al., GR No. 111580, 21 June 2001; Developers Group of Companies, Inc. vs. CA, et.al., GR No. 114802, 21 June 2001.

<sup>52</sup> Sec. 151.2, RA 8293; See also Section 7, Rule 8 of the Regulations on Inter Partes Proceedings.

<sup>53</sup> 232 SCRA 249.

considered such grounds as possible leakage of information in the locale where the warrant is to be served, transporting of applicant's witnesses to and their examination in the place where the warrant is to be served, as compelling reasons for the issuance of a search warrant by a court outside of its territorial jurisdiction.

In both civil and criminal actions, the case against the infringer must be proven beyond a reasonable doubt, except that in addition, in the criminal action, the infringer must be proven to have committed the act with deliberate intent. A criminal penalty of imprisonment from 2 years to 5 years and a fine ranging from 50,000 pesos to 200,000 pesos shall be imposed on any person found guilty of infringement or unfair competition.<sup>54</sup>

Necessarily, the court has the power to order the goods found to be infringing to be disposed of outside of the channels of commerce in such a manner as to avoid any harm caused to the right holder, or destroyed.<sup>55</sup> This is in keeping with Article 46 of the WTO-TRIPS Agreement, which was a substantially reproduced in our law.

The IPC also provides for border measures as specified in Sec. 166 thereof, which prohibits the entry of infringing goods into any customhouse in the Philippines. This is a self-executing measure that does not require any request from the right holder, however, to aid the officers of the customs service in enforcing this prohibition, the right holder may require that his name and a copy of the certificate of registration of his mark be recorded with the Bureau of Customs.

The foregoing provision is more than substantial compliance with Article 51 of the TRIPS Agreement which allows Members to lodge an application in writing with competent authorities (under such regulations as the Collector of Customs with the approval of the Secretary of Finance, shall prescribe), for the suspension of the customs authorities of the release into free circulation of such infringing goods. However, as a substantial requirement, Article 52 of the TRIPS further requires that the right holder initiating the application as above stated must provide adequate evidence to satisfy the competent authorities that, under the laws of the country of importation, there is *prima facie* an infringement of the right holder's intellectual property right.

In any suit for infringement, the owner of the registered mark shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is likely to cause confusion, or to cause mistake or to deceive. Such knowledge is presumed if the registrant gives notice that his

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<sup>54</sup> Sec. 170, RA 8293.

<sup>55</sup> Sec. 157, RA 8293.

mark is registered by displaying with the mark the words “Registered Mark” or the letter R within a circle or if the defendant had otherwise actual notice of the registration.<sup>56</sup>

### Capacity to Sue- When Is Enforcement Available?

In *Columbia Pictures, Inc. et.al. vs. Court of Appeals*<sup>57</sup>, the Supreme Court held that any foreign corporation not doing business in the Philippines may maintain an action in our courts upon any cause of action, provided that the subject matter and the defendant are within the jurisdiction of the court. It is not the absence of the prescribed license but “doing business” in the Philippines without such license which debar the foreign corporation from access to our courts.

Therefore, a license is necessary only if the foreign corporation is “*transacting or doing business*” in the country. What then is meant by “*transacting or doing business*”? In a case<sup>58</sup> the Supreme Court discoursed on the test to determine whether a foreign company is “doing business” in the Philippines, thus: “The true test, however, seems to be whether the foreign corporation is continuing the body or substance of the business or enterprise for which it was organized or whether it has substantially retired from it and turned it over to another. The term implies a continuity of commercial dealings and arrangements, and contemplates, to that extent, the performance of acts or works or the exercise of some of the functions normally incident to, and in progressive prosecution of, the purpose and object of its organization. The accepted rule in jurisprudence is that each case must be judged in the light of its own environmental circumstances.

Single or isolated acts, contracts, or transactions of foreign corporations are not regarded as a doing or carrying on of business. Typical examples of these are the making of a single contract, sale, and sale with the taking of a note and mortgage in the state to secure payment therefor, purchase, or note, or the mere commission of a tort. In these instances, there is no purpose to do any other business within the country.<sup>59</sup>

Concrete and specific solicitations by a foreign firm, or by an agent of such foreign firm, not acting independently of the foreign firm amounting to negotiations or fixing of the terms and conditions of sales or service contracts, regardless of where the contracts are actually reduced to writing, shall constitute

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<sup>56</sup> Sec. 158, RA 8293.

<sup>57</sup> GR. No. 110318, 28 August 1996.

<sup>58</sup> *Eriks PTE LTD. vs. Court of Appeals*, GR No. 118843, 06 February 1997; citing *The Mentholatum Co. vs. Mangaliman*, 72 Phil 524, 528-529 (1941), citations omitted.

<sup>59</sup> *MR Holdings LTD. vs. Sheriff Carlos P. Bajar, et.al.*, GR No. 138104, 11 April 2002.

doing business even if the enterprise has no office or fixed place of business in the Philippines, as well as appointing a representative or distributor who is domiciled in the Philippines.<sup>60</sup>

However, if said representative or distributor has an independent status, *i.e.*, it transacts business in its name and for its own account, and not in the name or for the account of a principal, then the principal or the foreign corporation will not be considered as “doing or transacting business” here. Thus, it may be said that where a foreign firm is represented in the Philippines by a person or local company, which acts in its own name and not in the name of the foreign firm, the latter is not doing business in the Philippines.

This may be crucial in cases where a foreign corporation sells its goods in the Philippines through independent distributors which act in their own names and not in the name of the foreign principals. Indeed, it is possible that the foreign corporation may have to protect its trademark rights against enterprising individuals who may themselves seek the registration in their own names of the foreign mark here, in violation of the rights of the principal, or protect itself from unfair competition where other entities may try to pass off their goods as that of the foreign corporation’s.

In cases of trademark rights enforcement, where the foreign corporation seeks redress for infringement of its registered mark or for unfair competition, such foreign corporation which meets the requirements of Section 3 of IPC and does not engage in business in the Philippines, may bring a civil or administrative action as provided under Section 160 of RA 8293, whether or not it is licensed to do business in the Philippines.

Indeed, it is not sufficient for a foreign corporation enforcing its trademark rights to simply allege its alien origin. Rather, it must additionally allege its personality to sue.

What then must be pleaded to vest such foreign corporation with the requisite capacity to sue? Section 4, Rule 8 of the Revised Rules of Court in part states that “facts showing capacity of a party to sue or be sued or the authority of a party to sue or be sued in a representative capacity or the legal existence of an organized association of persons that is made a party, must be averred.”

Generally, the holder of the right must not only allege that it is a foreign corporation, but further that it is not doing business in the Philippines and that its country of domicile is a signatory to a Treaty which grants reciprocal rights to

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<sup>60</sup> Section 1(g) of the Implementing Rules and Regulations of the Omnibus Investments Code of the Philippines.

Philippine nationals or enforces reciprocal laws. Owing to the tendency of some practitioners to nitpick on technicalities, it is prudent to be careful on allegations of capacity to sue.

However, the holder of the right is not without recourse to jurisprudence, as in *LA Chemise Lacoste vs. Hon Oscar Fernandez*<sup>61</sup>, where the petitioner is a foreign corporation not doing business in the Philippines. The marketing of its products in the Philippines is done through an exclusive distributor, Rustan Commercial Corporation, the latter being an independent entity which buys and then markets not only products of the petitioner but also many other products bearing equally well-known and established trademarks and tradenames. In other words, Rustan is not a mere agent or conduit of the petitioner.

The Supreme Court said that even assuming the truth of private respondent's allegation that petitioner failed to allege material facts in its petition relative to capacity to sue, the petitioner may still maintain the present suit. The Court further ratiocinated that: "What preceded this petition for *certiorari* was a letter complaint filed before the NBI charging Hemandas with a criminal offense, i.e., violation of Article 189 of the Revised Penal Code. If prosecution follows after the completion of the preliminary investigation being conducted by the Special Prosecutor the information shall be in the name of the People of the Philippines and no longer the petitioner which is only an aggrieved party since a criminal offense is essentially an act against the State. It is the latter which is principally the injured party although there is a private right violated. Petitioner's capacity to sue would become, therefore, of not much significance in the main case. We cannot snow a possible violator of our criminal statutes to escape prosecution upon a far-fetched contention that the aggrieved party or victim of a crime has no standing to sue".

This ruling, it appears, is in recognition of the country's trade commitments under international agreements relating to intellectual property rights to which we have adhered.

Should the existence then of these international conventions and treaties be specifically alleged in the complaint to coat a foreign corporation not doing business in the Philippines with the requisite capacity to sue?

Apparently, the answer is in the negative. In the case of *Puma Sportschuhfabriken Rudolf Dassler, K.G. vs. The Intermediate Appellate Court, et.al.*<sup>62</sup>, the Supreme Court declared that the reciprocity arrangement between the Philippines and (in this case, specifically) the Federal Republic of Germany is embodied in and supplied by the Paris Convention, to which both are signatories,

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<sup>61</sup> GR No. L-63796-97, 2 May 1984.

<sup>62</sup> GR No. 75067, 26 February 1988.

and need not necessarily be pleaded. The Paris Convention, pursuant to the Constitution, forms part of the laws of the land, and our courts are bound to take judicial notice of such treaty, and consequently, this fact need not be averred in the complaint.

In essence, the seeming liberality of the Courts with respect to cases of trademark infringement and unfair competition is recognition of the rampant proliferation of goods that subvert our trademark and other intellectual property laws. The Court went on to say in *La Chemise*, thus: “Judges all over the country are well advised to remember that court processes should not be used as instruments to, unwittingly or otherwise, aid counterfeiters and intellectual pirates, tie the hands of the law as it seeks to protect the Filipino consuming public and frustrate executive and administrative implementation of solemn commitments pursuant to international conventions and treaties.”

### Conclusion

Based on the divergence of jurisprudence that abounds on the matter of “confusing similarity”, and granting that a case for unfair competition may cover a wider spectrum, so it is likely that the Court’s appreciation of what may be “confusingly similar” at one time may not be so in another. Section 168.3 of RA 8293 gives particular instances of what may be considered as “unfairly competitive behavior”, although the law is emphatic that such enumeration does not in any way limit the scope of protection under the said provision. It must be noted, however, that a likelihood of confusion is only presumed where an identical sign is used for identical goods or services by the junior applicant.

In a very real sense, this milieu may be considered as a limitation in enforcing trademark rights in this jurisdiction. Take for example the case of *Faberge, Inc. vs. The LAC, et.al.*<sup>63</sup>, where the Court ruled that the general appearance of each mark as a whole would unlikely create a possibility of any confusion, in considering the marks “BRUT”, “BRUT 33” and “BRUTE”. The Court said that comparing the labels of the samples of the goods shows a great many differences which would include the different classes of goods they belong to, the marked logo on each label, Further, it concluded that a purchaser who is out in the market for the purpose of buying respondent’s BRUTE brief would definitely be not mistaken or misled into buying BRUT after shave lotion or deodorant of petitioner.

But in *Del Monte Corporation vs. CA*<sup>64</sup>, the court using the holistic test, found that the Sunshine label used on catsup, is a colorable imitation of and confusingly similar to the logo of Del Monte. In this case, Sunshine buys from

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<sup>63</sup> GR No. 71189, 04 November 1992.

<sup>64</sup> GR No. 78325, 25 February 1990.

junk shops the bottles used by Del Monte. It is noted that the logo and not the mark of Del Monte that is alleged to be imitated by Sunshine. Here, the Court said that the question is not whether the two articles are distinguishable by their label when set side by side but whether the general confusion made by the article upon the eye of the casual purchaser who is unsuspecting and off his guard, is such as to likely result in his confounding it with the original.

On the other hand, utilising the test of dominancy, the Court found no infringement of trademark and unfair competition in *Asia Brewery vs. CA et.al.*<sup>65</sup>. The Court ruled that infringement is determined not by the differences or variations in the details of two trademarks alleged to be confusingly similar but whether the main or essential or dominant feature of one is also found in the other, and confusion and deception is likely to result.

It must be remembered, though, that these cases were all decided prior to the advent of the IP Code. In the more recent case of *MCDonald's Corporation and MCGeorge Food Industries, Inc. vs. L.C. Big Mak Burger, Inc., et.al, GR No. 143993, 18 August 2004*, the Court ruled that since respondent used the "Big Mak" mark on the same goods, i.e. hamburger sandwiches, that petitioners' "Big Mac" mark is used, trademark infringement through confusion of goods was committed.

Likewise respondent committed trademark infringement though confusion of business. The court ratiocinated that even if "Big Mak" caters mainly to the low-income group while petitioner's "Big Mac" hamburgers cater to the middle and upper income groups, the likelihood of confusion of business remains, since the low-income group might be led to believe that the "Big Mak" hamburgers are the low-end hamburgers marketed by petitioners.

Factors like difference in prices of their burgers, in packaging, in the fact that "Big Mac" is used only for double-decker burgers while "Big Mak" is used for other goods like siopao, noodles, pizza, that petitioner's restaurants are air conditioned buildings compared to respondents' mobile vans, do not negate the undisputed fact that respondents use their "Big Mak" mark on hamburgers, the same food product that petitioner's sell with the use of their registered mark "Big Mac". Even respondent's use of the "Big Mak" mark on non-hamburger products cannot excuse their infringement of petitioners' registered mark, otherwise registered marks will lose their protection under the law.

Applying the dominancy test, the Court found respondent's use of the "Big Mak" results in likelihood of confusion. Aurally, the two marks are the same, with the first word of both marks phonetically the same, and the second word of both marks also phonetically the same. Visually, the two marks have

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<sup>65</sup> GR No. 103543. 05 July 1993.

both two words and six letters, with the first word of both marks having the same letters and the second word having the same first two letters.

Clearly, respondents have adopted in “Big Mak” not only the dominant but also almost all the features of “Big Mac”. Applied to the same food product of hamburgers, the two marks will likely result in confusion in the public mind.

The Court has taken into account the aural effects of the words and letters contained in the marks in determining the issue of confusing similarity. Certainly, “Big Mac” and “Big Mak” for hamburgers create even greater confusion, not only aurally but also visually.

Absent proof that respondent’s adoption of the “Big Mak” mark was due to honest mistake or was fortuitous, the inescapable conclusion is that respondents adopted the “Big Mak” mark to “ride on the coattails” of the more established “Big Mac” mark. This saves respondents much of the expense in advertising to create market recognition of their mark and hamburgers.

Section 22 of RA 166 requires the less stringent standard of “likelihood of confusion” only. While proof of actual confusion is the best evidence of infringement, its absence is inconsequential.

The dissimilarities in the packaging are minor compared to the stark similarities in the words that give respondents’ “Big Mak” hamburgers the general appearance of petitioners’ “Big Mac” hamburgers.

Section 29 (a) expressly provides that the similarity in the general appearance of the goods may be in the “devices or words” used on the wrappings. Respondents have applied on their plastic wrappers and bags almost the same words that petitioners use on their Styrofoam box. What attract the attention of the buying public are the words “Big Mak” which are almost the same, aurally and visually, as the words “Big Mac”. The dissimilarities in the material and other devices are insignificant compared to the glaring similarity in the words used in the wrappings.

There is actually no notice to the public that the “Big Mak” hamburgers are products of “LC Big Mak Burger Inc.” and not those of petitioners who have the exclusive right to the “Big Mac” mark. This clearly shows respondents intent to deceive the public.

Had respondents placed a notice on their plastic wrappers and bags that the hamburgers are sold by “LC Big Mak Burger, Inc.” then they could validly claim that they did not intend to deceive the public. In such case, there is only

trademark infringement but no unfair competition. Respondents, however, did not give such notice, and is therefore liable as well for unfair competition.

This very recent case law would seem to give more teeth to the protection of well-known marks, whether foreign or local owned, as well as to redefine what may be considered as “confusingly similar”. Particularly in light of the pronouncement of the Court that “even respondent’s use of the “Big Mak” mark on non-hamburger products cannot excuse their infringement of petitioners’ registered mark, otherwise registered marks will lose their protection under the law”, which appears to be a recognition of the principle of dilution.

Interestingly, and setting our eyes on more distant shores, on January 16, 1996, then U.S. President Bill Clinton signed into law the 1996 Federal Anti-Dilution Act. Trademark dilution under the new federal law can occur even when a famous trademark is used by another on noncompeting goods or can occur when there is no likelihood of confusion between the two uses of the mark.

For example, if a company that makes motorcycles started using the mark Kodak to identify its motorcycles, consumers would probably not be confused into believing that the Kodak film people are now in the motorcycle business. Thus, trademark dilution under the new law is a powerful weapon where there is noncompeting goods or services or no likelihood of confusion between the uses of the marks.

As can be imagined, the use of someone else's mark on noncompetitive goods can cause injury to the original owner of the mark. Dilution of the trademark is that injury. Broadly speaking, dilution is a weakening or reduction in the ability of a mark to clearly and unmistakably distinguish one source of a product/service from another. There is dilution by blurring. Consumers will see the original mark being used by others to identify other sources of noncompetitive goods and services; thus, the unique and distinctive significance of the mark to identify the original owner's product may be diluted and weakened. The Kodak motorcycles example is a classic case of blurring. Should the Kodak mark be allowed to be used on several different noncompeting products, the distinctive character of the mark will be reduced and weakened.<sup>66</sup>

Under the said US Federal law, one of the requirements for proving dilution under the new federal act is that the mark must be famous. In determining if the mark is famous, several factors are considered. These factors include the duration and extent of use of the mark; the duration and extent of advertising and publicity of the mark; the geographical extent of the trading area

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<sup>66</sup> Federal Trademark Anti-Dilution Law- A powerful New Tool for Owners of Famous Trademarks, David V. Radack, JOM, 51 (4) 1999, p. 48; <http://www.tms.org/pubs/journals/JOM/matters-9904.html>.

in which the mark is used; and whether the mark is federally registered or not. It is clear that well-known marks such as Coca-Cola, Kodak, and McDonald's are famous. What is not so clear is whether well-known marks in narrow fields of use, which are known only to a small amount of people, are famous, too. This determination must be made on a case-by-case basis, and there are no hard and fast rules to apply, just statutory guidelines.<sup>67</sup>

This writer submits that the Philippines must at least take a closer look into this trend of protecting well-known marks, local or foreign, from dilution. Our law as it now stands provides protection for registered marks for goods or service specified in the Certificate of Registration and those that are related thereto. As discussed earlier in this paper, the Supreme Court has laid down certain parameters in determining when goods are considered "related".

Nonetheless, the glaring example of the Canon case has shown that the words "related thereto" may still be insufficient to give protection to the holder of a well-known mark. In this case it was ruled that the certificates of registration of petitioner cover goods belonging to class 2 (paints, chemical products, toner, dyestuff). On this basis, the BPTTT (now the IPO) ruled, and upheld by the highest magistrate, that since the certificate of registration of petitioner for the trademark CANON covers class 2 (paints, chemical products, toner, dyestuff), private respondent can use the trademark CANON for its goods classified as class 25 (sandals). Clearly, there is a world of difference between the paints, chemical products, toner, and dyestuff of petitioner and the sandals of private respondent.

The main issue that should be looked at is not merely that there may be created a likelihood of confusion in the minds of the consuming public, but whether there is a possibility of diluting the distinctive quality of a mark. Globalization has made the world seem so diminutive, trite as it may sound, and the mark more than being a "silent salesman", has actually become the symbol of one's creativity and hard work. Let him, who wishes to make a dent in the market, put forth his creative juices and come up with a new idea, and not ride on the good will of another's creation.

Our trademark laws ought to ensure that traders offer choices to the consumers by competing for their fair share of the market without resorting to anti-competitive behavior that is characterize by deception and unfair competition. In the end, it is not only the trader that is benefited by the continued patronage of his goods/services but also the consuming public by getting the best that the market can offer.

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<sup>67</sup> Ibid.

