

Intellectual  
Property  
Benchbook  
Series

# IP Adjudication in the Philippines



WIPO

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Series editor: Justice Stephen Burley

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# Intellectual Property Adjudication in the Philippines

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# Foreword

The World Intellectual Property Organization (WIPO) is delighted to present this volume in the *Intellectual Property Benchbook Series*.

The Benchbook series is a unique new resource for judges seeking specialized support as they deal with IP cases appearing before them in their own courts, as well as for readers interested in learning about judicial adjudication of IP disputes across jurisdictions.

Judges play a vital role in ensuring that innovation and creative ecosystems are balanced and effective, and deliver benefits to all. Indeed, in the domain of IP, the forces of technological change are positioning courts as arbiters of technical questions with significant legal, social and economic implications. Courts across the world are increasingly faced with both technical and case management challenges arising from evolving types of IP disputes. Our globalized societies and the transnational nature of IP transactions ensure that this momentum will continue.

Conceived by the WIPO Judicial Institute in response to requests for resources tailored for national judiciaries, particularly on the procedural aspects of IP adjudication, the Benchbook series combines WIPO's global perspective and expert knowledge of the international legal framework for IP, with the insight of experienced members of national judiciaries. As such, it is an unequalled public reference source, both in its scope and focus, and in the authoritative perspectives offered by its authors.

Importantly, each country-specific Benchbook volume is drafted by judges, for judges, of each relevant jurisdiction, filling a gap in practical guides to assist judges at each stage of the IP adjudication life cycle within their specific legal and judicial context. Experienced members of each national judiciary have generously shared their insight and expertise, enabling colleagues who may have had less exposure to IP adjudication to date to benefit from the communal wisdom of their judicial peers.

These volumes are primarily intended to serve as an immediate resource available in court and chambers, for use by judges and other judicial officers in the course of adjudication. Where required, country-specific volumes will be made available in the relevant national language. In addition, they can serve as a general reference, providing comparative information on judicial procedure to inform a broader global audience. Significant laws, regulations and jurisprudence referenced in the volumes are made available in the WIPO Lex database, providing free and open global access to the key legal and jurisprudential developments in IP.

The Benchbook series is a part of the WIPO Judicial Institute's work to build sustainable judicial education programs and to provide more integrated support to Member States. As such, it will be a living and growing set of titles, with further volumes covering other jurisdictions already under preparation. It is our hope that the value of the Benchbook series as a resource for national and regional judiciaries will also continue to grow, both within the jurisdictions addressed and beyond.

**Marco M. Alemán**

Assistant Director General  
IP and Innovation Ecosystems Sector  
WIPO

# Editor's introduction to the series

This Benchbook series has been designed to help judges in preparing to hear, hearing and then determining intellectual property cases involving the infringement or revocation of trademarks, patents or copyright and related rights.

It is important to start with a confession. These are not substantive textbooks concerning the law of intellectual property, nor is the series a comprehensive work on practice and procedure. In those senses, it is neither fish nor fowl. Rather, each volume is intended to provide practical information that may be useful to judges in the conduct of cases about intellectual property rights in the jurisdiction under focus.

In the universe of legal rights, intellectual property rights are unusual for two obvious reasons.

First, not only are they the creatures of statutory law for a particular sovereign nation, they also arise in the context of an extensive latticework of international treaties to which member countries in the international community adhere. The result is that intellectual property laws in one country are likely to have strong elements in common with equivalent laws in other countries. For that reason, the first volume of this series offers an overview of substantive rights under trademark, patent and copyright law by reference to those rights as they are recognized in various international treaties. This first volume supports the subsequent volumes, each of which is specific to the laws and procedures of a particular country, allowing for the cross-referencing of common substantive rights without undue repetition.

Second, intellectual property laws recognize as intangible property the rights arising from the efforts of human endeavor.

- A **trademark** is a sign (such as a word or symbol) that indicates the trade origin of particular goods or services. It provides a connection in the course of trade between the trademark and a trader.
- A **patent** protects an idea in the form of an invention that can be applied to be useful to the world. The physical manifestation of a patent is a "patent specification", which is the document describing the invention and setting out in its claims the scope of the monopoly asserted.
- In broad terms, **copyright and related rights** generally protect an original form of expression. Examples of copyright works range from books to paintings to computer software to television shows to movies and music.

Each sign, each invention, each form of expression is born as the creation of the human mind and is then turned into something of tangible value, which may be owned, licensed and sold to others. More particularly, it is turned into something of value allowing the owner of the right to prevent unauthorized third parties from reproducing it and to obtain financial compensation for any infringement that has occurred.

But when and how can an owner of an intangible right protect it? The answer to that question is fundamental to any legal system securing intellectual property rights.

In the case of patents and trademarks (leaving aside cases of unfair competition and other unregistered rights), the right must be validly registered. This means that it must be registered according to several internationally recognized requirements. Typically, it must be registered with the administrative body that is responsible for screening and then granting such rights. Only a trademark or patent that is valid may be infringed, and so it is typical in

many cases for an owner alleging infringement of such rights to be met with a defense that not only denies the act of infringement, but also alleges that the registration is not valid.

In the case of copyright and related rights, the position is analogous, although in most countries copyright protection does not require registration, and arises automatically upon the creation of the work. Even so, the same principle applies. A defendant to a case alleging copyright infringement may not only dispute that an unauthorized reproduction of the work asserted has been made, but may also challenge the ownership or subsistence of the right asserted on the basis that no copyright vests in the work.

For many cases alleging trademark, patent or copyright infringement, it is more complex and time-consuming for a court to determine the challenge to the validity of the right than the arguments concerning infringement. For this reason, when considering the conduct of proceedings concerning the infringement of intellectual property rights, it is important to be aware of the essential requirements for the validity of the right under consideration, in addition to the law relevant to the question of the infringement of those rights.

## The structure of the Benchbook series

The first volume in the series, entitled *Introduction to the International Legal Framework for Intellectual Property*, introduces in its first three chapters the subject matter of trademark, patent and copyright law by reference to the international treaties to which most countries are party. Each provides an introduction to the intellectual property right concerned, a description of the process by which the right is registered (in the case of trademarks and patents) and the relevant requirements for validity of the right in question. Each then considers what the owner of the right must establish to demonstrate infringement of that right. Its fourth and final chapter addresses the remedies that may be available to an owner of a right upon proof of infringement.

The subsequent volumes in the series are each devoted to the conduct of intellectual property cases in a specific country. Each volume follows a similar structure to the first, beginning with a chapter entitled "Procedure," which introduces the domestic sources of relevant intellectual property laws and identifies where intellectual property disputes are typically heard within the national judicial system. The chapter then proceeds to identify in some detail any rules of court that are specifically directed towards the conduct of intellectual property cases in that country. The idea is that a judge may look to this chapter to identify what particular matters they must take into consideration in the courtroom, whether at the point when a case is first commenced or when it is ready for final hearing.

The next three chapters in each volume then proceed to address trademark, patent and copyright, providing details that are relevant for judges in each country considering each type of case.

From time to time, contributing authors have inserted "tips," with which they add detail or suggest case management approaches that may be of assistance to judges dealing with such cases.

## Reference sources

In seeking to provide an easily accessible guide to judges, the volumes make reference to various sources of relevant rules and legislation governing the conduct of intellectual property cases in each jurisdiction under focus. The sources referred to in the series may be found in the WIPO Lex database, a helpful central repository of not only the legislation identified but also the relevant case law.

**Justice Stephen Burley**  
Federal Court of Australia, Sydney Australia

# Acknowledgments

WIPO is grateful to the distinguished judges contributing to this series, as well as to their respective judicial authorities, whose institutional support has been instrumental to enabling the time and work that this publication required.

The launch of the first three titles of the Benchbook series owes a great deal to the leadership of the principal editor of the series, Justice Stephen Burley of the Federal Court of Australia, and to his staff. WIPO also expresses its appreciation to Associate Justice Maria Rowena Modesto-San Pedro of the Court of Tax Appeals, Quezon City, Philippines, and Justice Le Van Minh of the Supreme People's Court of Viet Nam, as the contributing authors of the first two country-specific volumes. The production of these titles were financed by Funds in-Trust provided by the Government of Australia.

The first title in the series, *Introduction to the International IP Legal Framework*, benefitted from the technical expertise of a number of colleagues across WIPO. In particular, the WIPO Judicial Institute wishes to acknowledge and thank the following colleagues for their invaluable input: Ms Marina Foschi (Policy and Legislative Advice Section of the Department for Trademarks, Industrial Designs and Geographical Indications); Ms Tomoko Miyamoto and Ms Nina Belbl (Patents and Treaties Law Section); Ms Michele Woods (Copyright Law Division); and Mr. Xavier Vermandele (Building Respect for IP Division). Within the Institute, Ms Nahal Zebarjadi has driven the creation of this Benchbook series.

## **Eun-Joo Min**

Director, WIPO Judicial Institute

It has been a pleasure to work with a talented group of intellectual property professionals in putting together this Benchbook series. When Eun-Joo Min, Director of the WIPO Judicial Institute and Nahal Zebarjadi, Legal Officer at the WIPO Judicial Institute, first approached me to edit the series, I did not realize what an exciting prospect it offered for interacting in depth with judges from different jurisdictions. After we adjusted for the effects of COVID 19, our regular video meetings became for me a form of lockdown entertainment. They were delightful.

Particular acknowledgment should go to Associate Justice Maria Rowena Modesto-San Pedro of the Court of Tax Appeals, Quezon City, Philippines, without whose valuable contributions, this volume would not have been possible.

I have also been assisted a great deal by National Judicial Registrar Susan O'Connor and Judicial Registrar Amelia Edwards of the Federal Court of Australia, and by several of my past and current associates, including Tim Gollan, Joseph Petrie, Veronica Sebesfi, Amelia Van der Rijt and Jessica Wotton.

Thanks must also go to Elma M. Rafallo-Lingan, Judge of the Regional Trial Court of Pasig City, Philippines, Wilhelmina B. Jorge-Wagan, Judge of the Regional Trial Court of Pasay City, Philippines, Ricardo R. Blancaflor, former Director General of the Intellectual Property Office of the Philippines, and Dean Ferdinand Negre for their assistance with the Philippines chapters.

I should also like to thank the Federal Court of Australia for supplying additional resources to enable the production of this work and, of course, Eun-Joo and Nahal, whose unfailingly diplomatic and valuable contributions kept the project on track.

## **Justice Stephen Burley**

Federal Court of Australia

# Chapter 1

## Procedure

### 1.1 Introduction

This chapter begins with a brief introduction to the legal system (civil, criminal and administrative) and court system (hierarchy) in the Philippines. It then addresses the procedural rules that are common to civil, criminal and administrative proceedings for infringement of trademark, patent and copyright (i.e., intellectual property rights) actions when conducted in the relevant courts – namely, the Regional Trial Courts, duly designated as Special Commercial Courts.

The chapter ends with three samples: of an order granting a search warrant; of the search warrant itself; and of an order for destruction.

Each of the subsequent chapters in this volume is dedicated to one of those three specific rights and provides more detail for those conducting cases involving the specific right.

All of the legislation and the Supreme Court case law to which reference is made in this chapter is available on the WIPO Lex database.<sup>1</sup>

### 1.2 Overview of the legal system in the Philippines

While predominantly civil, the Philippine legal system blends customary, civil and common law traditions and systems.

Laws in the Philippines are derived from legislation (codes and laws).

Decisions of the Supreme Court of the Philippines establish jurisprudence and are binding on all other courts. Decisions of lower courts are not a source of law in the Philippines.

#### 1.2.1 Court hierarchy

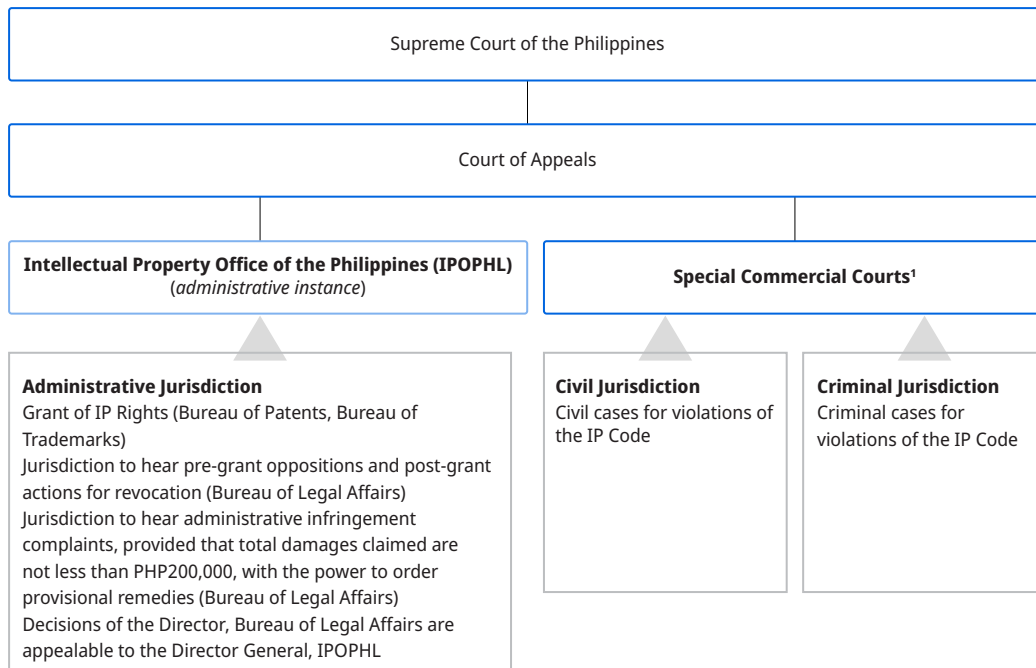
The **Supreme Court** is the highest court in the Philippines. It has original jurisdiction over constitutional issues and appellate jurisdiction. A Chief Justice and 14 Associate Justices may sit *en banc* or in benches of three, five or seven members. The Supreme Court also has the exclusive power to promulgate rules (including rules of practice and procedure) in all courts.

The **Court of Appeals** principally hears appeals from cases that do not fall within the original jurisdiction of the Supreme Court. It also has its own original jurisdiction over matters for which certain remedies (e.g., mandamus or certiorari) are sought. Two other courts sit at the same level of the judicial hierarchy as the Court of Appeals:

- the Court of Tax Appeals; and
- the Sandiganbayan, which hears civil and criminal matters involving graft and corrupt practices.

There are more than 1,200 branches of **Regional Trial Courts** (also known as Second-Level Courts). These courts hear trial matters in both civil and criminal cases. Their jurisdiction includes

<sup>1</sup> See <https://www.wipo.int/wipolex/en/main/home>

**Figure 1.1 Hierarchy of intellectual property courts in the Philippines**

1. Regional Trial Courts designated by the Supreme Court as Special Commercial Courts.

civil and criminal intellectual property proceedings, and Regional Trial Courts hearing such cases are designated by the Supreme Court as **Special Commercial Courts**.

There are, at time of writing, 147 Special Commercial Courts throughout the country.

It is common for civil and criminal intellectual property proceedings to run concurrently; indeed, when a criminal action is instituted, a civil action for the recovery of any civil liability arising from the offense charged is considered instituted automatically – unless the offended party waives the civil action.<sup>2</sup>

Decisions of Special Commercial Courts can be appealed to the Court of Appeals and then to the Supreme Court.

Figure 1.1 illustrates the hierarchy in the Philippines of courts adjudicating intellectual property issues.

### 1.2.2 Intellectual Property Office

The Intellectual Property Office of the Philippines (IP Office) is headed by a Director General, assisted by two Deputy Director Generals. There are six Bureaus within the IP Office, each headed by a Director and an Assistant Director. The Bureaus include:

- the **Bureau of Patents**, which examines and grants patents, and registers utility models and industrial designs;
- the **Bureau of Trademarks**, which examines trademark applications and registers trademarks; and
- the **Bureau of Legal Affairs**, which hears and determines oppositions to trademarks and claims for the cancellation of patents, utility models and industrial designs, as well as administrative complaints regarding the violation of intellectual property rights if more than P 200,000 is claimed in damages (although the relief the Bureau can grant is limited).

Decisions of the Bureaus of Patents, Trademarks and Legal Affairs are appealed first to the Director General of the IP Office, then to the Court of Appeals and finally to the Supreme Court.

2 IP Rules, r. 11.6. See, e.g., *BDO Unibank v. Francisco Pua*, G.R. No. 230923, July 8, 2019.

## 1.3 Sources of law

The following laws, codes, rules and regulations apply to intellectual property proceedings before courts in the Philippines:

**Intellectual Property Code**, Republic Act No. 8293, as amended (“IP Code”) – This sets out the substantive laws of copyright, trademark, patent and registered design, and establishes the Intellectual Property Office of the Philippines.

**Rules of Procedure for Intellectual Property Rights Cases**, A.M. No. 10–3-10-SC, as revised in 2020 (“IP Rules”) – These apply to all civil and criminal actions filed in the courts for violations of intellectual property rights provided for under the IP Code.

**Rules on Search and Seizure in Civil Actions for Infringement of IP Rights**, A.M. No. 02-1-06-SC (“Search and Seizure Rules”)

The **Rules of Court**, and in particular the following Parts of the Rules, apply generally to the conduct of cases in the courts and, because the focus of this series is specifically on practitioners’ and judges’ conduct in intellectual property cases, knowledge of these is assumed:

**Rules of Civil Procedure**, as amended in 2019, A.M. No. 19–10–20-SC (“Civil Procedure Rules”)

**Revised Rules of Criminal Procedure**, A.M. No. 00-5-03-SC, as revised in 2000 (“Criminal Procedure Rules”)

Other specific laws and rules may apply in specific intellectual property rights. For example, the Universally Accessible Cheaper and Quality Medicines Act 2008 (Republic Act No. 9502) applies to certain patents; likewise, the Foods, Drugs & Devices, and Cosmetics Act 1987 (Republic Act No. 3720) may apply if the particular intellectual property right in issue is registered or used in respect of a food, drug or cosmetic. This benchbook does not address these more specific laws and further information on them can be accessed through the website of the Philippines IP Office.<sup>3</sup>

## 1.4 Obtaining intellectual property protection

Trademark, patent and copyright rights are all obtained in different ways.

- A **trademark** must be obtained by registration.
- A **patent** must be granted.
- **Copyright** protection is free and automatic.

In the Philippines, applications for trademark and patent rights are determined by the IP Office. The process for obtaining trademark and patent registration is summarized in Chapters 2 and 3 of this volume, respectively.

## 1.5 Revocation or cancellation

The court may make orders to amend, cancel or remove a registered intellectual property right where there are grounds to do so. It must provide the IP Office with a copy of any such decision and orders.

The circumstances in which the court may make such orders in relation to trademark, patent and copyright protection are addressed in more detail in each of the relevant chapters of this volume.

Once an infringement action is filed in court, the IP Office may receive no subsequent petition to amend, cancel or remove a registered intellectual property right. The court can proceed to hear an infringement case even if such a petition was filed with the IP Office before the case was instituted.<sup>4</sup>

<sup>3</sup> See [www.ipophil.gov.ph/intellectual-property-code-implementing-rules-and-regulations/](http://www.ipophil.gov.ph/intellectual-property-code-implementing-rules-and-regulations/)

<sup>4</sup> See, in respect of trademarks, s. 151.2 of the IP Code. While there is no parallel provision for patents, the same procedure is observed in practice.

## 1.6 Infringement

Intellectual property proceedings before a court may be civil or criminal in nature.

When a criminal action is instituted, any civil action for the recovery of liability arising from the offense charged is deemed to be instituted concurrently with the criminal action unless the complainant:

- waives the civil action;
- reserves the right to institute it separately; or
- has already instituted a civil action before the criminal action arose (subject to the provisions of Rule 111 of the Rules of Court).<sup>5</sup>

The reverse, however, is not true: the institution of a civil action does not mean that a criminal action is deemed to be instituted.

Figure 1.2 summarizes the process for the conduct of an intellectual property case before a Special Commercial Court, with reference to the applicable IP Rules. The steps taken in civil intellectual property proceedings and criminal intellectual property proceedings are explained in more detail in sections 1.6.1 and 1.6.2, respectively.

### 1.6.1 Civil proceedings

Under Rule 2.1 of the IP Rules, the IP Code provides for civil actions in the event of violations of intellectual property rights, which list includes:

- infringement of patents, utility models and industrial designs;<sup>6</sup>
- trademark infringement;<sup>7</sup>
- unfair competition;<sup>8</sup>
- actions concerning trademark license contracts;<sup>9</sup>
- actions concerning imported merchandise or goods bearing infringing marks or trade names;<sup>10</sup>
- actions for cancellation of the registration of a collective mark;<sup>11</sup>
- false designations of origin or false description of representation;<sup>12</sup>
- breach of contract;<sup>13</sup> and
- infringement of copyright, moral rights, performers' rights, producers' rights and broadcasting rights.<sup>14</sup>

#### 1.6.1.1 Standing

A civil action may be commenced by:

- the owner of the intellectual property right;
- anyone with an exclusive right, title or interest under claim of ownership in any intellectual property right; or
- an exclusive licensee to a copyright, whose right may have been violated.

That person may be a Philippine national or someone domiciled in the Philippines, or a person with a real and effective industrial establishment in a country that 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 which extends reciprocal rights to nationals of the Philippines by law.

5 IP Rules, r. 111.6.

6 IP Code, ss. 76, 108 and 119, respectively.

7 IP Code, ss. 155 and 163.

8 IP Code, ss. 163 and 168.

9 IP Code, ss. 150 and 163.

10 IP Code, ss. 163 and 166.

11 IP Code, ss. 163 and 167.

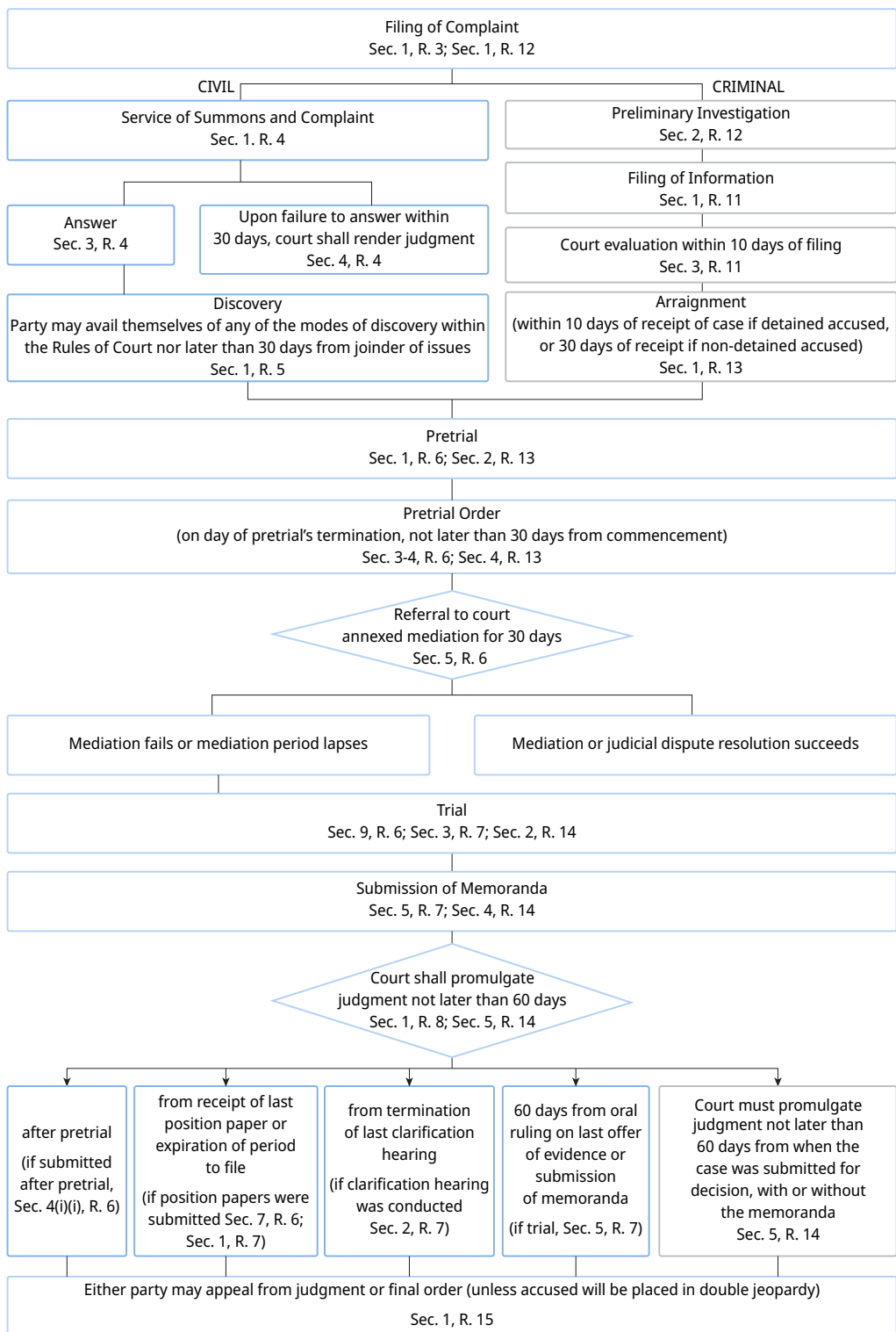
12 IP Code, ss. 163 and 169.

13 IP Code, s. 194.

14 IP Code, ss. 177, 193, 203, 208, 211 and 216.



**Figure 1.2 Conduct of an intellectual property rights proceeding under the IP Rules**



As long as a foreign national meets these requirements, they can file a civil intellectual property action even if they are not doing business in the Philippines.<sup>15</sup>

**1.6.1.2 Forum shopping**

The IP Office and Special Commercial Courts have concurrent jurisdiction over certain intellectual property infringement proceedings.<sup>16</sup> Infringement proceedings may not be filed concurrently in both jurisdictions, however, and proceedings will be deemed concurrent if the parties, the issues

15 IP Rules, r. 3.2.

16 See, e.g., *In N Out Burger, Inc. v. Sehwan, Inc. and/or Benita Frites, Inc.*, G.R. No. 179127, December 24, 2008.

in dispute and the relief sought are substantially similar in both.<sup>17</sup> Concurrent proceedings risk inconsistent findings and will breach the principle of *res judicata*.

When a civil action is commenced in the Special Commercial Court, the complaint must be accompanied by a certification of non-forum shopping and disclosure of any pending action involving the same issue(s).<sup>18</sup>

Willful and deliberate forum shopping is grounds for summary dismissal (of both cases), with prejudice and contempt of court.<sup>19</sup>

**TIP** | It is good practice for the court to rule out forum shopping by confirming, at the pre-trial conference, whether a similar case has been filed with the IP Office.

### 1.6.1.3 Pleadings

As a general rule, the only pleadings that may be filed in civil intellectual property proceedings are complaints, compulsory counterclaims and cross-claims pleaded in the answer, and the answers to these.<sup>20</sup> However, other pleadings may be filed, as long as they are not expressly prohibited.<sup>21</sup>

Pleadings that are expressly prohibited are listed in Rule 3.4 of the IP Rules. They include:

- motion to dismiss, except where:
  - the court has no jurisdiction over the subject matter;
  - there is another action pending between the same parties for the same cause; or
  - the cause of action is barred by a prior judgment or by statute of limitation;
- motion for reconsideration of a final order or judgment (except with regard to order of destruction under Rule 20 of the IP Rules);
- reply, except when actionable document is attached to the answer;
- petition for relief from judgment;
- motion for extension of time to file pleadings or other written submissions, except for the answer for meritorious reasons and provided that only one motion for extension of time to file an answer is allowed, which shall not exceed 30 calendar days;
- motion for postponement, except if based on acts of god, force majeure or physical inability of a witness to appear and testify;
- third-party complaint;
- motion to hear affirmative defenses; and
- any pleading or motion that is similar, or of like effect, to any of the above.

All pleadings must be verified.<sup>22</sup>

#### *Complaint*

Civil actions are commenced by a plaintiff filing a complaint.

The complaint must include:

- verification;
- the full names of the parties to the case;
- facts showing the 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;
- in case of juridical persons, proof of capacity to sue;
- a concise statement of the facts constituting the complainant's cause(s) of action, including the supporting evidence;
- the relief sought;
- judicial affidavits in question-and-answer form, which are to be presented as the direct testimonies of witnesses, with documents referred to attached;<sup>23</sup>

<sup>17</sup> See, e.g., *Phil Pharmawealth, Inc., v. Pfizer, Inc. And Pfizer (Phil.) Inc.*, G.R. No. 167715, November 17, 2010.

<sup>18</sup> IP Rules, r. 3.3.

<sup>19</sup> IP Rules, r. 3.3.

<sup>20</sup> IP Rules, r. 3.1.

<sup>21</sup> IP Rules, r. 3.1.

<sup>22</sup> IP Rules, r. 3.1.

<sup>23</sup> IP Rules, r. 3.5.

- a certification on non-forum shopping or disclosure of any pending action involving the same issue(s); and
- proof of payment of docket and other court fees.<sup>24</sup>

Failure to comply with these requirements cannot be remedied by mere amendment of the complaint and, in the event of any such failure, the court shall dismiss the case on its own motion without prejudice.<sup>25</sup>

**TIP** | There may be some instances in which the parties have not been able to submit all supporting evidence or judicial affidavits with the initial pleadings. These omissions may be allowed as long as the evidence and affidavits will be presented and marked before or during the pre-trial conference.

#### *Service of summons and complaint*

The summons and the complaint, including its attachments, shall be served on the defendant no later than five days from the court's receipt of the complaint.<sup>26</sup>

The IP Rules differ from the ordinary rules of procedure in that they allow for the summons and other court processes to be served not only by its sheriff or process server but also by the plaintiff's counsel or representative, or any other suitable person authorized by the court, if there are justifiable reasons for such service. Whoever serves such processes is deemed an officer of the court for that purpose.<sup>27</sup>

When the defendant is a foreign private juridical entity that has transacted or is doing business in the Philippines, service may be made on:

- a resident agent designated in accordance with law for that purpose;
- if there is no such agent, the government official designated by law to that effect; or
- any of its officers, agents, directors or trustees within the Philippines.<sup>28</sup>

If the foreign private juridical entity is not registered in the Philippines or has no resident agent, but has transacted or is doing business in the country, such service may – with leave of court – be effected outside of the Philippines by means of:

- personal service coursed through the appropriate court in the foreign country with the assistance of the Department of Foreign Affairs;
- publication once in a newspaper of general circulation in the country where the defendant may be found, and by serving a copy of the summons and the court order by registered mail at the last known address of the defendant;
- facsimile;
- electronic means with the prescribed proof of service; or
- such other means as the court, in its discretion, may direct.

Should either personal or substituted service fail, summons by publication shall be allowed. In the case of juridical entities, summons by publication shall be performed by indicating the names of the officers or their duly authorized representative.<sup>29</sup>

Extraterritorial service of the summons, as provided for in the international conventions to which the Philippines is a party, is also allowed.

#### *Answer*

Within 30 calendar days of service of summons and complaint, the defendant shall file an answer to the complaint, together with all supporting evidence, and serve a copy on the plaintiff.<sup>30</sup>

24 IP Rules, r. 3.3.

25 IP Rules, r. 3.3.

26 IP Rules, r. 4.1.

27 IP Rules, r. 4.2.

28 IP Rules, r. 4.2.

29 IP Rules, r. 4.2.

30 IP Rules, r. 3.3.

Except in the limited circumstances set out in Rule 3.3 of the IP Rules, affirmative and negative defenses not pleaded in answer shall be deemed waived. Similarly, cross-claims and compulsory counterclaims not asserted in the answer shall be considered barred.

Where the defendant is a foreign private juridical entity and service of summons is made on the government official designated by law to receive it, the answer shall be filed within 60 calendar days after the official's receipt of summons.<sup>31</sup>

A one-time motion for extension of time to file an answer may be filed and granted for an additional period of not more than 30 calendar days.<sup>32</sup>

*Failure to answer*

Should the defendant fail to answer the complaint within time, the court – either on its own motion or on the motion of the plaintiff – shall render judgment on the allegations made, based only on the affidavits and other evidence on record. The court does, however, retain discretion to require the plaintiff to submit additional evidence.<sup>33</sup>

*Answer to cross-claims or counterclaims*

The answer to any cross-claims or counterclaims shall be filed and served within 15 calendar days from service of the answer in which they are pleaded.<sup>34</sup>

**1.6.1.4 Discovery and admissions**

Standard modes of discovery available under the Rules of Court, such as interrogatories, requests for admissions and requests for the production of documents, are also available in intellectual property proceedings. A party can avail itself of any of the modes of discovery in accordance with the Rules of Court no later than 30 days from the joinder of issues.<sup>35</sup>

Any mode of discovery can be the subject of objection within 10 calendar days of receipt of the request, on grounds that the matter requested:

- is manifestly incompetent, immaterial or irrelevant;
- is undisclosed information or privileged in nature; or
- constitutes harassment.

The requesting party may comment in writing within three calendar days from receipt of the objection.

The court shall then rule on the objection no later than 10 calendar days from receipt of the comment or the expiration of the period for providing the comment.<sup>36</sup>

The IP Rules also allow for depositions<sup>37</sup> and for the production or inspection of documents.<sup>38</sup>

**TIP**

In intellectual property cases, requests for admissions are particularly useful to establish facts such as:

- certificates of registration issued by the IP Office and/or international registries (including dates, supporting documents);
- letters patent;
- appearance of the words “Philippine Patent” and a patent number on patented goods, containers or packaging and/or its advertising materials;
- indication of the name of a natural person on a work;
- website pages showing that the goods are being sold in the Philippines;
- brochures or advertising material showing the actual use of the mark on the goods being sold in the Philippines; or
- other similar evidentiary facts.

31 Civil Procedure Rules, r. 11.2.

32 IP Rules, r. 3.4(e).

33 IP Rules, r. 3.4.

34 IP Rules, r. 3.3.

35 IP Rules, r. 5.1.

36 IP Rules, r. 5.2.

37 IP Rules, r. 5.3.

38 IP Rules, r. 5.4.

**TIP** | In more complex cases, the intellectual property rights holder will commonly seek discovery as production of:

- the infringing object or documents describing or giving details of that object; and
- documents indicating what infringing conduct is alleged of the respondent.

The defendant may also wish to obtain production of those documents that are relevant to its defense and any cross-claim challenging validity of the right.

### 1.6.1.5 Pre-trial process in civil actions

#### *Notice and preparation of pre-trial briefs*

Within five calendar days after the period for performance of, or compliance with, any of the modes of discovery prescribed, the court must issue a notice setting a date for a pre-trial conference and directing the parties to submit their respective pre-trial briefs.<sup>39</sup>

The notice shall include the dates set for:

- the pre-trial conference;
- any court-annexed mediation; and
- judicial dispute resolution (if necessary).

The parties must file with the court, and furnish each other with, copies of their respective pre-trial briefs at least five calendar days before the date set for the pre-trial conference.<sup>40</sup>

The pre-trial briefs each party prepares must include:

- a concise statement of the case and the relief prayed for;
- a summary of facts admitted and proposed stipulations of (i.e., agreement on) facts;
- the main factual and legal issues to be tried or resolved;
- the propriety of referral of factual issues to an expert or committee of experts;
- the documents or other object evidence to be marked, stating their purpose;
- the names of the witnesses and a summary of their respective testimonies;
- a brief statement of points of law and citation of authorities;
- requests for closed-door hearings in cases involving trade secrets, undisclosed information and patents; and
- such other matters as may support the just and speedy disposition of the case.

#### *Pre-trial and orders*

The Civil Procedure Rules apply to the pre-trial requirements for intellectual property proceedings.

Prior to the pre-trial conference, the parties should mark their evidence before the branch clerk of court or other court personnel.<sup>41</sup>

**TIP** | It is good practice to have admissions on the marked evidence entered at this stage.

During the pre-trial conference, the court shall ensure that the parties consider in detail:

- the possibility of settlement;
- facts that need not be proven, either because they are matters of judicial notice or because they are expressly deemed admitted;
- the possibility of obtaining stipulations and admissions of facts and documents;
- objections to the admissibility of testimonial, documentary and other evidence;
- simplification of the issues; and
- such other matters as may support the speedy and summary disposition of the case (such as whether or not representative samples may be agreed of categories of allegedly infringing items, or whether the matter will proceed via trial or on the basis of position papers).<sup>42</sup>

39 IP Rules, r. 6.1.

40 IP Rules, r. 6.1.

41 IP Rules, r. 6.2.

42 IP Rules, r. 6.1.

<b>TIP</b>	The court may direct the parties to prepare a table of evidence for reference at the pre-trial conference, during the trial and when it prepares its judgment.
<b>TIP</b>	<p>Pre-trial conference is important in intellectual property proceedings because useful stipulations on facts can be reached at this stage. The court may direct the parties to prepare a summary of the case and their positions in the form of a matrix that includes:</p> <ul style="list-style-type: none"> <li>- a case summary;</li> <li>- a brief statement of the nature of the case;</li> <li>- the proposed modes of discovery;</li> <li>- the adopted modes of discovery;</li> <li>- the documents and facts deemed admitted;</li> <li>- any documents not specifically denied under oath;</li> <li>- admissions;</li> <li>- proposed stipulations of facts;</li> <li>- the issues to be resolved;</li> <li>- the witnesses to be presented;</li> <li>- the evidence to be presented;</li> <li>- any amendments to the pleadings;</li> <li>- a possibility of referral to court-assisted and/or judicially directed mediation;</li> <li>- the proposed terms of settlement; and</li> <li>- the proposed trial dates.</li> </ul> <p>The court may make a start on drafting such a matrix, based on information it derives from the pleadings and material on its case file. Copies of the draft matrix can be furnished to the parties at the first pre-trial conference and the parties can cooperate in its completion.</p> <p>The court may also direct the parties to provide a joint stipulation of facts and issues based on the information in the matrix. This will help to decrease the length of the trial. The court may then adopt the joint stipulation of facts and issues as part of its pre-trial order.</p>

The pre-trial conference must be terminated within 30 calendar days of its commencement.<sup>43</sup>

#### *Pre-trial order*

On the day of the termination of the pre-trial period, the court shall issue a pre-trial order, which shall include:

- enumeration of the admitted facts;
- minutes of the pre-trial conference;
- the legal and factual issue(s) to be tried;
- the applicable law, rules and jurisprudence;
- the evidence marked;
- the specific trial dates (if the matter is to proceed by trial);
- the case flow chart, which shall contain the different stages of the proceedings up to decision;
- a statement that the “one-day examination of witness” rule and “most important witness” rule (pursuant to the guidelines for pre-trial procedure) shall be strictly followed;
- any of the following statements:
  - that the court shall render judgment immediately upon termination of the pre-trial period (such as when the court is giving judgment on the pleadings on summary judgment under the Rules of Court);
  - that the court shall require submissions of positions papers;
  - that the court shall conduct clarification hearings;
  - that the court shall refer the case to an expert or committee of experts; or
  - that the court shall conduct a trial.<sup>44</sup>

On the day of the termination of the pre-trial period, the court shall refer the parties for mandatory court-annexed mediation (see section 1.6.1.9).

<sup>43</sup> IP Rules, r. 6.3.

<sup>44</sup> IP Rules, r. 6.4.

### *Case to be decided on position papers*

If the case is to be submitted for decision on the basis of position papers, the pre-trial order shall direct the parties to file their respective position papers, setting out the law and the facts they rely upon, as well as any other evidence of the factual issues defined in the order, or if so desired, the respective draft decision of both parties, within a non-extendible period of 30 calendar days from receipt of the order. No reply or rejoinder position paper shall be allowed.<sup>45</sup>

If, upon submission of the parties' position papers, the court deems it necessary to hold one or more clarification hearing on any matter before rendering its judgment, it shall set the date(s) for such. Such an order must be issued not later than 15 calendar days after receipt of the last position paper and the clarification hearing must be scheduled within 15 calendar days.<sup>46</sup>

#### **1.6.1.6 Clarification hearing(s) following pre-trial**

If, at the pre-trial conference, it is apparent that there are matters yet to be clarified, the pre-trial order shall include the schedule of clarification hearing(s), which must commence within 30 calendar days of the termination of the pre-trial period and be completed no later than 15 calendar days afterward.<sup>47</sup>

At least three calendar days before the scheduled clarification hearing, the parties may submit questions, which the court, in its discretion, may investigate.<sup>48</sup>

Immediately after the termination of any clarification hearing(s), the court shall order the parties to file position papers. The position papers must be filed within 10 calendar days and be formally in accordance with Rule 6.7 of the IP Rules.<sup>49</sup>

#### **1.6.1.7 Setting trial dates**

The trial shall begin within 60 calendar days from the termination of the pre-trial period or any clarification hearing(s), whichever is later.<sup>50</sup>

**TIP** | In setting the trial dates, the court should:

- ensure there is enough time for court-annexed mediation to be conducted;
- specify the names of the witnesses to be presented on specific dates;
- if the court calendar permits, ensure that at least two witnesses may testify in any one hearing day;
- set one surplus date to cover any justified postponements.

#### **1.6.1.8 Failure to appear**

The failure of the plaintiff to submit a pre-trial brief within the specified period or to appear in the pre-trial conference shall be cause for dismissal of the complaint with prejudice, unless the court orders otherwise. The defendant who submits a pre-trial brief and who appears during the pre-trial conference shall be entitled to a judgment on the counterclaim unless the court requires evidence *ex parte* to support its decision. Any cross-claim shall be dismissed.<sup>51</sup>

The failure of the defendant to submit a pre-trial brief within the specified period or to appear in the pre-trial conference shall be a cause for dismissal of any counterclaim. The plaintiff who submits a pre-trial brief and who appears during the pre-trial conference shall be entitled to a judgment on the complaint unless the court requires evidence *ex parte* to support its decision.<sup>52</sup>

#### **1.6.1.9 Court-annexed mediation in civil actions**

On the day of the termination of the pre-trial period, the court shall refer the parties for mandatory court-annexed mediation. The period for court-annexed mediation shall not exceed 30 calendar days and is non-extendible.<sup>53</sup>

45 IP Rules, r. 6.7.

46 IP Rules, r. 7.2.

47 IP Rules, r. 6.8.

48 IP Rules, r. 6.8.

49 IP Rules, r. 7.1.

50 IP Rules, r. 6.9.

51 IP Rules, r. 6.6.

52 IP Rules, r. 6.6.

53 IP Rules, r. 6.5.

If court-annexed mediation fails and the judge believes there is still a chance for settlement, the case may be referred to another court for judicial dispute resolution. This shall be conducted within a non-extendible period of 15 calendar days from notice of the failure of the court-annexed mediation. The period for judicial dispute resolution shall not exceed 15 calendar days and is non-extendible.<sup>54</sup>

The failure of the plaintiff to attend court-annexed mediation and, if necessary, judicial dispute resolution shall be cause for the dismissal of the complaint with prejudice, unless the court orders otherwise.<sup>55</sup>

The failure of the defendant to attend court-annexed mediation and, if necessary, judicial dispute resolution shall be a cause for the dismissal of any counterclaim. The plaintiff who submits a pre-trial brief and who appears during the pre-trial conference shall be entitled to a judgment on the complaint unless the court requires evidence *ex parte* to support its judgment.<sup>56</sup>

If the court-annexed mediation and, where undertaken, judicial dispute resolution fails, the trial shall proceed on the dates ordered.<sup>57</sup>

## 1.6.2 Criminal proceedings

Rule 10.1 of the IP Rules provides that criminal actions may be commenced for offenses including:

- repetition of infringement of patents, utility models or industrial designs;<sup>58</sup>
- trademark infringement;<sup>59</sup>
- unfair competition;<sup>60</sup>
- false designation of origin or false description or representation;<sup>61</sup> and
- infringement of copyright, moral rights, performers' rights, producers' rights and broadcasting rights.<sup>62</sup>

### 1.6.2.1 Complaint, preliminary investigation and filing of information

The criminal process commences when a person or entity files a verified complaint with the appropriate office in the Department of Justice or the Office of the Prosecutor.<sup>63</sup>

The investigating prosecutor will conduct a preliminary investigation in accordance with Rule 12.2 of the IP Rules, to determine if there is probable cause for filing of a charge.

If probable cause is found, an information is filed with the court that has jurisdiction over the territory in which any of the elements of the offense occurred.<sup>64</sup>

When an information is filed, it must be accompanied by the verified complaint and the judicial affidavits of witnesses, together with other evidence.<sup>65</sup>

**TIP** | Criminal prosecution is often preferred by intellectual property rights holders because the accused faces the risk of imprisonment; hence, compromise agreements are more readily reached.

### 1.6.2.2 Court evaluation

Within 10 days of the filing of the information, the judge shall evaluate it, together with the resolution of the prosecutor and any supporting documents.<sup>66</sup>

54 IP Rules, r. 6.5.

55 IP Rules, r. 6.6.

56 IP Rules, r. 6.6.

57 IP Rules, r. 6.5.

58 IP Code, ss. 84 and 108.

59 IP Code, ss. 155 and 170.

60 IP Code, ss. 168 and 170.

61 IP Code, ss. 169.1 and 170.

62 IP Code, ss. 177, 193, 203, 208, 211 and 217.

63 IP Rules, r. 12.1.

64 IP Rules, r. 11.2.

65 IP Rules, r. 11.1.

66 IP Rules, r. 11.3.



If the judge finds no probable cause, the case may be dismissed. If probable cause is found, a warrant of arrest (or a commitment order, if the accused has already been arrested) must be issued.<sup>67</sup>

If there is doubt about the existence of probable cause, the judge may order the prosecutor to present additional evidence within five days of notice. The court must resolve the issue within 15 days of the presentation of the additional evidence.<sup>68</sup>

### 1.6.2.3 Arraignment

Once the court has acquired jurisdiction over the person of the accused, their arraignment and the pre-trial conference shall be set simultaneously within 10 calendar days of the date on which the court received the case for a detained accused and within 30 calendar days of the date on which the court acquires jurisdiction over a nondetained accused, unless a shorter period is provided by special law or Supreme Court circular.<sup>69</sup>

### 1.6.2.4 Prohibited motions

The following motions are prohibited in criminal actions:

- motion to quash the information, except on the ground of lack of jurisdiction;
- motion for judicial determination of probable cause;
- unmeritorious motion for reinvestigation of the prosecutor recommending the filing of information once the information has been filed before the court or if the motion is filed without prior leave of court;
- motion for bill of particulars that does not conform to Rule 116.9 of the Rules of Court;
- motion to suspend the arraignment based on grounds not stated under Rule 116.11 of the Rules of Court;
- motion for extension of time to file affidavits or any other papers; and
- motion for postponement (unless based on acts of god, force majeure or physical inability of the witness to appear and testify).

### 1.6.2.5 Pre-trial process in criminal actions

#### *Marking of evidence*

Before the pre-trial process, the court shall require the marking of documentary or object evidence by the branch clerk of court or any authorized court personnel.<sup>70</sup>

#### *Pre-trial*

The pre-trial process shall be terminated no later than 30 calendar days from the date of its commencement.<sup>71</sup>

During the pre-trial period, a stipulation of facts may be entered into, or the propriety of allowing the accused to enter a plea of guilty to a lesser offense may be considered, or other matters may be taken up to clarify the issues and to ensure a speedy disposition of the case. However, no admission by the accused shall be used against them unless reduced to writing and signed by the accused and counsel. A refusal or failure to stipulate shall not prejudice the accused.<sup>72</sup>

#### *Additional evidence*

Should a party desire to present additional judicial affidavits as part of their direct evidence, the party shall do so during pre-trial, stating their purpose. If the court allows them, the additional judicial affidavits shall be submitted to the court and served on the adverse party no later than five calendar days after the termination of the pre-trial period.<sup>73</sup>

If the prosecutor presents additional judicial affidavits, the accused may file their own judicial affidavits and serve them on the prosecutor within five calendar days of the prosecutor's presentation.

67 IP Rules, r. 11.3.

68 IP Rules, r. 11.3.

69 IP Rules, r. 13.1.

70 IP Rules, r. 13.2.

71 IP Rules, r. 13.2.

72 IP Rules, r. 13.2.

73 IP Rules, r. 13.2.

### *Pre-trial order*

On the date of termination of the pre-trial period, the court must issue a pre-trial order stating the matters taken up, to include (but not be limited to):

- any plea bargaining;
- the stipulations or admissions entered into by the parties;
- whether, on the basis of the stipulations and admissions made by the parties and upon their agreement, judgment may be rendered without the need of further proceedings, in which event judgment shall be rendered within 30 calendar days of the date of issue of the order;
- a clear specification of material facts that remain controverted;
- dates for the trial;
- a statement of the parties' respective theories of the case and defenses;
- a table of evidence, aiming to facilitate the trial process and to properly guide both the parties and the court;
- a statement that the "one-day examination of witness" rule and "most important witness" rule (under the guidelines for pre-trial procedure) shall be strictly followed; and
- other matters intended to expedite disposition of the case.<sup>74</sup>

On the day of the termination of the pre-trial period, the court shall refer the parties for mandatory court-annexed mediation on any civil aspect(s) of the criminal action (see section 1.6.1.9).

#### **1.6.2.6 Court-annexed mediation in criminal actions**

On the day of the termination of the pre-trial period, the judge shall order the parties to attend court-annexed mediation on any civil aspect(s) of the criminal action for a non-extendible period of 30 calendar days. After the lapse of the mediation period or if mediation fails, trial shall proceed.<sup>75</sup>

**TIP** | It is common for criminal cases not to proceed to trial because a settlement is reached between the parties even outside of referral to court-annexed mediation.

### **1.6.3 Judgment and appeal**

#### **1.6.3.1 Judgments**

In both civil and criminal proceedings, the court must render its judgments within 60 calendar days of:

- the pre-trial conference, where the case is submitted for decision on the pleadings or summary judgment;
- the pre-trial conference, following the receipt of the last position paper;
- the termination of the last clarification hearing, following the submission of position papers; and
- trial, following submission of the memoranda or draft decision, or upon expiry of the period in which memoranda or a draft decision may be filed.

Judgment may also be rendered when no answer has been filed (see section 1.6.1.3).

**TIP** | Be sure to remember this shortened period of 60 days within which judgment must be rendered, which is shorter than the usual 90-day period for other types of case.

In civil proceedings, unless restrained by a higher court, the court's judgment shall be executory even pending appeal, under such terms and conditions as the court may prescribe.<sup>76</sup>

#### **1.6.3.2 Appeals**

All decisions and final orders of the Regional Trial Courts designated as Special Commercial Courts may be appealed, within 15 days of a judgment or final order, to the Court of Appeals.<sup>77</sup>

<sup>74</sup> IP Rules, r. 13.4.

<sup>75</sup> IP Rules, r. 13.5.

<sup>76</sup> IP Rules, r. 8.5.

<sup>77</sup> Under Rules of Court, rr. 43 in respect of civil proceedings and 122 in respect of criminal proceedings. See IP Rules, rr. 9 in respect of civil proceedings and 15 in respect of criminal proceedings.

## 1.7 Evidence

The court is required to conduct intellectual property hearings expeditiously.

In civil proceedings, the trial must be completed not later than 60 calendar days from the date of commencement, excluding any period during which the case is referred to an expert or committee of experts.<sup>78</sup> Each party is allotted a period not exceeding 30 calendar days as prescribed in the pre-trial order.<sup>79</sup>

The failure of a party to present a witness on a scheduled trial date shall be deemed a waiver of that date; that party may, however, present their witness within its remaining allotted trial dates. No postponement shall be allowed by the judge except for acts of god, force majeure or physical inability of the witness to appear and testify.<sup>80</sup>

In criminal proceedings, each party is allowed a maximum period of 60 days in which to present their evidence-in-chief.<sup>81</sup>

### 1.7.1 Evidence in civil proceedings

The evidence that the plaintiff seeks to rely on in civil proceedings must be included in the verified complaint.<sup>82</sup> Additional judicial affidavits may be submitted after the pre-trial only by permission of the court.

Evidence to be presented during the trial and not otherwise admitted by the parties or ruled upon by the court during the pre-trial procedure shall be offered orally immediately after the party has presented all of their other evidence. The opposing party must then raise any objections and the court must at once rule on the objections in open court.<sup>83</sup>

### 1.7.2 Evidence in criminal proceedings

The evidence that the plaintiff seeks to rely on in criminal proceedings must be included in the verified complaint.<sup>84</sup> Additional judicial affidavits may be submitted after the pre-trial only by permission of the court.

The court will hear the evidence of the parties on the trial dates they have agreed during the pre-trial period. The judicial affidavits of the witnesses of the parties that form part of the records of the case – such as those submitted during the preliminary investigation and/or those submitted during the pre-trial procedure – shall constitute the direct testimonies of the witnesses who executed them. One party's witnesses may be subjected to cross-examination by the other party.<sup>85</sup>

After the prosecution has rested its case, the court must ask the accused whether they wish to move for leave of court to file a demurrer to evidence or to proceed with the presentation of their own evidence. The demurrer process is as follows.<sup>86</sup>

1. If the accused moves for leave of court to file a demurrer to evidence, the court must orally resolve the issue.
2. If the motion is denied, the court must issue an order requiring the accused to present and complete their evidence on the dates previously scheduled and agreed upon, and to offer and rest their case on the day on which they present their last witness.
3. If leave is denied but the accused insists on filing a demurrer to evidence, or if the accused files a demurrer to evidence without seeking prior leave of court, the accused is deemed to

78 IP Rules, r. 6.9.

79 IP Rules, r. 7.3.

80 IP Rules, r. 7.3.

81 IP Rules, r. 14.2.

82 IP Rules, r. 2.3.

83 IP Rules, r. 7.4.

84 IP Rules, r. 11.1.

85 IP Rules, r. 14.1.

86 IP Rules, r. 14.3.

have waived the right to present evidence and submits the case for judgment on the basis of the prosecution's evidence.

4. The demurrer to evidence must be filed within a non-extendible period of 10 calendar days of the date on which leave of court is granted. The corresponding comment must be filed within a non-extendible period of 10 calendar days of the date of receipt of the demurrer to evidence. The demurrer must be resolved by the court within a non-extendible period of 30 calendar days of the date of its filing or the lapse of the period in which it could have been filed.
5. If the motion for leave of court to file a demurrer to evidence is granted and the subsequent demurrer to evidence is denied, the accused must likewise present their evidence, then orally offer and rest their case on the day on which they present their last witness. The court must rule on the oral offer of evidence of the accused and the prosecution's comment or objection on the same day.
6. If the court denies a motion to present rebuttal evidence, it must consider the case submitted for decision.
7. If the court grants a motion to present rebuttal evidence, the prosecution must immediately proceed with its presentation after the accused rests their case and orally rest its own case in rebuttal after presenting its last rebuttal witness. The accused must immediately present their surrebuttal evidence, if any, and then orally rest the case in surrebuttal after presenting its last surrebuttal witness.
8. Following the court's ruling on the formal offer of evidence, the case shall be submitted for decision.

### 1.7.3 Common Rules of admissibility and weight of evidence

Unless inconsistent with the IP Rules, the Rules of Court on evidence apply to civil and criminal proceedings.<sup>87</sup>

The following Rules are specific to intellectual property cases.

#### 1.7.3.1 Fraudulent intent

In cases of patent, trademark, copyright infringement and unfair competition actions, fraudulent intent on the part of the defendant or the accused need not be established.<sup>88</sup>

#### 1.7.3.2 Good faith

Good faith is not a defense unless the defendant or the accused claims to be a prior user under Sections 73 and 159 of the IP Code or when damages may be recovered under Sections 76, 156 and 216 of the IP Code.<sup>89</sup>

#### 1.7.3.3 Foreign official documents

If an official document, including a notarial act, is kept in a foreign country that is party to a treaty or convention to which the Philippines is also a party, or is considered a public document under such a treaty or convention pursuant to Rule 132.19(c) of the Rules of Court, then a certificate or its equivalent regarding such document in the form prescribed by such treaty or convention shall be accepted subject to reciprocity granted to public documents originating from the Philippines.<sup>90</sup>

#### TIP

Such a document usually takes the form of an apostille certificate issued by a competent authority under the Convention Abolishing the Requirements of Legalisation for Foreign Public Documents (1961)<sup>91</sup> ("Apostille Convention").

For documents originating from a foreign country that is not party to such a treaty or convention, a certificate of authenticity may be issued by a consular official of the Philippines stationed in that foreign country.<sup>92</sup>

87 IP Rules, r. 16.5.

88 IP Rules, r. 16.1.

89 IP Rules, r. 16.1.

90 IP Rules, r. 16.2.

91 Concluded by the Hague Conference on Private International Law on October 5, 1961, and entered into force on January 24, 1965, available at [www.hcch.net/en/instruments/conventions/full-text/?cid=41](http://www.hcch.net/en/instruments/conventions/full-text/?cid=41)

92 IP Rules, r. 16.2.

**TIP** | Authentication of foreign official documents may also be by agreement between the parties.

#### 1.7.4 Memoranda and draft decisions

Upon termination of the trial, the court may order the parties to submit, within a non-extendible period of 30 days, their memoranda (and/or, in civil proceedings, draft decisions) setting forth the law and the facts relied upon by them.<sup>93</sup>

## 1.8 Remedies

What follows are the remedies broadly available in the event of infringement of intellectual property rights in the Philippines.

See also Chapter 4 of the first volume in this series, *Introduction to the International Legal Framework for Intellectual Property*, for more on remedies more generally.

### 1.8.1 Urgent measures/interim relief

#### 1.8.1.1 Injunctions and restraining orders

Applications for interim injunctions and restraining orders follow the regular procedure applicable to other cases, and hence they are not addressed in this benchbook. The Rules of Court apply.

#### 1.8.1.2 Search-and-seizure orders

Orders may be made for the search and seizure of personal property in both criminal and civil infringement actions. It is common for plaintiffs, or prospective plaintiffs, to seek search-and-seizure orders in intellectual property proceedings in an attempt to remove infringing goods from the market.

Figure 1.3 summarizes the process of search and seizure. It contains specific references to the applicable Search and Seizure Rules, the Criminal Procedure Rules and the IP Rules.

#### *Application for warrant or writ*

In criminal proceedings, a party seeks a “search warrant” and applications are made pursuant to Rule 126 of the Criminal Procedure Rules.

In civil cases, a party seeks a “writ of search and seizure,” and applications are made pursuant to Rule 2 of the Search and Seizure Rules.

Civil applications may be filed either:

- as incidental to a pending civil action for infringement of an intellectual property right; or
- before the commencement of a civil action for infringement of an intellectual property right.

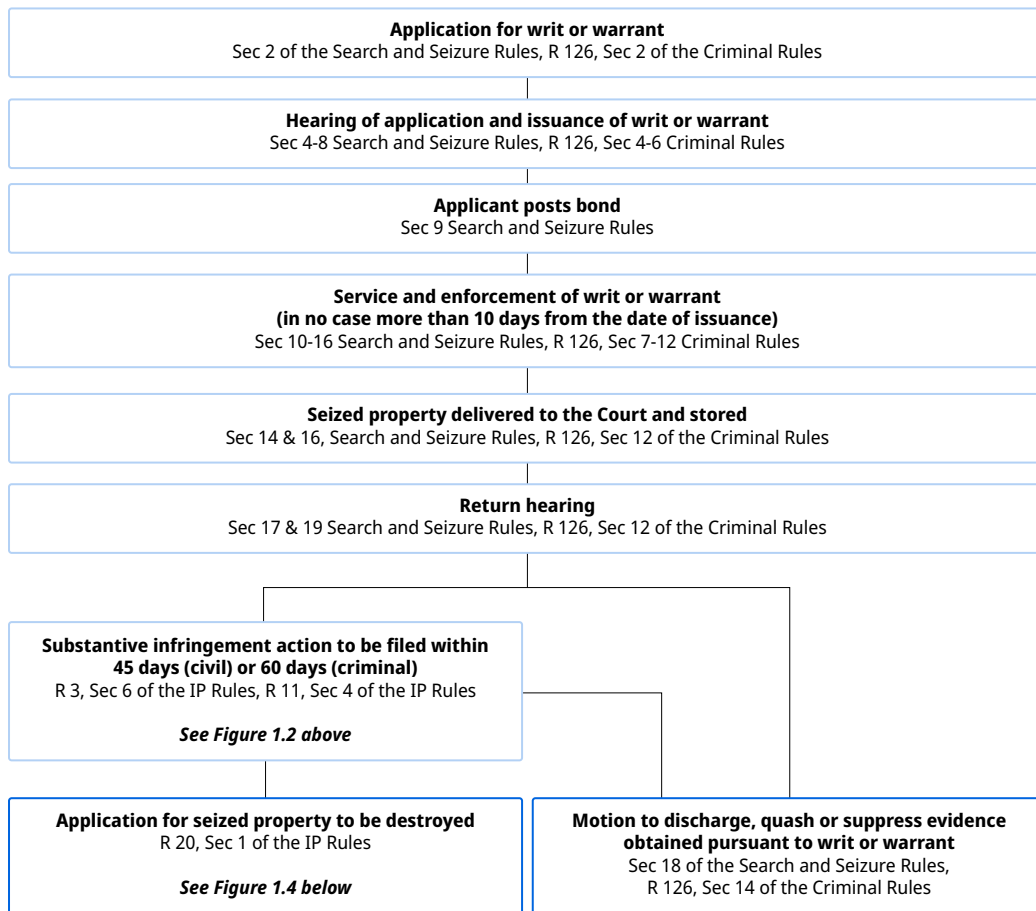
Rule 4 of the Search and Seizure Rules sets out the form the application must take and the matters it must contain, including that it must be supported by affidavits of witnesses and contain a certification of nonforum shopping.

Applications for search-and-seizure orders are made in the Special Commercial Courts in the judicial regions where the violation of intellectual property rights (or any element of it) is alleged to have occurred.<sup>94</sup> The IP Rules provide, however, that the Special Commercial Courts in Manila, Quezon City, Makati, Pasig, Baguio, Iloilo, Cebu, Cagayan De Oro and Davao have the power to issue criminal search warrants and civil writs that are enforceable nationwide.<sup>95</sup>

93 See IP Rules, rr. 7.5 in respect of civil proceedings and 14.4 in respect of criminal proceedings.

94 See *Sony v. Supergreen*, G.R. No. 161823, March 22, 2007.

95 See Search and Seizure Rules, r. 3, and IP Rules, r. 2.2, in respect of civil writs; Criminal Procedure Rules, r. 126.3, and IP Rules, r. 10.2, in respect of criminal warrants.

**Figure 1.3 Search-and-seizure procedure**

#### *Nature of and time for hearing*

Civil search-and-seizure applications are confidential, and the hearing is to be conducted *ex parte* in chambers. The application must be heard within 24 hours of its filing.<sup>96</sup>

In criminal cases, a search warrant shall not issue except upon probable cause in connection with the specific offense. The judge shall personally determine whether such cause exists after examination under oath or affirmation of the complainant and their witnesses, and of a detailed description of the place to be searched and the things to be seized, which may be anywhere in the Philippines.

The judge must, before issuing the warrant, personally examine – in the form of searching questions and answers, in writing and under oath – the complainant and their witnesses on the facts personally known to them and attach their sworn statements to the record, together with the affidavits submitted.

If the judge is satisfied of the existence of the facts upon which the application is based or that there is probable cause to believe that they exist, they shall issue the warrant.<sup>97</sup>

#### **TIP**

Because applications should be determined as soon as possible, the court should not wait for the transcript of stenographic notes before it makes its orders.

To help it prepare any such search-and-seizure order, the court can request a soft copy of the application. This, together with the other templates mentioned, can expedite the court's preparation of its issuances.

In civil cases, before granting a search-and-seizure application, the judge must be satisfied that:

- the applicant is the owner of the intellectual property right, or the duly authorized representative of the right owner;

<sup>96</sup> Search and Seizure Rules, r. 5.

<sup>97</sup> Criminal Procedure Rules, r. 126.4–126.6.

- there is probable cause to believe the applicant's rights are being infringed, or that such infringement is imminent, and there is a *prima facie* case for final relief against the defendant or an expected adverse party;
- the potential or actual damage caused to the applicant is likely to be irreparable;
- there is a demonstrable risk that the defendant or expected adverse party may destroy, hide or remove evidence, including documents or articles, before any *inter partes* application can be made; and
- the documents and articles to be seized:
  - constitute evidence of the infringing activity of the defendant or expected adverse party;
  - infringe upon the intellectual property right of the applicant; or
  - are used, or intended to be used, as a means of infringing.<sup>98</sup>

**TIP**

It is best practice for judges to be proactive in determining whether there is proper cause for the grant of a search warrant.

Questions a judge may ask in search-and-seizure applications include the following.

- How did you come to know of these products?
- What proof do you have of the intellectual property rights of the complainant?
- Did you have authorization to conduct an investigation?
- Do you have authorization to apply for a search-and-seizure order?
- Where did you go?
- Who was with you?
- When was this?
- Describe the premises – store/office, building/room, façade and inside.
- Explain the photo of the store/sketch of the location submitted.
- Who took or drew the picture(s)?
- Who did you interact with in the store/office?
- How did you introduce yourself?
- Did you personally see the infringing articles?
- Where were the products located? How many were there?
- Did you conduct test buys?
- How many did you buy?
- Do you have receipts? Who issued them?
- What did you do with the items bought?
- What proof do you have that these are infringing?
- What proof do you have that this person/witness is authorized and qualified to test products?
- Do you have with you now samples of items bought?
- Do you have with you now samples of genuine items?
- Can you compare these?
- What proof do you have that the respondents are the owners of the store/office to be searched?
- Why are these products infringing on the rights of the owner?
- Where will the seized products be stored?
- What is the estimated volume/number of the items to be seized?
- How much is storing the items expected to cost?
- What other expenses are likely to be incurred?

**Bond**

In civil cases, applicants are required to post a cash bond, surety bond or other equivalent security executed in favor of the defendant or expected adverse party.<sup>99</sup>

In criminal cases, although it is not specified in the Criminal Procedure Rules, a bond is often required as a matter of practice before a warrant is issued.

In both civil and criminal cases, the amount of the bond is to be determined by the court at the time of issuing the search-and-seizure order.

98 Search and Seizure Rules, r. 6.

99 Search and Seizure Rules, r. 9.

- TIP** | Although applicants may suggest an appropriate bond amount, judges are not bound by that suggestion and should instead determine the value of the items to be seized, the costs of warehousing and other incidental costs. The bond should be sufficient to cover these costs.
- TIP** | It is best practice to issue the search writ or warrant only after the applicant has posted the required bond. This is to ensure that the applicant has the benefit of the full 10 days for which the writ or warrant remains valid.

#### *Form of orders*

A criminal search warrant order must state:

- the name of the applicant and the witnesses;
- the specific offense covered;
- the persons or entities believed to be in possession of the goods that are the subject of the search warrant;
- the address and specific location of the premises to be searched at which the goods are believed to be located;
- a complete and detailed description of the property to be seized;
- a directive to:
  - search the premises and seize the enumerated goods;
  - bring the seized goods to court or to the applicant who is authorized to store them for safekeeping at a designated place;
  - conduct the search and seizure in the presence of the occupant or, if they are absent, before no fewer than two witnesses;
  - serve the order only during business hours on weekdays and within the 10 days for which the order is valid;
  - issue a detailed receipt of the items seized to the occupant or leave such a receipt in the premises;
  - submit to the court a return of the search warrant, together with an inventory of the seized items;
  - file the inventory and return with the court’s logbook on search warrants;
  - use at least two body cameras and one alternative recording device, or a minimum of two devices, or such other number as is necessary to capture and record the execution of the search and seizure, and to give the occupants notice of these and their use;<sup>100</sup> and
- specific authority for those conducting the search and seizure to break open any door if refused entry to the premises or to liberate their selves.<sup>101</sup>

A civil writ of search and seizure must contain:

- an order addressed to the alleged infringing defendant – or any person expected to be a party adversely affected by the order, or the person who appears to be in charge or in control of the premises, or residing or working in them – requiring them to permit the persons named in the writ to enter the premises for the purpose of searching, inspecting, copying or removing from the premises the documents or articles that are the subject of the writ, and transferring them into the custody of the sheriff, subject to the control of the court;
- an order addressed to the alleged infringing defendant – or any other expected adverse party, or the person in charge or in control of the premises – to disclose to the sheriff serving the writ the location of the documents and articles that are its subject;
- the period during which the writ shall be enforced, which shall be no more than 10 days from the date of its issue by the court;
- the names of the applicant, or its agent or representative, and the commissioner who shall supervise enforcement of the writ;
- other terms and conditions that will ensure the proper execution of the writ with due regard to the rights of the alleged infringing defendant or any other expected adverse party; and
- a warning that violation of any of the terms and conditions of the writ shall constitute contempt of court.<sup>102</sup>

<sup>100</sup> Rule 3 of the Rules on the Use of Body-Worn Cameras in the Execution of Warrants, A.M. No. 21-06-08-SC.

<sup>101</sup> Criminal Procedure Rules, r. 126.6.

<sup>102</sup> Search and Seizure Rules, r. 8.



**TIP** | It is good practice to include in the order scanned photos of the goods that are the subject of the search warrant. This is an effective way of demonstrating their infringing or noninfringing nature. This can also be of help to appellate courts, which may not have the opportunity to examine the object evidence.

**SAMPLES** |

- See Appendix 1.A, at the end of this chapter, for an example of an order granting a search warrant application.
- See Appendix 1.B, at the end of this chapter, for an example of a search-and-seizure warrant.

#### *Service and execution of orders*

In search-and-seizure operations in criminal proceedings, an agent of the law enforces the search warrant. A search warrant is valid only for 10 days from the date of its issue.<sup>103</sup>

In civil cases, the court sheriff, under the direction of the court-appointed commissioner, shall serve and execute the writ on the defendant. The period during which the writ shall be enforced is within 10 days of the date of its issue.<sup>104</sup> In general, the writ must be served only on weekdays and between 08:00 and 17:00. However, the court may direct that the writ be served on any day and at any time for compelling reasons stated in the application and duly proved.<sup>105</sup>

**TIP** | It is good practice to grant the commissioner supervising execution of the writ discretion to extend the time for its service in the event of delays that are the result of actions taken by the defendant or party in possession of the items.

#### *Seized property*

Typically, the following steps are taken in a criminal case once property has been seized.

1. The property seized must be delivered without delay to the judge who issued the warrant, together with a true inventory duly verified under oath;<sup>106</sup>

**TIP** | It is good practice to set the warrant for a return hearing 10 days after its issue to ensure compliance with Rule 12 of the Criminal Procedure Rules. If the return is made prior to the hearing, it may be vacated.

2. The seized goods are then stored or destroyed.
  - a. Given the volume of goods seized and the courts' lack of storage space, the applicant usually pays for the seized goods to be stored in a court-approved warehouse facility.

**TIP** | It is good practice for the court to authorize its sheriff or another court officer to inspect warehouse facilities to ensure their suitability and their security.

- b. An order for destruction or disposal may be made only where the applicant has filed a motion seeking such an order, the court has heard the motion and it has determined it to be appropriately granted. See section 1.8.1.3 for more on destruction and disposal orders.
3. A criminal complaint must be filed to commence the substantive infringement case. If no criminal complaint is filed within 60 calendar days of issue of the search warrant or writ of search and seizure, the following steps may be followed.<sup>107</sup>
  - a. The party whose goods have been seized may file a motion, with notice to the applicant, for the quashing of the search warrant and the return of the seized goods.
  - b. If the seized goods are hazardous under Rule 20 of the Search and Seizure Rules, upon due notice to appropriate government regulatory agencies, the court shall order their destruction.
  - c. If no motion for the return of the seized goods is filed, the issuing court shall require the parties – including the private complainant, if any – to show cause why the search warrant should not be quashed. If they show no such cause, the seized goods shall be subject

<sup>103</sup> Criminal Procedure Rules, r. 126.10.

<sup>104</sup> Search and Seizure Rules, r. 8(c).

<sup>105</sup> Search and Seizure Rules, rr. 10–12.

<sup>106</sup> Criminal Procedure Rules, r. 12.

<sup>107</sup> IP Rules, r. 11.4.

to disposal and/or destruction under Rule 20 of the Search and Seizure Rules by the issuing court.

**TIP** | It is good practice to set the date of a case for hearing 60 days from the date of issue of the search warrant. This is so that the court can monitor whether a criminal complaint has been filed. If it has not and no motion for the return of the seized goods has been filed, the court should of its own motion issue a show cause order.

4. Within 10 days of filing the criminal complaint, the complainant must file a motion for the immediate transfer of the seized goods and records of the case to the trial court (if not the court that issued the warrant).<sup>108</sup> The judge who issued the search warrant or writ of search and seizure must act upon this motion immediately. If the complainant fails to file such a motion, the seized goods may be disposed of or destroyed under Rule 20 of the Search and Seizure Rules by the court that issued the warrant or writ.

Note that the return on the search warrant shall be filed and kept with the court's custodian of the logbook on search warrants, who shall enter in it the date of the return, the result and the judge's other actions.<sup>109</sup>

In civil cases, the following steps are taken.

1. The sheriff delivers the seized items to a bonded warehouse or government warehouse for storage. The applicant shall be allowed access for the purpose of examining the seized items.

**TIP** | Rule 16 of the Search and Seizure Rules contains guidelines for the seizure of computer disks or other storage devices. If computer data is to be seized, the proper procedure to follow is that outlined under the Rule on Cybercrime Warrants (2018)<sup>110</sup> – specifically Section 6 on warrants to search, seize and examine.

2. An order for destruction or disposal may be made only where the applicant has filed a motion seeking such orders, the court has heard the motion and the court has determined it is appropriate for the goods to be destroyed. See section 1.8.1.3 for more information on destruction and disposal orders.
3. Five days after the issue of the writ, the court must conduct a monitoring hearing to ascertain whether:
  - it has been served and executed;
  - the commissioner's report (regarding its implementation) has been filed;
  - the sheriff's return has been filed;<sup>111</sup> and
  - the conditions of the writ have been complied with.<sup>112</sup>
4. Upon motion of the adverse party, with notice to the applicant, if no complaint is filed with the courts or with the IP Office within 45 calendar days of the date of its issue, the writ may be lifted and the seized goods returned.

#### *Quashing a criminal search warrant or discharging a civil writ*

A motion to quash a search warrant and/or to suppress evidence obtained by a search warrant or writ may only be filed in, and acted upon by, the court where the action has been instituted.

If the substantive criminal complaint has not yet been filed, then it is appropriate for the judge who issued the search warrant to hear the defendant's application to quash, suppress or release<sup>113</sup> – but:

- if, pending the resolution of the defendant's motion, the criminal complaint is filed, the motion must be transferred to the trial court (if not the court that issued the search-and-seizure warrant); or

<sup>108</sup> IP Rules, r. 11.4.

<sup>109</sup> Criminal Procedure Rules, r. 126.12(c).

<sup>110</sup> A.M. No. 17-11-03-SC.

<sup>111</sup> Search and Seizure Rules, r. 17.

<sup>112</sup> Search and Seizure Rules, r. 19.

<sup>113</sup> Criminal Procedure Rules, r. 126.14.

- if a criminal complaint was filed before the defendant filed their motion, then the trial court is the appropriate forum for determining the motion. If the motion is filed not with the trial court but with the court issuing the search warrant (where the two are different), the motion should not be transferred to the trial court but should rather be denied on the basis that it was filed in the wrong forum.

**TIP**

If a motion to quash has been filed before the court that issued the search warrant, that court should ask the parties whether a corresponding criminal case has been filed in another court.

- If it has, deny the motion on the basis that the motion to quash has been filed in the wrong forum and should have been filed in the court of the criminal case.
- If it has not, direct the parties to refile the motion once a criminal case has been filed, so that the motion may be transferred to the trial court if not yet resolved.

In respect of civil writs, the allegedly infringing defendant or any other person who might be expected to be adversely affected may apply for discharge of the writ on one of the following grounds:

- the writ was improperly or irregularly issued, or excessively enforced;
- the bond is insufficient;
- the applicant or the sheriff have violated the safeguards provided in the writ; or
- the documents and articles seized are not infringing copies, or means for making the materials alleged to infringe, the intellectual property right of the applicant.<sup>114</sup>

The writ may be discharged in a summary hearing by the court, with notice to the applicant, the sheriff and the commissioner.<sup>115</sup>

Where the ground relied upon is that the bond is insufficient, the court can order the filing of a new bond with an adjusted amount.<sup>116</sup>

*After judgment*

If no infringement is found after judgment in the substantive criminal or civil case, an order should be made that the seized goods be immediately returned to the defendant.

If the seized items are found to infringe or to constitute the means for the production of infringing goods, the court must not order that they be returned to the defendant; rather, it should order their disposal or destruction.

**1.8.1.3 Destruction and disposal**

The court may order that seized goods either be destroyed or disposed of.

- **Destruction** means that the infringing goods are completely destroyed and put beyond further use.
- **Disposal** means that the infringing goods are effectively prohibited from re-entry into the channels of commerce, but they may be reused for some other lawful purpose.<sup>117</sup>

Although disposal or destruction orders were once possible outside of proceedings, they can now be made only once a civil or criminal infringement case has been filed. They are not available where only search warrant applications have been filed and no actual case has been brought before the court.

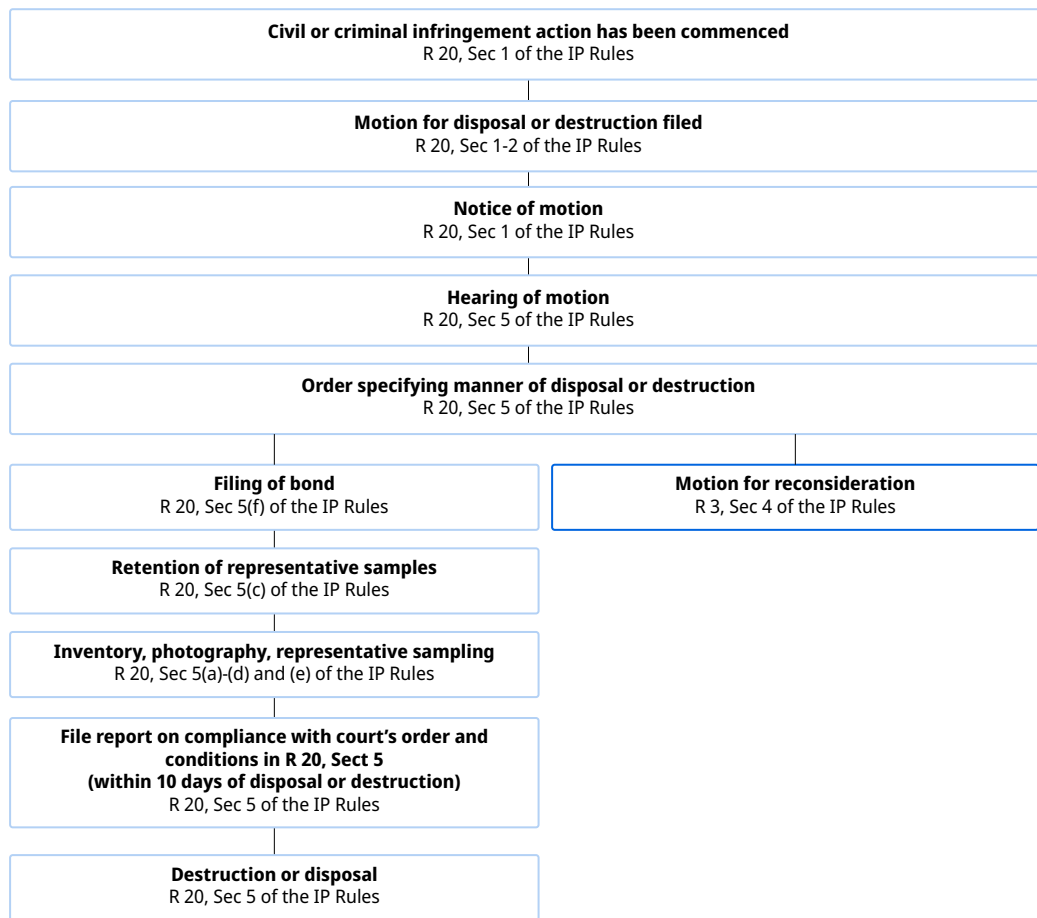
Figure 1.4 summarizes the process of destruction and disposal. It contains specific references to the applicable IP Rules.

114 Search and Seizure Rules, r. 18.

115 Search and Seizure Rules, r. 18.

116 Search and Seizure Rules, r. 18.

117 See IP Rules, r. 20, which applies to both civil and criminal proceedings, and IP Code, ss. 76 (patents), 157 (trademarks) and 216 (copyright).

**Figure 1.4 Destruction and disposal procedure under the IP Rules***Motion for destruction or disposal*

An order for destruction or disposal cannot be made by a court of its own motion, but only when:

- the complainant, plaintiff or intellectual property right holder files a motion once the infringement case has been filed in court;<sup>118</sup> or
- such a directive is included in the court's final judgment or decision in the main case.

A motion for destruction or disposal must contain:

- an inventory and photographs of the infringing goods, related objects or devices at the place where the goods are being stored;
- the complete address of the place where the infringing goods, related objects or devices are being stored;
- the classification and nature of the infringing goods, related objects or devices, including whether they are hazardous or nonhazardous;
- the proposed manner, method and plan of disposal and/or destruction;
- the estimated cost of disposal and/or destruction of the goods, if any; and
- other facts and evidence relied on in support of the motion.<sup>119</sup>

The court *can* order of its own motion destruction of infringing goods that were seized pursuant to a search warrant or writ of search and seizure where:

- the goods are hazardous, in which case notice must be given to the appropriate government agencies before destruction takes place; and
- following seizure, civil or criminal proceedings have not been commenced within the time required and the owner of the goods has not filed a motion for return of the goods seized.

<sup>118</sup> IP Rules, r. 20.1.

<sup>119</sup> IP Rules, r. 20.2.

### *Hearing of motion*

Destruction or disposal hearings involving counterfeit or pirated goods are summary in nature.<sup>120</sup> Notice must be given to the defendant or accused, to afford them the opportunity to oppose the motion. Notice must be sent to their last known address or, at the very least, to the place where the subject goods were seized.<sup>121</sup>

To make a destruction or disposal order, the court must be satisfied that:

- notice has been provided to the defendant or accused;
- the violation of the intellectual property right(s) of the plaintiff or complainant has been established;
- the defendant or accused did not have authority to exercise any of the right holders' rights in respect of the goods in question; and
- there is no genuine issue remaining in the main infringement case, such as:
  - the need to determine any confusing similarity between the protected property (or goods to which it has been applied) and the allegedly infringing use;
  - whether defenses or exceptions to infringement such as fair use apply;
  - substantial equivalence;
  - construction of patent or utility model claims; or
  - issues of good faith, if relevant.<sup>122</sup>

If a genuine issue is raised, then the court should not make orders until the substantive infringement case has been determined at trial.

### *Form of order*

The court's order for destruction or disposal should comprise:

- a clear list of the articles subject of the order – the infringing goods, related objects or devices, including (but not limited to) sales invoices, other documents evidencing sales, labels, signs, prints, packages, wrappers, receptacles, advertisements and other objects used in the infringing act;<sup>123</sup>
- the manner, method and plan of destruction and/or disposal, entirely at the discretion of the court, subject to the following limitations:
  - the methods of destruction that are permitted are set out in Rule 20.4 of the IP Rules and include crushing, shredding, incineration and encapsulation, while disallowed methods are open burning and disposal into non-sanitary and open landfills; and
  - recycling and donation are allowed methods of disposal, but if the court orders disposal by way of donation, the conditions set out in Rule 20.7 of the IP Rules must be observed;
- the following directives to:<sup>124</sup>
  - a. take inventory and photographs of the infringing goods, which records must be witnessed and attested to in accordance with Rule 20.5(b) of the IP Rules;
  - b. retain representative samples of the infringing goods that will be sufficient for evidentiary purposes, ideally specifying the quantity (which will vary on a case-by-case basis);
  - c. take inventory of the representative samples, witnessed and attested by the same person(s) who witnessed and attested the inventory and photographs of the goods as a whole;
  - d. authorize a named court officer to supervise the destruction, with instructions for such officer to submit a report within five calendar days of the date of the destruction and/or disposal, to which they must attach (i) the inventory and photographs of the infringing goods, and (ii) the inventory of the representative samples; and
  - e. require the person bringing the motion to post a bond for such an amount as the court considers sufficient to answer for any damage that the adverse party may suffer as a consequence of the destruction or disposal.

120 IP Rules, r. 20.1.

121 IP Rules, r. 20.1.

122 IP Rules, r. 20.

123 IP Rules, r. 20.5.

124 IP Rules, r. 20.5.

**TIP** | It is best practice to have a representative of the relevant government agency (e.g., the Food and Drug Authority, the Department of Environment and Natural Resources) present at the destruction of seized items.

**SAMPLE** | See Appendix 1.C, at the end of this chapter, for an example of an order for destruction.

#### *Motion for reconsideration*

A motion of reconsideration can be filed against an order of destruction or disposal. This is an exception to the rule that motions for reconsideration are prohibited pleadings in intellectual property cases.<sup>125</sup>

**TIP** | To properly monitor whether the required reports and returns have been filed, set the date for monitoring hearings on the deadline dates for their filing.

## 1.8.2 Civil remedies

### 1.8.2.1 Damages

There are six kinds of damages available in civil cases in the Philippines – namely:

- actual or compensatory damages;
- moral damages;
- exemplary or corrective damages;
- liquidated damages;
- nominal damages; and
- temperate or moderate damages.

In intellectual property cases, the damages most commonly awarded are actual and exemplary damages, along with attorney’s fees and costs of suit.

The award and calculation of damages differs depending on the specific right infringed and hence these are dealt with in the chapters that follow on trademark, patent and copyright (Chapters 2, 3 and 4 in this volume, respectively).

Damages are time-limited to four years since the cause of action arose.<sup>126</sup>

### 1.8.2.2 Final injunction and restraining orders

Decisions in favor of the intellectual property rights holder often contain a final injunction prohibiting further infringement.

### 1.8.2.3 Search-and-seizure orders

Search warrants and writs of search and seizure are typically applied for before any civil or criminal case has been filed. The purpose of such applications is to preserve evidence for use in proceedings yet to be initiated or in proceedings already before the court.

Search and seizure orders are described in detail at section 1.8.1.2.

### 1.8.2.4 Destruction and disposal

Destruction and disposal orders may be made at an interim or final stage of a proceeding. Destruction and disposal are described in detail at section 1.8.1.3.

## 1.8.3 Criminal penalties

Independently of other remedies that are available for civil offenses, in criminal proceedings the IP Code stipulates minimum and maximum terms of imprisonment *plus* the imposition of fines within a particular range.

<sup>125</sup> IP Rules, r. 3.5.

<sup>126</sup> IP Code, s. 226.

These imprisonment terms and fines differ depending on the gravity of the offense and the intellectual property right infringed, and these are dealt with in more detail in the chapters that follow on trademark, patent and copyright (Chapters 2, 3 and 4 in this volume, respectively).

## 1.9 Post-trial matters

It is the duty of the branch clerk of the court to notify the IP Office of all intellectual property proceedings filed, including applications for search warrants and writs, within 30 calendar days of the date of any such filing or action on the application.

A copy of judgments handed down in intellectual property cases (criminal and civil) must be furnished to the IP Office.<sup>127</sup> The purpose of this is to allow the IP Office to efficiently monitor intellectual property proceedings and to collate appropriate statistics.

The IP Office also gathers data from courts on a monthly basis on the status of cases pending.

127 IP Rules, r. 21, in respect of criminal proceedings.

# Appendices

## Appendix 1.A Sample order granting a search warrant

REPUBLIC OF THE PHILIPPINES  
REGIONAL TRIAL COURT  
NATIONAL CAPITAL JUDICIAL REGION  
BRANCH 158  
PASIG CITY

PEOPLE OF THE PHILIPPINES  
Plaintiff,

-versus-

SEARCH WARRANT No. 2018-146-PSG  
For: Violation of Section 177 in  
relation to Section 217 of R.A.  
No. 8293 (Copyright Infringement)

████████████████████ and/or Ms.  
████████████████████ and/or the owners,  
managers, employees, and/or occupants of the  
premises located at Unit C, No. 1837 ██████████  
████████████████████, Sampaloc, Manila (*as per  
description below and the attached sketch*)

*Respondents.*

-----

### ORDER

Before the Court is an Application for Search Warrant filed on 19 November 2018 by Special Investigator III (SI III) Valiant B. Raganit of the National Bureau of Investigation, Intellectual Property Rights Division (hereinafter referred to as the "applicant"). The Application is directed against ██████████ (hereinafter referred to as "respondents") and/or the other owners, managers, employees, and/or occupants of the premises of ██████████ (hereinafter referred to as "subject store"), located at Unit C, No. 1837 ██████████ Sampaloc, Manila. According to the Application, said respondents are engaged in the alleged illegal and unauthorized reproduction, distribution, and sale of "book-a-like" copies of ██████████ Store Inc.'s published books.

The Application goes on to state that the items located in the identified subject store which are used or are intended to be used in the commission of the above-stated offense are as follows:

- A) Books, "*Book-alikes*", "*perfect bind*" copies, photocopied materials, and the like which are copies of the published books and/or printed works of ██████████ Store Inc.;
- B) Photocopying machines, computers, equipment, items, gadgets, tools, paraphernalia, and the like which are being used or are capable of being used in the unauthorized use, reproduction and sale of the published books and/or printed works of ██████████ Inc.;



- C) Printing machines, cutting machines, machine for letterpress printing, scoring, numbering and perforation, plate processors, plate contact printers (for plate exposure), plates, inks/ cartridges/toner, glues, paper rolls/paper sheets and other like machineries which are being used or are capable of being used in the unauthorized use, reproduction, binding and sale of published books and/or printed works owned by ██████████ Inc.;
- D) Sundry items such as boxes, packaging, labels, tags, wrappers, tools, machinery, advertisements and other paraphernalia which are being used or intended to be used in the unauthorized use, reproduction and sale of the published books and/or printed works owned by ██████████ Inc.; and
- E) Internal office/store memoranda, correspondence, sales invoices, ledgers, journals, delivery receipts, official receipts, purchase orders, inventory and literature, used in the recording of, or evidencing the reproduction, sale and/or distribution, transfer and other transactions in connection with the unauthorized use, reproduction, and/or sale of published books and/or printed works owned by ██████████, Inc.

The applicant prays that he be authorized to retain temporary custody of the items to be seized and to store them under his name at the Fortress Logistics Inc., at C&J Specialty Papers Compound, Barangay Langkiwa, Binan, Laguna.

Attached to the Application is the sketch of the location of the subject premises used by respondents as a store selling "book-a-like" published books and/or printed works owned by ██████████ Inc.

During the hearing on the Application, the Court examined under oath in the form of searching questions and answers the applicant and his witnesses, Maria Luisa E. Fortes, Eunice Ann Campos, and Arnel Dausan.

From an examination of the applicant, the Court was apprised that on 16 October 2018, Attys. Anthony Bengzon and Ryan Ceazar P. Romano, in behalf of their client, ██████████ Inc., sent a letter-complaint to the National Bureau of Investigation ("NBI") stating that certain establishment and individuals along Recto, Manila are engaged in the unauthorized reproduction of their client's published books infringing upon their client's intellectual property rights. Upon authorization by the Deputy Director for Investigation Service to investigate the subject store, the applicant, along with Eunice Ann Campos, Maria Luisa Fortes, and a certain "Jun", all from IP Manila, conducted a test buy in the aforementioned area on 25 October 2018. Upon arrival, they went straight to the subject store.

The applicant described the subject store as follows: it is located at ██████████ along Recto, Manila and the subject store occupies two floors. Within the premises, there is a mezzanine floor serving as an additional storage space, access to which is through stairs within the premises of the subject store. A tarpaulin signage depicting ██████████ can be observed outside the premises. Different types of books such as brand new, second hand for all school levels, can be observed being displayed inside and outside of the store and the entire first floor is stacked with various books. When one is standing in front of the subject store, to its left is Unit B premises, to its right is Unit D premises, and across it is a commercial apartment type building. The subject premises at the ground floor is measures approximately 30 square meters; the mezzanine on the other hand appears smaller than the ground floor. The applicant testified that he was unable to see the subject store's interior since it was forbidden for customers to enter.

Upon arrival at the store, the applicant stated that he did not participate in the actual test buy and his presence was akin to that of a bystander/customer. It was Eunice Ann Campos who inquired with the saleslady who, after going inside, returned with various books. After purchasing the books, they went back to ██████████ Inc. in Quezon City where, after inspection by Amado A. Agarma Jr. (hereinafter referred to as "Agarma"), Quality Assurance Supervisor, he issued a certification<sup>128</sup> stating that the purchased books were indeed "book-alikes" and/or "perfect bind" copies of the genuine products.

The second witness, Eunice Ann Campos (hereinafter referred to as "Campos"), Market Researcher of IP Manila, testified that one of their clients is ██████████ Inc. and that she underwent

product familiarization trainings under ██████████ Inc.'s Quality Control Supervisors to determine whether certain books and literary materials are illegal/infringing copies of the original. On 24 August 2018, she, along with Maria Luisa E. Fortes, conducted a market survey in Recto, Manila and they came across the subject store. Upon inspection, they saw several tertiary books, including those exclusively published by ██████████ Inc., being sold in the said store. When Campos inquired about the books, she was attended to by the store's personnel who introduced herself as "Ira". After a short discussion, Ira went inside the right door of the mezzanine and came out with the books she asked to buy. They were able to purchase the following books, to wit:

TITLE OF BOOK	AUTHOR	PUBLISHER/DISTRIBUTOR	PRICE
The Law on Obligations and Contracts	██████████ ██████████ ██████████	██████████	Php 280.00
The Law on Sales, Agency and Credit Transactions	██████████ ██████████ ██████████	██████████	Php 280.00
The Law on Negotiable Instruments	██████████ ██████████ ██████████	██████████	Php 280.00
The Law on Partnerships and Private Corporations	██████████ ██████████ ██████████	██████████	Php 280.00

As proof of the transaction, "Ira" issued a provisional receipt while saying that she cannot issue an official receipt because it was "*delikado*". Ira also gave her a business card with her name on it and the contact numbers of the subject store.

On 28 August 2018, IP Manila submitted the purchased books to ██████████ Office where Agarma examined the same and issued a certification<sup>129</sup> stating that the purchased books were indeed "book-alikes" and/or "perfect bind" copies of the genuine products. He also attested that the subject store is not authorized to print, reproduce, and/or sell ██████████ and other ██████████ products.

Campos noted the following differences between the original and the infringing books, to wit:

1. The infringing books are pegged at a lower price compared to the original (Php 280 for each infringing book while the original costs around Php 500 to 700 each);
2. The infringing books have a weaker printing than the original one, as they contain smudges and uneven fonts/prints;
3. The pastings on the pages of the infringing book look considerably different and inferior compared to the original;
4. The infringing books are visibly smaller than the original one; and
5. In the book on Obligations and Contracts, the rope in the front cover of the infringing book is dimmer than that of the original.

IP Manila then conducted a business record check with the Department of Trade and Industry<sup>130</sup> (hereinafter referred to as "DTI") and found out that a certain ██████████ is the registered owner and the sole proprietor of the subject store.

129 Application; Annex "H."

130 Application, Annex "I."

On 25 October 2018, Eunice Ann Campos, Maria Luisa Fortes, Arnel Dausan, and a certain “Jun”, all from IP Manila, accompanied the applicant to conduct a test buy at the subject store in order for the latter to verify the reports submitted to him. It was Campos who conducted the actual purchase, again with the saleslady identified as “Ira”, while Fortes discreetly took pictures and the applicant acted as a bystander/customer. They were able to purchase the following:

TITLE OF BOOK	AUTHOR	PUBLISHER/DISTRIBUTOR	PRICE
The Law on Obligations and Contracts	██████████ ██████████ ██████	██████████	Php 280.00
The Law on Sales, Agency and Credit Transactions	██████████ ██████████ ██████	██████████	Php 280.00
The Law on Negotiable Instruments	██████████ ██████████ ██████	██████████	Php 280.00
The Law on Partnerships and Private Corporations	██████████ ██████████ ██████	██████████	Php 280.00

Campos also corroborated applicant’s testimony concerning the certification issued by Agarma with respect to the books bought on the second test buy.

Maria Luisa E. Fortes, Market Researcher of IP Manila, corroborated Campos’ testimony regarding her participation during the test buy and noted that there were other customers who went to and from the store. She identified the pictures she took of the subject store.

Arnel Dausan, from IP Manila, testified that he wrote the letter requesting for a business record check with DTI which led to the Certification that it was ██████████ who was the registered owner and the sole proprietor of the subject store.

Attached to the Application are the following:

1. Letter-Complaint of Attys. Anthony D. Bengzon and Ryan Ceazar P. Romano, in behalf of ██████████ Inc., addressed to the National Bureau of Investigation dated 16 October 2018;
2. Secretary’s Certificate and the Special Power of Attorney issued by ██████████ Inc. in favor of Bengzon Negre Untalan Intellectual Property Attorneys;
3. Authorization of the National Bureau of Investigation to Special Investigator III Valiant B. Raganit to apply for a Search Warrant against Princess “Ira” Alansalon Alvares and/or owner/s and/or Operator/s of ██████████ dated 8 November 2018;
4. DTI Certification of ██████████;
5. Location sketch of the subject store;
6. Photographs of the subject store, its facade and surrounding areas;
7. Photographs of the products purchased from respondents;
8. Joint Affidavit of Maria Luisa E. Fortes and Eunice Ann Campos;
9. Photocopy of the receipt issued by respondents on 24 August 2018 and 25 October 2018;

10. Business Card of the respondents;
11. Provisional receipts issued by the respondents during the two test buys;
12. Certifications by [REDACTED] Inc. that the products obtained during the test buy are "book-alikes" and/or "perfect bind" copies are unauthorized reproductions of the original material.

After a review of the Application and the attachments thereto and the Court's examination of the applicant, Campos, Fortes, and Dausan, the Court is convinced that probable cause exists in connection with violation of Section 177 in Relation to Section 217 of Republic Act No. 8293.

The sufficiency of evidence provided by the application shows that [REDACTED] Inc. must be protected against copyright infringement from entities like respondents, which sells infringing "book-alikes" and "perfect bind" copies of the original [REDACTED] Inc. products to the public.

It must be stressed, however, that the search authorized by the Court should be limited to that area identified as [REDACTED]. The area is more particularly identified in the sketch attached as Annex "Q-1" of the Application. Any seizure must also be limited only to [REDACTED] products bearing the [REDACTED] found inside and around the premises of [REDACTED] nothing more.

Meanwhile, the Court finds merit in the prayer of the applicant to be authorized to retain temporary custody of the same and to store them under his name at a professional storage facility Fortress Logistics Inc., at C&J Specialty Papers Compound, Barangay Langkiwa, Binan, Laguna for safekeeping.

WHEREFORE, premises considered, the Application for Search Warrant is hereby GRANTED. The applicant is further authorized to retain temporary custody of such items as may be seized and to store the same for safekeeping at the Fortress Logistics Inc., at C&J Specialty Papers Compound, Barangay Langkiwa, Binan, Laguna.

SO ORDERED.

20 November 2018, Pasig City.

**MARIA ROWENA MODESTO-SAN PEDRO**  
Presiding Judge

Copy Furnished:  
Valiant B. Raganit  
Special Investigator III  
National Bureau of Investigation  
Taft Avenue, Manila

## Appendix 1.B Sample search warrant

**REPUBLIC OF THE PHILIPPINES  
REGIONAL TRIAL COURT  
NATIONAL CAPITAL JUDICIAL REGION  
BRANCH 158  
PASIG CITY**

**PEOPLE OF THE PHILIPPINES**

*Plaintiff,*

-versus-

**SEARCH WARRANT No. 2018-146-PSG  
For: Violation of Section 177 in  
relation to Section 217 of R.A. No. 8293  
(Copyright Infringement)**

████████████████████ and/or Ms.  
████████████████████ and/or the owners,  
managers, employees, and/or occupants of the  
premises located at Unit C, No. 1837 ██████████  
████████████████████, Sampaloc, Manila (as per  
description below and the attached sketch)

*Respondents.*

-----

SEARCH WARRANT

TO ANY PEACE OFFICER:

GREETINGS:

WHEREAS, an Application for Search Warrant has been filed by Special Investigator (SI III) Valiant B. Raganit of the National Bureau of Investigation, Intellectual Property Rights Division directed against ██████████ (hereinafter referred to as “respondents”) and/or the other owners, managers, employees, and/or occupants of the premises of ██████████ (hereinafter referred to as “subject store”), located at Unit C, No. 1837 ██████████, Sampaloc, Manila;

WHEREAS, the Search Warrant is sought on the ground that respondents are violating Section 177 in relation to Section 217 of R.A. No. 8293 (Copyright Infringement), and that they are engaged in the alleged illegal and unauthorized reproduction, distribution, and sale of “book-a-like” copies of ██████████’s published books;

WHEREAS, the place to be searched had been identified ██████████ (hereinafter referred to as “subject store”), located at Unit C, No. 1837 ██████████ ██████████, Sampaloc, Manila where the “book-a-like” and “perfect bind” copies of ██████████’s published books are being displayed and sold;

WHEREAS, the Application is supported by Affidavits of witnesses who personally know the facts stated therein and by accompanying documents;

WHEREAS, ██████████ Inc. has authorized, through a Special Power of Attorney, Bengzon Nengre Untalan Intellectual Property Attorneys (BNU) to represent the former in order to protect its interests and intellectual property rights over its published books and/or materials and to commence any action in furtherance of the same;

WHEREAS, the undersigned is satisfied, after examining under oath, in the form of searching questions and answers, the applicant and his witnesses that respondents have in their possession the following goods that are identical or substantially similar to ██████████'s published books, to wit –

- A) Books, "*Book-alikes*", "*perfect bind*" copies, photocopied materials, and the like which are copies of the published books and/or printed works of ██████████ Store Inc.;
- B) Photocopying machines, computers, equipment, items, gadgets, tools, paraphernalia, and the like which are being used or are capable of being used in the unauthorized use, reproduction and sale of the published books and/or printed works of ██████████ Inc.;
- C) Printing machines, cutting machines, machine for letterpress printing, scoring, numbering and perforation, plate processors, plate contact printers (for plate exposure), plates, inks/ cartridges/toner, glues, paper rolls/paper sheets and other like machineries which are being used or are capable of being used in the unauthorized use, reproduction, binding and sale of published books and/or printed works owned by ██████████ Inc.;
- D) Sundry items such as boxes, packaging, labels, tags, wrappers, tools, machinery, advertisements and other paraphernalia which are being used or intended to be used in the unauthorized use, reproduction and sale of the published books and/or printed works owned by ██████████ Inc.; and
- E) Internal office/store memoranda, correspondence, sales invoices, ledgers, journals, delivery receipts, official receipts, purchase orders, inventory and literature, used in the recording of, or evidencing the reproduction, sale and/or distribution, transfer and other transactions in connection with the unauthorized use, reproduction, and/or sale of published books and/or printed works owned by ██████████, Inc.

all of which can be found at the subject store as per attached sketch, and are the subjects of the offense for Violation of Section 177 in relation to Section 217 of Republic Act No. 8293, or the Intellectual Property Code of the Philippines;

WHEREFORE, you are hereby directed to search ██████████, located at Unit C, No. 1837 ██████████, Sampaloc, Manila, for the items described herein and to seize the same, to wit –

- A) Books, "*Book-alikes*", "*perfect bind*" copies, photocopied materials, and the like which are copies of the published books and/or printed works of ██████████ Store Inc.;
- B) Sundry items such as boxes, packaging, labels, hang tags, wrapperstags, boxes, prints, , tools, machinery, and/or other paraphernalia which are being used or intended to be used in the illegal manufacture, importation, sale and/or distribution of ██████████ Inc.'s products without its authority; and
- C) Internal office memoranda, correspondence, sales invoices, ledgers, journals, official receipts, delivery receipts, inventory and literature, used in the recording of/ or evidencing the manufacture, importation, sale and/or distribution and other transactions in connection therewith, of the products, packaging, and/or official receipts, ledgers, containers concerning products owned by ██████████ Inc., without its authority.

The subject store is located at ██████████ along Recto, Manila. and the subject store occupies two floors. Within the premises, there is a mezzanine floor serving as an additional storage space,

access to which is through stairs within the premises of the subject store. A tarpaulin signage depicting [REDACTED] can be observed outside the premises. Different types of books such as brand new, second hand for all school levels can be observed being displayed inside and outside of the store and the entire first floor is stacked with various books. When one is standing in front of the subject store, to its left is Unit B premises, to its right is Unit D premises, and across it is a commercial apartment type building. The subject premises at the ground floor measures approximately 30 square meters; the mezzanine on the other hand appears smaller than the ground floor.

If refused admittance to the subject store after giving notice of your purpose and authority, you may break open any outer or inner door of the subject store to execute the warrant or liberate yourself or any person lawfully aiding you when unlawfully detained therein.

The search and seizure must be made in the presence of a lawful occupant of the subject store and in the absence of such, in the presence of at least two (2) witnesses of sufficient age and discretion residing in the same locality, preferably barangay representatives.

This Search Warrant is to be served only during office hours on weekdays and is valid only for ten (10) days from its date, being automatically void thereafter.

A detailed receipt of the items seized under this Search Warrant must be given to the lawful occupant of the subject store in whose presence the search and seizure were made, or in the absence of such occupant, must, in the presence of the two (2) witnesses referred to above, be left in the place in which the seized items is found.

As prayed for, you are hereby directed to deliver any and all seized items to the applicant who is hereby authorized to retain temporary custody of such items as may be seized by you and to store the same for safekeeping at the Fortress Logistics Inc., at C&J Specialty Papers Compound, Barangay Langkiwa, Binan, Laguna. Meanwhile, you are to forthwith submit to the Court a Return of the Search Warrant accompanied by a true inventory of such seized items duly verified under oath.

Let the inventory and return on the Search Warrant be filed and kept by the Court's custodian of the logbook on Search Warrants who must enter therein the date of the Return and inventory, the result and other actions of the undersigned thereon.

WITNESS MY HAND AND SEAL this 20<sup>th</sup> day of November 2018 at Pasig City, Philippines.

**MARIA ROWENA MODESTO-SAN PEDRO**  
Presiding Judge

Copy Furnished:  
Valiant B. Raganit  
Special Investigator III  
National Bureau of Investigation  
Taft Avenue, Manila

## Appendix 1.C Sample order for destruction

### ORDER OF DESTRUCTION

Before the Court is a Motion for Destruction of the Seized Infringing Goods filed by private complainant [REDACTED]. (hereinafter referred to as "[REDACTED]") on 1 September 2014.

On 5 September 2014, the date set for hearing of the Motion, [REDACTED] presented to the Court proof of compliance with the 3-day notice rule of motions. With such compliance, the Court set the case for hearing on 19 September, to establish the infringing or counterfeit nature of the items sought to be destroyed. Notice of the hearing was sent to the accused [REDACTED] ("hereinafter referred to as "accused") at his last known address, with opportunity given for him to oppose the Motion.

During the said hearing, accused did not appear despite notice. [REDACTED] presented [REDACTED] [REDACTED] (hereinafter referred to as "[REDACTED]") as its witness<sup>131</sup> and the incident was then submitted for resolution.

From the testimony of [REDACTED], it would appear that as Market Researcher of [REDACTED] [REDACTED], his duties included visiting factories, retail outlets and small stores to gather presence of counterfeit products bearing clients' trademarks and copyrights. He identified [REDACTED] as one of their clients and as being the owner of copyrights relating to [REDACTED] gaming consoles and software. He presented to the Court a list of [REDACTED]'s copyright registered games<sup>132</sup> as well as a compilation of [REDACTED]'s Registration Copyright Forms for its games software with the United States Copyright Office<sup>133</sup>. He also identified the Certificates of Registration for the trademarks "[REDACTED]" and "[REDACTED]" issued by the Intellectual Property Office of the Philippines to [REDACTED].<sup>134</sup>

[REDACTED] testified that in 14 May 2012, he discovered several establishments selling/distributing counterfeit CD-ROM gaming products whose copyrights and trademarks belonged to [REDACTED]. Among these was [REDACTED] General Merchandise, located at [REDACTED], 2<sup>nd</sup> Floor, Virra Mall Shopping Center, Greenhills, San Juan; and whose proprietor was the accused.

He then sought the assistance of the National Bureau of Investigation (hereinafter referred to as "NBI") and with the NBI, was able to obtain Search Warrants from the Manila Regional Trial Court, Branch 1. These Search Warrants were enforced on 23 July 2012 and he assisted the NBI in determining which items were counterfeit or pirated products with [REDACTED]'s trademarks and copyrights. This led to the seizure of several counterfeit [REDACTED] games software CD-ROMs.

Meanwhile, he was requested by [REDACTED] to come to Court to verify the genuine or counterfeit nature of representative samples of items seized by virtue of the Search Warrants. To show his competence to testify on the matter, he presented a Certificate of Training issued by [REDACTED] evidencing that he had undergone training on the intellectual property rights of [REDACTED], including training on the features and characteristics of genuine and counterfeit [REDACTED] products. It further certified that [REDACTED] had gained sufficient knowledge to fully differentiate and compare genuine and counterfeit [REDACTED] products.<sup>135</sup>

131 His Affidavit, Exhibit "D"; Records, pp. 108-111, served as his direct testimony, with additional questions posed by the Court.

132 Exhibit "E"; Records, pp. 112-142.

133 Exhibit "F"; Records, pp. 143-165.

134 Exhibits "G" and "H"; Records, pp. 166 and 168.

135 Exhibit "I"; Records, p. 170.



To testify on the counterfeit nature of the seized items, he presented to the Court three representative samples of these.<sup>136</sup> The Court notes that the three sample [REDACTED] games software CD-ROMs are included in both the list of [REDACTED]'s copyright registered games as well as in the compilation of [REDACTED]'s Registration Copyright Forms.<sup>137</sup>

[REDACTED] then proceeded to identify the following indicators that these sample CD-ROMs are counterfeit:

1. packaging and labeling of samples are of poor and inferior quality as compared to those of original [REDACTED] products; they have no bar code nor holograph sticker of [REDACTED]; neither do they have the "[REDACTED]" marking or logo;
2. sample items do not have a game manual;
3. some do not have double discs cases, unlike their original versions;
4. sample CD-ROMs' actual discs' back portion are colored silver while those of the originals are colored black;
5. the printing on the original CD-ROM is via holographic printing, while only silkscreen printing is used for the counterfeit discs;
6. sample items have no IFPI (International Federation of Phonographic Industry?) markings, which are present as control numbers on each original product;
7. when the sample items are played, some parts of the program appear to have been altered to squeeze the program into 1 CD-ROM (for those requiring 2 CD-ROMS for originals); and
8. during the test-buy conducted by IPMA on 5 December 2000, 2 [REDACTED] games were sold for only P240.00 while original copies cost around P2,000.00 each<sup>138</sup>.

In so demonstrating the differences between the counterfeit seized items and the genuine products of [REDACTED], [REDACTED] also presented to the Court sample of [REDACTED]'s genuine products of the same software titles.<sup>139</sup>

When asked by the Court if he was certain that the rest of the items seized are identical in nature to the representative samples and not genuine articles, [REDACTED] answered in the affirmative, explaining that he was present during the implementation of the search and seizure with the NBI. He also categorically vouched the other seized items are not genuine articles and are similar in nature to the representative samples.

The foregoing testimony of [REDACTED] and the evidence presented by him adequately establishes that a violation of the copyright and trademark rights of [REDACTED] has been committed. Indeed, the sample items clearly show that they use the words [REDACTED] and the names of the games software to which Sony enjoys copyright and trademark rights.

Accordingly, with the infringing nature of the seized items having been established, and considering the costs incurred in having these in storage while the accused remains at large, the Court may now apply **Section 157.1 of R.A. No. 8293, otherwise known as the Intellectual Property Code of the Philippines**, which provides, to wit –

"Section 157. Power of Court to Order Infringing Material Destroyed. - 157.1 In any action arising under this Act, in which a violation of any right of the owner of the registered mark is established, the court may order that goods found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a

136 Exhibits "A" to "C"; Games software CD-ROM entitled [REDACTED], [REDACTED] and [REDACTED], respectively.

137 See Exhibits "E" and "F," pp. 45 and 55, respectively.

138 See Exhibit "J"; Sales Invoice of [REDACTED] Gen. Mdse., dated 12-05-00; Records, p. 171.

139 Exhibits "A-1" to "C-1"; Games software CD-ROM entitled [REDACTED], [REDACTED] and [REDACTED], respectively, of [REDACTED].

manner as to avoid any harm caused to the right holder, or destroyed; and all labels, signs, prints, packages, wrappers, receptacles and advertisements in the possession of the defendant, bearing the registered mark or trade name or any reproduction, counterfeit, copy or colorable imitation thereof, all plates, molds, matrices and other means of making the same, shall be delivered up and destroyed.

As well as **Rule 20 of A.M. No. 10-3-10-SC** which expressly allows the Court to issue Orders of Destruction where the violation of the intellectual property rights of the owner is established.

Considering the volume of the seized items, the Court finds that retention of one hundred (100) pieces of the same suffices for evidentiary purposes.

**WHEREFORE**, premises considered, the seized items in the instant case<sup>140</sup> are hereby declared as infringing upon the copyright and trademark rights of private complainant [REDACTED] and the Motion for Destruction of the Seized Infringing Goods is hereby **GRANTED**.

As condition precedent to the destruction, schedule the case on 23 October 2014 for the taking of inventory, photographs and 100 representative samples of the seized infringing goods at Building 123 Chesterfield Warehouses, Makati City.

On such date, the following are directed to be present to witness and attest to the taking of the inventory and photographs and to prepare an inventory of the representative samples:

1. the accused or counsel or agent, or in their absence, an officer of the *barangay* where the seized infringing goods are stored;
2. the complainant, his representative or counsel;
3. the NBI agent, Maximo Reyes, who seized the items or a representative of his office; and
4. Branch Sheriff Carlos Castro.

Meanwhile, [REDACTED] is hereby directed to post a bond in the amount of One Hundred Thousand Pesos (P100,000.00) to answer for all costs which may be adjudged to the accused and all damages which he may sustain by reason of the Destruction, if the Court shall finally adjudge that [REDACTED] was not entitled thereto.

Following compliance with the above, Branch Sheriff Carlos Castro is directed to proceed with the destruction of the seized infringing goods and to supervise the same. He must then submit a Report within five (5) days from the date of Destruction, to which must be attached:

1. the inventory and photographs of the seized infringing goods and
2. the inventory of the representative samples.

**SO ORDERED.**

<sup>140</sup> Identified and listed as 502 [REDACTED] CDs with cases under the Inventory Sheet of the National Bureau of Investigation, attached as Annex "A" to the Omnibus Motion to (A) Revive Archived Case and (B) Destroy Seized Items; Records, p. 76.

# Chapter 2

## Trademark

### 2.1 Introduction

This chapter addresses the conduct of civil proceedings relating to registered trademarks in the Regional Trial Courts, duly designated as Special Commercial Courts. It also addresses the conduct of criminal proceedings for infringement of registered trademarks, which are conducted in the same courts.

The chapter ends with a look at infringement of unregistered rights under the unfair competition provisions of the IP Code and three sample judgments: two illustrating criminal cases alleging counterfeit alcohol products; and one, a civil case in which the trademark owner failed to establish either infringement of registered trademarks or unfair competition.

Procedural aspects of the conduct of such proceedings were considered in Chapter 1 of this volume, and this chapter will cross-reference that first chapter, where appropriate. A more general summary of the law of trademarks is provided in Chapter 1 of the first volume in the series, *Introduction to the International Legal Framework for Intellectual Property*, which refers to the treaties that apply, but are not specific, to the Philippines.

All of the legislation and the Supreme Court case law to which reference is made in this chapter is available on the WIPO Lex database.<sup>141</sup>

### 2.2 What is a trademark in the Philippines?

Under Section 121 of the IP Code, a **mark** is any visible sign capable of distinguishing the goods or services of an enterprise. The rights under such marks are acquired by means of registration, made in accordance with the terms of the IP Code.<sup>142</sup> Such marks are referred to in what follows as “registered trademarks.”

The IP Code defines other types of mark as follows.<sup>143</sup>

- A **service mark** is any visible sign capable of distinguishing an enterprise’s services.
- A **collective mark** is any visible sign capable of distinguishing the origin, quality or other common characteristic of goods or services provided by different enterprises that use that sign under the control of the owner of the collective mark.
- A **trade name** is an enterprise’s name or other designation that distinguishes it from others.

The IP Code also makes provision for rights that may accrue to persons claiming to have acquired goodwill in relation to marks that need not be registered. These rights arise where a person has become identified in the mind of the public with particular goods, services or a business, such that they have acquired that goodwill.<sup>144</sup>

141 See <https://www.wipo.int/wen/main/home>

142 IP Code, s. 122.

143 IP Code, s. 121.

144 IP Code, s. 168.

## 2.3 Sources of law

The law on trademarks, services marks and trade names is set out in Part III of the IP Code.

The Civil Procedure Rules and Criminal Procedure Rules apply to all civil and criminal actions filed in court for violations of intellectual property rights, including trademarks, provided for under the IP Code.

See section 1.3 in the first chapter of this volume for a summary of the laws, codes, rules and regulations that apply to intellectual property proceedings before courts in the Philippines.

## 2.4 Obtaining registered trademark protection

The IP Office keeps a Register of trademarks.

The process of registration is set out in the IP Code. The IP Office will screen a trademark application for validity<sup>145</sup> and third parties may oppose it in proceedings brought before the IP Office.<sup>146</sup>

When the IP Office determines that a registered trademark may be granted, it shall issue a certificate of registration to its owner that includes a unique identifying number.<sup>147</sup> The certificate will reproduce the mark and must include the specified goods or services for which the trademark is registered.<sup>148</sup>

## 2.5 Requirements for trademark registration

Section 123 of the IP Code identifies trademarks that may *not* be registered – namely, where:

- the mark consists of immoral, deceptive or scandalous matter;<sup>149</sup>
- the mark is identical to an earlier registered mark belonging to another person in relation to the same or similar goods;<sup>150</sup>
- the mark is identical, or confusingly similar, to a mark considered to be well known internationally in the relevant sector of the public, whether or not that mark is registered in the Philippines;<sup>151</sup>
- the mark is likely to mislead the public – particularly as to the nature, quality, characteristics or geographical origin of the goods or services;<sup>152</sup>
- the mark consists of signs that are exclusively generic for the goods or services that it seeks to identify;<sup>153</sup> or
- the mark consists exclusively of signs or indications that may serve in trade to designate the kind, quality, quantity, value or geographical origin of the goods or services.<sup>154</sup>

A geographic word in combination with another can, however, be protected as a trademark. For example, in *Coffee Partners, Inc. v. San Francisco Roastery Inc.*,<sup>155</sup> the court found that the respondent had acquired an exclusive right to the use of the trade name “SAN FRANCISCO COFFEE & ROASTERY, INC.” This did not mean that the respondent had exclusive use of the geographic word “San Francisco” or the generic word “coffee”; rather, it had exclusive use of the words in combination as “SAN FRANCISCO COFFEE.”

145 IP Code, s. 133.

146 IP Code, s. 134.

147 IP Code, s. 137.

148 IP Code, ss. 137 and 144.

149 IP Code., s. 123(a).

150 IP Code., s. 123(d).

151 IP Code, s. 123(e) and (f).

152 IP Code, s. 123(g).

153 IP Code, s. 123(h).

154 IP Code, s123(j). .

155 G.R. No. 169504, March 3, 2010.

## 2.6 Rights conferred by registration

The owner of a registered trademark has the exclusive right to prevent third parties from using an identical or similar sign in the course of trade in relation to the same or similar goods or services as those for which the trademark is registered.<sup>156</sup>

The Philippines is a “first to file” jurisdiction. Accordingly, ownership of a trademark is determined by the person who first successfully applies for registration of the mark. First registration defeats any person who has previously used the same trademark but has not registered it.<sup>157</sup>

Registration of a trademark does *not* permit a trademark owner to prevent third parties from using, in good faith, their own names, addresses, pseudonyms, geographical names or indications of kind, quality, quantity, destination, value, place of origin or time of production, or supply.<sup>158</sup>

### 2.6.1 Protection against cybersquatting

Trademarks are also protected against unauthorized use as domain names on the internet.

Section 4(a)(6) of the Cybercrime Prevention Act of 2012 (Republic Act No. 10175) (“Cybercrime Prevention Act”), prohibits a person from what is known as cybersquatting:

[T]he acquisition of a domain name over the Internet in bad faith to profit, mislead, destroy reputation, and deprive others from registering the same, if such a domain name is:

- similar, identical, or confusingly similar to an existing trademark registered with the appropriate government agency at the time of the domain name registration;
- identical or in any way similar with the name of a person other than the registrant, in case of a personal name; and
- acquired without right or with intellectual property interests in it.

### 2.6.2 Well-known marks

If a registered trademark becomes “well known” in the Philippines, then the rights of the owner of such a mark extend to goods and services that are *not* similar to those in respect of which the mark is registered, but only in the circumstances set out in Section 147.2 of the IP Code.

Well-known marks are entitled to protection even if they are not registered in the Philippines.<sup>159</sup>

For example, in *Fredco Manufacturing Corp. v. President & Fellows of Harvard College (Harvard University)*,<sup>160</sup> the court held that Fredco’s registration of the “Harvard” trademark in 1988, which preceded that of Harvard University in 1993, should not have been allowed despite the earlier registration date, because it contained a false suggestion that the goods were connected with Harvard University. Furthermore, the court ruled that a well-known mark should be protected in a country even if the mark is neither registered nor used in that country.

In *Sehwani, Inc. and/or Benita’s Frites, Inc. v. In-N-Out Burger, Inc.*,<sup>161</sup> the court found the “IN-N-OUT” trademark – registered by the respondent in the United States, as well as other parts of the world – to be a well-known mark, protected under the Paris Convention and the WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, even in the absence of registration or use in the Philippines. Accordingly, the court affirmed the decision to cancel Sehwani’s registration in the Philippines for the “IN-N-OUT” mark, which had been obtained without In-N-Out Burger’s authority.

See also, for example, *246 Corporation doing business under the name and style of Rolex Music Lounge v. Hon. Daway*.<sup>162</sup>

<sup>156</sup> IP Code, s. 147.

<sup>157</sup> IP Code, s. 123(d). See also *Zeneca v. Natrapharm*, G.R. No. 211850, September 8, 2020.

<sup>158</sup> IP Code, s. 148.

<sup>159</sup> IP Code, s. 123(e).

<sup>160</sup> G.R. No. 185917, June 1, 2011.

<sup>161</sup> G.R. No. 171053, October 15, 2007.

<sup>162</sup> G.R. No. 157216, November 20, 2003.

### 2.6.3 Maintaining registration of a trademark

A trademark registration will remain valid for an initial period of 10 years provided that the registrant files a declaration of actual use of the trademark, accompanied by evidence of use, within one year of the fifth anniversary of its registration. A registration can be renewed for further periods of 10 years, subject to certain conditions.<sup>163</sup>

In *Mattel, Inc. v. Francisco, et al.*,<sup>164</sup> Mattel alleged invalidity of Uy's "BARBIE" trademark because Uy had failed to file a declaration of actual use – a fact that Uy admitted, which meant that the court found Uy to have effectively abandoned its right or interest in the trademark. The failure to file a declaration of actual use resulted in a withdrawal of the right.

In general, a trademark must be used to remain registered. There are, however, certain circumstances in which non-use of a trademark can be excused, such as where the non-use is caused by circumstances outside the owner's control.<sup>165</sup>

### 2.6.4 Assignment and licensing of a trademark

Both a registered trademark and a trademark application may be assigned or licensed to a third party.<sup>166</sup> Assignments and licenses must be notified to the IP Office, which will update the register of trademarks to reflect the new owner or note the licensing of the trademark.<sup>167</sup>

## 2.7 Revocation or cancellation

### 2.7.1 Jurisdiction

Both the IP Office and Special Commercial Courts have jurisdiction to determine whether the registration of a disputed trademark may be cancelled.

The filing of a suit to enforce a registered trademark with the proper court or agency shall exclude any other court or agency from assuming jurisdiction over a subsequently filed petition to cancel it.<sup>168</sup> The earlier filing of a petition to cancel the trademark with the IP Office shall not, however, constitute a prejudicial question that must be resolved before an action alleging infringement of that same mark may be decided.<sup>169</sup>

See, for example, *Levi Strauss (Phil.) Inc. v. Vogue Traders Clothing Co.*,<sup>170</sup> in which the court found that the petitioner's prior filing of two cases against the respondent before the IP Office for the cancellation of its trademark registrations did not preclude petitioner's right, as a defendant in the court proceedings, to include in its answer (to the respondent's complaint for damages) a counterclaim for infringement.

### 2.7.2 Cancellation proceedings

#### 2.7.2.1 Grounds for cancellation

Section 151 of the IP Code provides that:

151.1 A petition to cancel a registration of a mark under this Act may be filed with the Bureau of Legal Affairs by any person who believes that he is or will be damaged by the registration of a mark under this Act as follows:

<sup>163</sup> IP Code, ss. 145 and 146.

<sup>164</sup> G.R. No. 166886, July 30, 2008.

<sup>165</sup> IP Code, s. 152.

<sup>166</sup> IP Code, ss. 149 and 150.

<sup>167</sup> IP Code, ss. 149.4 and 150.2.

<sup>168</sup> IP Code, s. 151; IP Rules, r. 8.7.

<sup>169</sup> IP Code, s. 151.2.

<sup>170</sup> G.R. No. 132993, June 29, 2005.

- (a) Within five (5) years from the date of the registration of the mark under this Act.
- (b) At any time, if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of this Act, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.
- (c) At any time, if the registered owner of the mark without legitimate reason fails to use the mark within the Philippines, or to cause it to be used in the Philippines by virtue of a license during an uninterrupted period of three (3) years or longer.

151.2 Notwithstanding the foregoing provisions, the court or the administrative agency vested with jurisdiction to hear and adjudicate any action to enforce the rights to a registered mark shall likewise exercise jurisdiction to determine whether the registration of said mark may be cancelled in accordance with this Act. 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. On the other hand, the earlier filing of petition to cancel the mark with the Bureau of Legal Affairs shall not constitute a prejudicial question that must be resolved before an action to enforce the rights to same registered mark may be decided. (Sec. 17, R.A. No. 166a)

Accordingly, a petition to cancel a trademark may be filed by any person who believes themselves to have been damaged by the registration on grounds including where the trademark:

- becomes the generic name for the goods or services for which it is registered;
- is abandoned by the trademark owner;
- was registered or obtained fraudulently or otherwise contrary to the IP Code;
- is being used to misrepresent the source of the goods or services in respect of which it is registered; or
- for no legitimate reason, is not used in the Philippines.

Furthermore, because the IP Code requires the registrant or owner of a registered mark to declare “actual use” of the mark and to present evidence of that use within three years of the application’s filing date, the IP Office may cancel the mark’s registration of its own motion. Petitions for cancellation of the mark may also be filed for non-use.

Notably, if the defendant has not filed a declaration of actual use by the time of the proceeding and a dispute does arise in respect of that trademark, the party that did not file the declaration may be deemed to have abandoned or withdrawn any right or interest in the trademark, such that there is no judicial controversy to be determined in any cancellation proceedings.<sup>171</sup>

#### **2.7.2.2 Form of petition before the IP Office**

A petition in the IP Office for cancellation shall be in the form provided in Section 134 of the IP Code.<sup>172</sup>

#### **2.7.3 Cross-claims challenging validity or seeking cancellation of the trademark**

In any action involving a registered trademark, the court may determine the right to registration, in whole or in part, and otherwise rectify the register.<sup>173</sup>

<sup>171</sup> See discussion in *Mattel, Inc. v. Francisco, et al.*, G.R. No. 166886, July 30, 2008.

<sup>172</sup> IP Code, s. 153.

<sup>173</sup> IP Code, s. 161.

If the defendant challenges the validity of the trademark or seeks its cancellation, it will need to either raise a defense of invalidity in its answer or to file a cross-claim that prays for its cancellation.

In either event, the defendant must identify:

- the grounds on which they are challenging the registration's validity; and
- whether they are challenging all or part of the registration.

In *Levi Strauss (Phil.) Inc. v. Vogue Traders Clothing Co.*, the court stressed that “an action for infringement or unfair competition, including the available remedies of injunction and damages, in the regular courts can proceed independently or simultaneously with an action for the administrative cancellation of a registered trademark in the [Court].”<sup>174</sup>

## 2.8 Infringement proceedings

Most disputes that come before the Special Commercial Courts concerning registered trademarks involve allegations of infringement. Many are actions alleging counterfeiting, where the defendant's conduct amounts to a direct or very close imitation of the owner's registered trademark and is used on the same type of goods. In other cases, it is not unusual for a defendant to answer allegations of infringement with defensive allegations asserting not only that the alleged infringing conduct does not amount to a reproduction of the trademark asserted within the scope of goods or services for which it is registered, but also alleging that the registered trademarks are themselves invalid and should be cancelled.

In a trademark infringement case, the subject matter of the proceedings is the trademark, which confers exclusive use rights on the owner during the term of its registration. The rights apply mainly in relation to the goods or services for which the trademark is registered. For example, a trademark for “GORILLA” registered for handbags and shoes is not likely to be infringed if “GORILLA” is applied to bicycles or chainsaws.

Section 155 of the IP Code provides:

Any person who shall, without the consent of the owner of the registered mark:

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

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

### 2.8.1 Standing

The IP Code provides that the owner of a registered trademark may commence action to recover damages from any person who infringes their rights.<sup>175</sup>

<sup>174</sup> G.R. No. 132993, June 29, 2005.

<sup>175</sup> IP Code, s. 156.1.



Only registered owners of a trademark have standing to sue for infringement. Licensees cannot sue unless the owner is also a party to the proceedings.<sup>176</sup>

In respect of standing generally, including of foreign national or juridical persons, see section 1.6.1.1 of the first chapter in this volume.

### 2.8.2 Urgent measures/interim relief

Pending the determination of an infringement action, the complainant may apply to the court for urgent measures or interim relief. The court may also grant injunctive relief under Section 156.4 of the IP Code.<sup>177</sup>

Under Section 156.2 of the IP Code, the court may grant orders to impound invoices and other documents evidencing sales.<sup>178</sup> For more on search and seizure writs generally in intellectual property cases, see section 1.8.1.2 of the first chapter in this volume.

Pursuant to Section 157 of the IP Code, the court may make orders for the disposal or destruction of infringing material. For more on disposal or destruction orders, see section 1.8.1.3 of the first chapter in this volume.

### 2.8.3 Pleadings and onus

Pleadings in civil and criminal proceedings are discussed in detail in sections 1.6.1.3 and 1.6.2.1 of the first chapter in this volume, respectively. What follows adds to those sections specific commentary relevant to trademark infringement proceedings.

### 2.8.4 Complaint

In trademark infringement cases, the plaintiff's complaint must clearly identify:

- their standing to sue;
- the trademark sued upon, including the class and scope of registration; and
- the precise acts of infringement alleged.

The onus will be on the plaintiff to establish these matters if the defendant does not admit them.

For more on pleadings in intellectual property cases more generally, see section 1.6.1.3 of the first chapter in this volume.

### 2.8.5 Answer

In trademark infringement cases, the defendant's answer should clearly identify why it says it has not infringed the plaintiff's registered trademark.

The type of information that is relevant includes whether the defendant:

- disputes that the defendant's use is a colorable imitation within Section 155 of the IP Code;
- disputes use of the plaintiff's registered trademark in relation to the goods or services for which it is registered;
- challenges the validity of the plaintiff's registered trademark and, if so, on what grounds; or
- invokes another defense to infringement, such as use of its own name, good faith use of the mark before its filing date, or use in relation to different goods or services from those for which the mark is registered.

The onus will be on the defendant to establish these matters.

<sup>176</sup> In contrast to the position in relation to copyright infringement proceedings, where Rule 3.2 of the IP Rules allows an exclusive licensee to sue for infringement.

<sup>177</sup> IP Code, s. 156.4.

<sup>178</sup> IP Code, s. 156.2.

For more on pleadings in intellectual property cases more generally, see section 1.6.1.3 of the first chapter in this volume.

### 2.8.6 Pre-trial

Pre-trial processes in civil intellectual property proceedings are discussed in detail in section 1.6.1.5 of the first chapter in this volume.

Pre-trial processes in criminal intellectual property proceedings are discussed in detail in section 1.6.2.5 of the first chapter in this volume.

### 2.8.7 Trial and judgment

The general procedures that apply to trial and judgment in intellectual property cases are discussed in detail in section 1.6.3 of the first chapter in this volume. What follows adds to that section specific commentary relevant to trademark infringement proceedings.

If cancellation is in issue, that issue must be determined before the court turns to consider whether any rights have been infringed. An invalid trademark cannot be infringed.

If a defendant challenges the validity of a mark or seeks its cancellation, the grounds upon which they rely may involve the introduction of a significant amount of evidence. Where a defendant asserts the plaintiff's non-use, for example, they must supply evidence that the owner did not use the trademark even after its registration and the owner must respond to this evidence.

For more on evidence of trademark infringement or its defenses, see section 2.9, below.

In cases in which the court finds intent to mislead the public or to defraud the owner of a registered trademark, the court may, at its discretion, double the award of damages.<sup>179</sup>

In any action arising under the IP Code in which a violation of a trademark is established, the court may order that any goods found to be infringing be destroyed.<sup>180</sup>

## 2.9 Evidence

### 2.9.1 Presumptions

A certificate of registration gives rise to presumptions of:

- validity;
- the registrant's ownership of the mark; and
- the registrant's exclusive right to use the mark in relation to the goods or services specified in the certificate.<sup>181</sup>

### 2.9.2 In cancellation proceedings

As set out in section 2.7, a trademark can be cancelled on the grounds set out in Section 151 of the IP Code, including where it:

- becomes a generic name for the goods or services for which it is registered;
- is abandoned by the trademark owner;
- was registered or obtained fraudulently or otherwise contrary to the IP Code;
- is being used to misrepresent the source of the goods or services in respect of which it is registered; or
- without legitimate reason, is not used in the Philippines.

Some of the relevant evidentiary and legal matters the court shall take into account in considering these grounds for cancellation are as follows.

<sup>179</sup> IP Code, s. 156.3.

<sup>180</sup> IP Code, s. 157.

<sup>181</sup> IP Code, s. 138. See also: *Levi Strauss (Phils.) Inc. v. Vogue Traders Clothing Co.*, G.R. No. 132993, 29 June 29, 2005, and *McDonalds Corp. v. L.C. Big Mak Burger, Inc.*, G.R. No. 143993, 18 August 18, 2004.

### 2.9.2.1 Registered mark becomes generic name

A petition to cancel a registration of a mark may be filed if the registered mark has become the generic name for all or a segment of the goods or services for which the mark was registered.<sup>182</sup> However, a registered mark will not be deemed to be the generic name of goods or services solely because it is also used as a name of, or to identify, a unique product or service.

The primary significance of the registered mark to the relevant public, rather than purchaser's motivation, shall be the test for determining whether the registered mark has become the generic name of the goods or services for which it has been used.

### 2.9.2.2 Registered owner's lack of use of the mark

A petition to cancel a registration of a mark may be filed if, at any time and without legitimate reason, the registered owner of the mark has failed to use it within the Philippines, or to cause it to be used in the Philippines by virtue of a license, for an uninterrupted period of three years or longer.<sup>183</sup>

There are certain circumstances in which non-use of a trademark can be excused, as follows.<sup>184</sup>

- The non-use may be caused by circumstances arising independently of the will of the trademark owner, but lack of funds shall not excuse non-use of a mark.<sup>185</sup>
- The mark may be used in a form that is different from that in which it is registered but which does not alter its distinctive character. Such use shall not be a ground for cancellation or removal of the mark and shall not diminish the protection granted to the mark.<sup>186</sup>
- The use of a mark in connection with one or more of the goods or services belonging to the class in respect of which the mark is registered shall prevent its cancellation or removal in respect of all other goods or services of the same class.<sup>187</sup>
- The use of a mark by a company related to the registrant or applicant shall inure to the latter's benefit and such use shall not affect the validity of such mark or of its registration – provided, however, that the mark is not used to deceive the public. If the registrant controls a person's use of a mark in terms of the nature and quality of the goods or services to which it is attached, such use shall inure to the benefit of the registrant.<sup>188</sup>

The IP Code has not specifically defined "use," but it is understood that the "use" required to maintain the registration of a mark must be genuine and not merely token.

Based on foreign authorities, "genuine use" may be characterized as a good faith use that results, or tends to result, in one way or another, in a commercial interaction or transaction in the ordinary course of trade.<sup>189</sup> In this sense, "trademark use" is to be distinguished from use of a mark that is simply descriptive.

The use of a registered mark representing the owner's goods or services by means of an interactive website may constitute proof of actual use that is sufficient to maintain the mark's registration. The mere exhibition of goods or services over the internet, without more, is *not* enough to constitute actual use.<sup>190</sup>

**TIP** In the IP Office, in the context of acquiring rights to a mark, the following are accepted as proof of actual use of a mark:

- labels of the mark as these are used;
- downloaded pages of the applicant's or registrant's website, clearly showing that the goods are being sold or the services are being rendered in the Philippines;
- photographs, including digital photographs printed on ordinary paper, of goods bearing the marks as these are actually used, or of the stamped or marked container of goods and of the establishment(s) where the services are being rendered;

182 IP Code, s. 151(b).

183 IP Code, s. 151(c).

184 IP Code, s. 152.

185 IP Code, s. 152.1.

186 IP Code, s. 152.2.

187 IP Code, s. 152.3.

188 IP Code, s. 152.4.

189 See, e.g., *W Land Holdings, Inc. v. Starwood Hotels and Resorts Worldwide, Inc.*, G.R. No. 222366, December 4, 2017.

190 See *W Land Holdings, Inc. v. Starwood Hotels and Resorts Worldwide, Inc.*, G.R. No. 222366, December 4, 2017.

- brochures or advertising materials showing the actual use of the mark on the goods being sold or services being rendered in the Philippines;
- for online sale, receipt of sale of the goods or services rendered or other similar evidence of use, showing that the goods are placed on the market or the services are available in the Philippines, or that the transaction took place in the Philippines;
- copies of contracts for services showing the use of the mark (although note that computer printouts of the drawing or reproduction of marks shall not be accepted as evidence of use); and
- such other proofs as the court may deem acceptable.

Although IP Office practice is not applicable in the court, examiners in the IP Office frequently deal with such issues, and hence its approach may help judges to assess the evidence before them.

### 2.9.3 In civil and criminal proceedings

In both civil and criminal cases of alleged trademark infringement, the complainant must establish:

- the validity of the trademark;
- that it owns the trademark;
- that the alleged infringer has used the trademark or its colorable imitation;
- that the allegedly infringing use was in respect of the same or closely related goods or services to those in respect of which the trademark is registered; and
- that the allegedly infringing use results in a likelihood of confusion.<sup>191</sup>

Each of these elements is discussed in more detail in the following sections.

#### SAMPLES

Users of this benchbook will find, at the end of this chapter, the following anonymized sample judgments:

- Appendix 2.A is an example of a judgment in a criminal case relating to counterfeit alcohol products in which the accused was found guilty of violating Section 155 of the IP Code. Penalties were imposed pursuant to Section 170 of the IP Code.
- Appendix 2.B is an example of a judgment in a criminal case relating to counterfeit dental products in which the accused was found guilty of violating Section 155 of the IP Code. The accused was also found guilty of committing unfair competition pursuant to Section 168 of the IP Code. Penalties were imposed pursuant to Section 170 of the IP Code.
- Appendix 2.C is an example of a judgment in a civil case for trademark and trade name infringement relating to the hotel industry. The defendant was also accused of committing unfair competition. The claim was dismissed.

#### 2.9.3.1 Validity of registration and ownership of the mark

A certificate of registration of a trademark shall be *prima facie* evidence of:

- the validity of the registration;
- the registrant's ownership of the mark; and
- the registrant's exclusive right to use the mark in connection with the goods or services specified in the certificate.<sup>192</sup>

The defendant may, however, rebut such presumptions in the event that they establish grounds for cancellation.

In *Zeneca Pharmaceutical v. Natrapharm, Inc.*,<sup>193</sup> the court identified the instances in which this may happen – namely:

- the first registrant has acquired ownership of the mark through registration but subsequently lost it as a consequence of non-use or abandonment (e.g., failure to file the declaration of actual use);

<sup>191</sup> IP Code, s. 155.

<sup>192</sup> IP Code, s. 138.

<sup>193</sup> G.R. No. 211850, September 8, 2020.

- the mark was registered in bad faith;
- the mark itself has become generic;
- the mark was registered contrary to the IP Code (e.g., should a generic mark have been successfully registered for some reason); or
- the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used.

### 2.9.3.2 Use of the trademark or a colorable imitation of the mark

A “colorable imitation” is one that denotes so close or ingenious an imitation that it must be calculated to deceive ordinary persons, or with so close a resemblance to the original that it deceives an ordinary purchaser giving only such attention as a purchaser usually gives and causes them to purchase the imitation supposing it to be the other.<sup>194</sup>

In determining whether a mark is a colorable imitation or is used in a way that is likely to result in confusion with a registered mark, it is important to remember that:

- there is no fixed set of rules that govern the determination;
- each case must be decided on its own merits;
- a side-by-side comparison is not the final test of similarity; and
- the touchstone is the general impression of the ordinary purchaser, buying under normal conditions of trade and giving only such attention as purchasers usually give in buying that class of goods.

Historically, the Supreme Court has used two tests to determine whether there is a colorable imitation, known as the dominancy test and the holistic test.

The **dominancy test** was finally adopted as the governing test, and the holistic test abandoned, in *Kolin Electronics Co., Inc. v. Kolin Philippines International, Inc.*<sup>195</sup> That decision was found to be consistent with Section 155.1 of the IP Code, which defines infringement as the “colorable imitation of a registered mark ... or a dominant feature thereof.”

The dominancy test focuses on the similarity of those prevalent features of the competing trademarks that might cause confusion or deception and thus constitute infringement.

Similarity in size, form and color, while relevant, is not conclusive. If the competing trademark contains the main or essential (dominant) features of another and confusion or deception is likely to result, infringement takes place.

In *Dermaline, Inc. v. Myra Pharmaceuticals, Inc.*,<sup>196</sup> the court applied the dominancy test to deny an application for registration of the trademark “DERMALINE, INC.” The court held the dominant feature of the applied mark to be “DERMALINE” and practically identical to the registered trademark “DERMALIN”:

- both marks contain the same first eight letters;
- both marks are pronounced in the same way; and
- each mark has three syllables, each with identical sound and appearance.

In *Société Produits Nestlé, S.A. v. Dy, Jr.*,<sup>197</sup> the court found the use of name “NANNY” for powdered milk for all ages confusingly similar to the “NAN” trademark owned by Nestlé for use in its line of infant powdered milk products, which includes “PRENAN,” “NAN-H.A.,” “NAN-1” and “NAN-2.” The court held “NAN” to be the prevalent feature of Nestlé’s line of products and “NANNY” to clearly contain the prevalent feature: both marks use the same first three letters and they are aurally similar when pronounced. It did not matter that NAN is intended for infants, while NANNY is for children past infancy and adults, nor that NAN is more expensive than NANNY. The court held that Nestlé should be free to use its mark on similar products, in different segments of the market and at different price levels.<sup>198</sup>

194 *Société Des Produits Nestlé, S.A. v Court of Appeals*, G.R. No. 112012, April 4, 2001.

195 G.R. No. 228165, February 9, 2021.

196 G.R. No. 190065, August 16, 2010.

197 G.R. No. 172276, August 8, 2010.

198 See also: *McDonalds Corp. v. LC Big Mak Burger, Inc.*, G.R. No. 143993, August 18, 2004.; *Berris Agricultural Co., Inc. v. Norvy Abdayang*, G.R. No. 183404, October 13, 2010; *Skechers, United States v. Inter Pacific Industrial Trading Corp.* G.R. No. 164321, March 28, 2011.

The **holistic test** (or totality rule) is consequently now relevant for historical purposes only. The test considered the entirety of the marks, including labels and packaging, in determining confusing similarity. The focus was not only on the predominant words but also on the other features appearing on both labels.

In *Great White Shark Enterprises, Inc. v. Caralde, Jr.*,<sup>199</sup> the court considered whether the following marks were confusingly similar:



The court held that there were evident and significant visual differences between the two marks, negating the possibility that the ordinary purchaser might be confused – and especially given the distinct aural difference between the marks. Applying either test, no confusing similarity between the subject marks could be found.<sup>200</sup>

**TIP**

Evidence of the use of a trademark usually offered includes, but is not limited to, the following:

- the complainant’s or trademark owner’s judicial affidavit;
- other witnesses’ judicial affidavit(s);
- certificates of registration – with the IP Office and/or with foreign registries;
- samples of both the genuine product and the infringing products;
- tags, boxes, prints, packages, wrappers, receptacles, advertisements and other promotion or packaging paraphernalia of the infringing products;
- sales invoices, delivery receipts, official receipts, ledgers, journals, purchase orders and other books of accounts and documents used in recording the offering for sale and/or commercial distribution of the infringing products;
- certification that the trademark owner did not produce or authorize production of the infringing products;
- a map showing the location at which the infringing products were sold;
- pictures and/or sketches of the premises at which they were sold;
- business permits, licenses, Department of Trade and Industry registration, or Food and Drugs Administration registration;
- articles of incorporation or a general information sheet; and
- training certificates of witnesses testifying on the relative authenticity of products.

**2.9.3.3 Determining whether there is a likelihood of confusion**

Likelihood of confusion shall be presumed in the event that an identical sign or mark is used for identical goods or services to those for which the original mark is registered.<sup>201</sup>

Goods or services may not be considered similar or dissimilar to each other only on the ground that, in any IP Office registration or publication, they are attached to the same or different goods or services under the Nice Classification.<sup>202</sup> The Nice Classification is an international classification of goods and services (see Chapter 1 of the first volume in this series).<sup>203</sup>

199 G.R. No. 192294, November 21, 2012.

200 See also *Mighty Corp. v. E.J. Gallo Winery*, G.R. No. 154342, July 14, 2004.

201 IP Code, s. 147.1.

202 IP Code, s. 144.2.

203 The Nice Classification is available at [www.wipo.int/classifications/nice/nclpub/en/fr/](http://www.wipo.int/classifications/nice/nclpub/en/fr/)

- To assess likelihood of confusion in the case of **goods**, the test is whether the ordinarily prudent purchaser would be induced to purchase the infringing product in the belief that they were purchasing the other.
- In the case of **services**, where the goods of the parties are different, the appropriate way of assessing the likelihood of confusion is whether the defendant's product is such as might reasonably be assumed to originate with the plaintiff and the public would be deceived into either that belief or the belief that there is some connection between the plaintiff and the defendant, when none exists.<sup>204</sup>

In *Mighty Corp. v. E.J. Gallo Winery*,<sup>205</sup> the Supreme Court observed that the following factors are useful to assessing the likelihood of confusion:

- the business to which the goods belong (and its location);
- the class of products to which the goods belong;
- the product's quality, quantity or size, including the nature of any package, wrapper or container;
- the nature and cost of the articles;
- the descriptive properties, physical attributes or essential characteristics, with reference to their form, composition, texture or quality;
- the purpose of the goods;
- whether the article is bought for immediate consumption (e.g., everyday household items);
- the fields of manufacture;
- the conditions under which the article is usually purchased; and
- the channels of trade through which the goods flow (i.e., how they are distributed, marketed, displayed and sold).

More recently, in *Kolin Electronics Co., Inc. v. Kolin Philippines International, Inc.*,<sup>206</sup> the Supreme Court observed that several factors may be taken into account in determining the likelihood of confusion, such as:

- the strength of the plaintiff's mark;
- the degree of similarity between the plaintiff's and the defendant's marks;
- the proximity of the products or services;
- the likelihood that the plaintiff will bridge the gap;
- evidence of actual confusion;
- the defendant's good faith in adopting the mark;
- the quality of defendant's product or service; and/or
- the sophistication of the buyers.

The Supreme Court in *Kolin* described these criteria as the "multifactor test." Out of these criteria, the resemblance of marks (the degree of similarity between the plaintiff's and the defendant's marks) and the relatedness of goods or services (the proximity of products or services) are the two most important.

In determining the existence of confusing similarity in corporate names, the test is whether the similarity is such as to mislead a person using ordinary care and discrimination. The likelihood of confusion is accentuated in cases in which the goods or business of one corporation are the same, or substantially the same, as those of another corporation. Proof of *actual* confusion between the two corporate names is unnecessary; it suffices that confusion is probable or likely to occur.

The defendant is presumed to have known, or to have reasonably suspected, that the infringement or imitation is likely to cause confusion, or to cause mistake, or to deceive if:

- the registrant gives notice that the mark is registered by displaying with the mark the words "Registered Mark" or the letter R within a circle, ®; or
- the defendant otherwise had actual notice of the registration.

204 See, e.g., *McDonalds Corp. v. LC Big Mak Burger, Inc.*, G.R. No. 143993, August 18, 2004.

205 G.R. No. 154342, July 14, 2004.



206 G.R. No. 228165, February 9, 2021.

While less commonly used in the Philippines, a market survey is a scientific market or consumer survey that either party can offer in evidence to prove:

- the primary significance of a mark to the relevant public, including its distinctiveness, its descriptive or generic status and its strength or well-known status; and/or
- the likelihood of confusion.

For illustrative purposes, Table 2.1 sets out examples of cases in which the court found there to have been a likelihood of confusion.

**Table 2.1 Cases in which confusion was found to be likely**

Proceeding	Summary of findings	Disputed marks
<i>Kolin Electronics Co., Inc. v. Kolin Philippines International, Inc.</i> <sup>207</sup>	<ul style="list-style-type: none"> <li>• The court found KPII's kolin mark to resemble KECI's KOLIN mark because the word "KOLIN" is the dominant feature of both marks. The court found that, phonetically or aurally, the marks are exactly the same. Moreover, the manner of pronouncing the word "KOLIN" does not change just because KPII's mark is in lowercase and contains an italicized orange letter "i."</li> <li>• In terms of connotation and overall impression, the court found there to be no difference between the two marks.</li> <li>• Moreover, the court found the goods covered by KOLIN and kolin to be related, and this to significantly heighten the likelihood of confusion.</li> </ul>	
<i>Prosel Pharmaceuticals v. Tynor Drug House</i> <sup>208</sup>	<p>The court found a likelihood of confusion between Tynor's "CHERIFER" and Prosel's "CEEGERFER," noting that:</p> <ul style="list-style-type: none"> <li>• both products are over-the-counter multivitamins targeting the same relevant market</li> <li>• both names are visually and aurally similar</li> <li>• both logos are strikingly similar; and</li> <li>• both products have similar packaging using the colors orange and yellow.</li> </ul>	
<i>Republic Gas Corp. v. Petron, et al.</i> <sup>209</sup>	<ul style="list-style-type: none"> <li>• The court held that the unauthorized use of a container bearing a registered trademark in connection with the sale, distribution or advertising of goods is likely to cause confusion and can be considered trademark infringement.</li> <li>• The respondent infringed on the petitioner's marks when it refilled LPG tanks bearing the petitioner's "GASUL" and "SHELLANE" marks without authorization.</li> </ul>	<p>GASUL</p> <p>SHELLANE</p>

207 G.R. No. 228165, February 9, 2021.

208 G.R. No. 248021, September 30, 2020.





209 G.R. No. 194062, June 17, 2013.



Proceeding	Summary of findings	Disputed marks
<i>Skechers United States v. Inter Pacific Trading Corp., et al.</i> <sup>210</sup>	<ul style="list-style-type: none"> <li>Applying the dominance test, the court found a likelihood of confusion between the trademark "SKECHERS," as well as the trademark "S" (within an oval design), for use on footwear and the use of the stylized "S" in "Strong" rubber shoes by the respondent, Inter Pacific Trading.</li> <li>The court held the dominant feature to be the stylized "S," which catches the eye of the ordinary purchaser, and that the respondent had stylized its own letter "S" in the exact same way as the petitioner's mark.</li> <li>The court found a wide variety of other similarities in the products themselves, such as color scheme, design, pattern and location of the "S" symbol.</li> </ul>	SKECHERS and S (with an oval design)  STRONG
<i>Dermaline, Inc. v. Myra Pharmaceuticals, Inc.</i> <sup>211</sup>	<ul style="list-style-type: none"> <li>The court held the likelihood of confusion to be apparent even though the marks had differences. This is because the marks are spelled in almost the same way, except that Dermaline's mark ends with the letter "e," and they are pronounced identically as three syllables, the ending letter "e" in Dermaline's mark pronounced silently. Thus the court held that if an ordinary purchaser, for example, were to hear an advertisement of Dermaline's applied trademark over the radio, chances are they would associate it with Myra's registered mark.</li> <li>Further, the court did not accept Dermaline's stance that its product belonged to a separate and different classification from Myra's products and that this would eradicate the possibility of mistake on the part of the purchasing public, especially considering that both classifications pertain to treatments for the skin.</li> <li>The court said that the protection to which the owner of a trademark is entitled is not limited to guarding its goods or business from <i>actual</i> market competition with identical or similar products but extends to all cases in which the use by an appropriator of a trademark or trade name is <i>likely</i> to lead to a confusion of source, i.e., where prospective purchasers would</li> </ul>	DERMALINE  DERMALIN



210 G.R. No. 164321, March 28, 2011 (Resolution).

211 G.R. No. 190065, August 16, 2010.

Proceeding	Summary of findings	Disputed marks
	<p>be misled into thinking that the complaining party has extended its business into the field or is in any way connected with the activities of the infringer; or when it forestalls the normal potential expansion of the complainant's business.</p>	
<p><i>GSIS Family Bank – Thrift Bank v. BPI Family Bank</i><sup>212</sup></p>	<ul style="list-style-type: none"> <li>The court found the likelihood of confusion to be accentuated in cases in which the goods or business of one corporation are the same, or substantially the same, as those of another corporation.</li> </ul>	 
<p><i>Wilton Dy v. Koninklijke Philips Electronics</i><sup>213</sup></p>	<ul style="list-style-type: none"> <li>The court held that examination of the trademarks showed their dominant or prevalent feature to be the five-letter "PHILI," "PHILIPS" (petitioner) and "PHILITES" (respondent). The court found the marks to be confusingly similar with each other such that an ordinary purchaser would conclude an association or relation between the marks.</li> <li>The court said that the consuming public does not have the luxury of time to ruminate on the phonetic sounds of the trademarks, to find out which one has a short or long vowel sound.</li> <li>The court found that the letters "PHILI" visually catch the attention of the consuming public and hence that the respondent's trademark was likely to deceive or cause confusion.</li> <li>The court held it to be relevant and critical to its judgment that both trademarks were used in the sale of the same goods (i.e., light bulbs).</li> </ul>	 

212 G.R. No. 175278, September 23, 2015.

213 G.R. No. 186088, March 22, 2017.


Proceeding	Summary of findings	Disputed marks
<p><i>Mang Inasal Philippines, Inc. v. IFP Manufacturing Corp.</i><sup>214</sup></p>	<ul style="list-style-type: none"> <li>• The court held the fact that the conflicting marks have exactly the same dominant element to be key. It was undisputed that the OK Hotdog Inasal mark copied and adopted as one of its dominant features the “INASAL” element of the Mang Inasal mark.</li> <li>• The court found that the OK Hotdog Inasal mark therefore had the potential to project the deceptive and false impression that it was somehow linked or associated with the complainant’s mark.</li> <li>• The court found the OK Hotdog Inasal mark to also pertain to goods related to the services represented by the Mang Inasal mark.</li> <li>• The court determined that the OK Hotdog Inasal mark could not be registered because its use was likely to deceive or cause confusion on the part of the public and hence also was likely to infringe the Mang Inasal mark.</li> </ul>	
<p><i>McDonalds Corp. v. L.C. Big Mak Burger, Inc.</i><sup>215</sup></p>	<ul style="list-style-type: none"> <li>• Applying the dominance test, the court found respondents’ use of the “Big Mak” mark to result in the likelihood of confusion.</li> <li>• In short, the court found that, 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 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. In spelling, considering the Filipino language, even the last letters of both marks are the same.</li> <li>• The court found the marks to have been applied to the same food product of hamburgers.</li> <li>• The court noted that while proof of actual confusion is the best evidence of infringement, its absence was inconsequential.</li> </ul>	

214 G.R. No. 221717, June 19, 2017.

215 G.R. No. 143993, August 18, 2004.

For illustrative purposes, Table 2.2 sets out examples of cases in which the court found there to have been *no* likelihood of confusion.

**Table 2.2 Cases in which confusion was found to be *unlikely***

Proceeding	Summary of findings	Disputed marks
<i>Citigroup, Inc. v. Citystate Savings Bank, Inc.</i> <sup>216</sup>	<ul style="list-style-type: none"> <li>The court held the prevalent feature of respondent's mark, the golden lion's head device, not to be present at all in any of petitioner's marks.</li> <li>The court found the only similar feature between respondent's mark and petitioner's collection of marks to be the word "CITY" in the former and the "CITI" prefix found in the latter. The court found that this similarity alone was not enough to create a likelihood of confusion.</li> <li>This court also found that the context in which the respondent's mark is used – namely, for its ATM services at the respondent's premises and not in an open market of ATM services – further diminished the possibility of confusion on the part of prospective customers.</li> </ul>	 
<i>Seri Somboonsakdikul v. Orlane S.A.</i> <sup>217</sup>	<ul style="list-style-type: none"> <li>The court held that the suffix "LANE" not to be the dominant feature of the petitioner's mark.</li> <li>The court found there to be noticeable differences in the way in which the marks are written or printed. There are visual differences between LOLANE and ORLANE, since the mark ORLANE is in plain block upper case letters while the mark LOLANE was rendered as a stylized word with the second letter "L" and the letter "A" cojoined.</li> <li>The court found the aural aspect of the marks, LOLANE and ORLANE, not to sound alike. The first syllables of each mark do not sound alike, while the proper pronunciation of the last syllable also differ.</li> </ul>	 

#### 2.9.4 Defenses to allegations of infringement

Defenses to infringement of a trademark include:

- good faith use of a person's own name, address, pseudonym, geographical name or indications of kind, quality, quantity, destination, value, place of origin or time of production or supply;<sup>218</sup>
- good faith use of the trademark before its priority date;<sup>219</sup>
- use of the trademark on an unrelated article of a different kind or description; and
- where the alleged infringer has obtained a license to use the registered trademark from the registered owner.

<sup>216</sup> G.R. No. 205409, June 13, 2018.

<sup>217</sup> G.R. No. 188996, February 1, 2017.

<sup>218</sup> IP Code, s. 148.

<sup>219</sup> IP Code, s. 159.1. See, e.g., *Fredco Manufacturing Corp. v. President & Fellows of Harvard College (Harvard University)*, G.R. No. 185917, June 1, 2011.

For example, in *Pearl and Dean (Phil.) Inc. v. Shoe Mart Inc., et al.*,<sup>220</sup> the court held that a trademark registration conferred the exclusive right to use the mark only for those goods specified in the certificate. There was therefore no trademark infringement when the respondent used the mark "Poster Ads" on advertising display units, because the only goods specified in the petitioner's trademark certificate were "stationeries such as letterheads, envelopes, calling cards, and newsletters."

In *Esso Standard Eastern, Inc. v. Court of Appeals*,<sup>221</sup> the court found there to be no trademark infringement in the respondent's use of "ESSO" on its cigarettes, because the respondent's goods are clearly noncompeting and entirely unrelated to the petitioner's use of its trademark "ESSO" for petroleum products.<sup>222</sup>

If the infringer was engaged solely in the business of printing, publishing or distributing the mark or other infringing materials for others and is an innocent infringer, the owner of the right infringed shall be entitled to seek of such an infringer only an injunction against future printing.

## 2.10 Remedies

What follows are the remedies broadly available in the event of trademark infringement in the Philippines.

See also Chapter 4 of the first volume in this series, *Introduction to the International Legal Framework for Intellectual Property*, on remedies more generally.

### 2.10.1 Trademark found to be invalid or cancelled

In any action involving a registered mark, the court may determine the right to registration, order the cancellation of registration, in whole or in part, and otherwise rectify the register with respect to the registration of any party to the action.<sup>223</sup>

If such determination is made, the court shall provide its judgment and orders to the IP Office, which shall make appropriate amendments to the record.

### 2.10.2 Trademark found to be infringed

#### 2.10.2.1 Criminal

In criminal proceedings, an infringer may be subject to a penalty of imprisonment for a period of between two and five years *and* to pay a fine of between P 50,000 and P 200,000.<sup>224</sup>

#### 2.10.2.2 Civil

In a civil suit, the owner of a trademark may seek any of the following remedies for trademark infringement.

#### *Damages*

Section 156.1 of the IP Code provides that damages may be awarded for infringement of a trademark:

The owner of a registered mark may recover damages from any person who infringes his rights, and the measure of the damages suffered shall be either the reasonable profit which the complaining party would have made, had the defendant not infringed his rights, or the profit which the defendant actually made out of the infringement, or in the event such measure of damages cannot be readily ascertained with reasonable certainty, then the court may award as damages a reasonable percentage based upon the amount of gross sales of the defendant or the value of the services in connection with which the mark or trade name was used in the infringement of the rights of the complaining party.

220 G.R. No. 148222, August 15, 2003.

221 G.R. No. L-29971, April 31, 1982.

222 See also *Ecole De Cuisine Manile (Cordon Bleu of the Phil.) v. Renaud Cointreau & Cie and Le Cordon Bleu Intl.*, G.R. No. 185830, June 5, 2013; *Birkenstock Orthopaedie GMBH and Co. v. Philippines Shoe Expo Marketing Corp.*, G.R. No. 194307, November 20, 2013.

223 IP Code, s. 161.

224 IP Code, s. 170.

In cases in which actual intent to mislead the public or to defraud the complainant is shown, the court has the discretion to double its award of damages.<sup>225</sup>

Before such damages may be awarded, however, it must be established that the infringing acts were committed with knowledge that such imitation would be likely to cause confusion, or to cause mistake, or to deceive.<sup>226</sup> Such knowledge is presumed if the registrant gives notice that its mark is registered by displaying with the mark the words “Registered Mark” or the letter “R” within a circle, ®, or if the defendant otherwise had actual notice of the registration.<sup>227</sup>

Damages may be recovered only within four years of the date on which the cause of action arose.<sup>228</sup>

#### *Seizure, destruction and/or disposal of infringing material*

The court may impound invoices and other documents evidencing sales.<sup>229</sup> For more on search and seizure writs generally in intellectual property cases, see section 1.8.1.2 of the first chapter in this volume.

The court may make orders for the destruction or disposal of infringing material.<sup>230</sup> For more on disposal or destruction orders, see section 1.8.1.3 of the first chapter in this volume.

#### *Injunctions*

A complainant may, upon showing proper cause, be granted an injunction.<sup>231</sup>

If an infringement was innocent, an injunction against future conduct is the only available remedy; the owner of the trademark cannot seek a remedy against the past conduct.<sup>232</sup>

## 2.11 Unfair competition, false designation of origin and false description or representation

### 2.11.1 Unfair competition

Any person who employs deception, or any other means contrary to good faith, to pass off the goods they have manufactured or in which they deal, or their business or services, for those of another person who has established goodwill, or who commits any acts calculated to produce such as result, shall be guilty of unfair competition.<sup>233</sup>

Accordingly, the elements of unfair competition can be summarized as:

- confusing similarity in the general appearance of the goods; and
- intent to deceive the public and defraud the competitor.

Without limiting the scope of protection against unfair competition, Section 168.3 of the IP Code provides that the following persons shall be deemed guilty of unfair competition:

- any person who is selling their goods and gives them the general appearance of goods of another manufacturer or dealer, either as in terms of the goods themselves or their packaging, or the devices or words on the packaging, or in any other way that would be likely to influence purchasers to believe that the goods offered are those of a manufacturer or dealer other than the actual manufacturer or dealer, or who otherwise clothes the goods with such appearance to deceive the public and defraud another manufacturer or dealer of their legitimate trade;
- any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose;

<sup>225</sup> IP Code, s. 156.3.

<sup>226</sup> IP Code, s. 158.

<sup>227</sup> IP Code, s. 158.

<sup>228</sup> IP Code, s. 226.

<sup>229</sup> IP Code, s. 156.2.

<sup>230</sup> IP Code, s. 157.

<sup>231</sup> IP Code, s. 156.4.

<sup>232</sup> IP Code, ss. 159.2 and 159.3.

<sup>233</sup> IP Code, s. 168.2.

- any person who is selling their services and aims, by any artifice or device, or any other calculated means, to induce the false belief that they are offering the services of someone else with whom such services are identified in the mind of the public; or
- any person who makes any false statement in the course of trade or commits any other act contrary to good faith of a nature calculated to discredit someone else's goods, business or services.

For example, in *Shirley Torres v. Imelda and Rodrigo Perez*,<sup>234</sup> the respondents formed a partnership with the petitioner's daughter, from which the latter subsequently withdrew. The petitioner filed a complaint for unfair competition, alleging that the respondents were passing off the "Naturals" brand, whereas the "Naturals with Design" mark was registered to SCC, a partnership between the petitioner and her daughter. The court noted that the key elements of unfair competition are "deception, passing off and fraud upon the public," and it found there to be no unfair competition because the respondents were using the mark in good faith and without deceiving the public about the origin of the clothing supply.

The remedies available against infringement are also available against unfair competition (see section 2.10).<sup>235</sup>

#### **SAMPLE**

Users of this benchbook will find, at the end of this chapter, the following anonymized sample judgments.

- Appendix 2.B is an example of a judgment in a criminal case relating to counterfeit dental products in which the accused was found guilty of violating Section 155 of the IP Code. The accused was also found guilty of committing unfair competition pursuant to Section 168 of the IP Code. Penalties were imposed pursuant to Section 170 of the IP Code.
- Appendix 2.C is an example of a judgment in a civil case for trademark and trade name infringement relating to the hotel industry. The defendant was also accused of committing unfair competition. The claim was dismissed.

#### **2.11.2 False designation of origin or false description or representation**

A person is guilty of making false designations of origin, or a false description or representation, if, on or in connection with any goods or services, or any container for goods, they use in commerce any word, term, name, symbol or device, or any combination of such things, or make any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which:

- is likely to cause confusion, or to cause mistake, or to deceive the public about its affiliation, connection or association with another person, or about the origin, sponsorship or approval of their goods, services or commercial activities by another person; or
- in commercial advertising or promotion, misrepresents the nature, characteristics, qualities or geographic origin of their own or another person's goods, services or commercial activities.<sup>236</sup>

The remedies available against trademark infringement are also available against false designations of origin or false description or representation (see section 2.10).

234 G.R. No. 188225, November 28, 2012.

235 IP Code, s. 168.4.

236 IP Code, s. 169.1. See, e.g., *Chester Uyco, et al. v. Vicente Lo*, G.R. No. 202423, January 28, 2013.







*bearing replicas and unauthorized reproductions of the trademarks and designs "CHIVAS," thereby causing confusion to the general public and to the damage and prejudice of \_\_\_\_\_, its rightful trademark owner.*

*Contrary to law.*<sup>237</sup>

After finding **probable cause**,<sup>238</sup> a warrant<sup>239</sup> for his arrest was issued on 21 November 2016. He was arrested on 28 March 2017, and subsequently posted cash bond<sup>240</sup> for his provisional liberty.<sup>241</sup>

During the arraignment on 19 April 2017, accused failed to appear despite notice. Hence, his cash bond was forfeited in favor of the government, and a Bench Warrant<sup>242</sup> for his arrest was issued. In the meantime, the arraignment and pre-trial were reset.<sup>243</sup>

On 21 April 2017, accused filed an urgent motion to lift warrant of arrest.<sup>244</sup> Considering his voluntary appearance on the hearing of the motion and explanation of his absence during arraignment, the Bench Warrant was lifted.<sup>245</sup>

When **arraigned** on 17 May 2017, accused, assisted by Atty. \_\_\_\_\_, pleaded **not guilty** to the offense charged. Upon joint motion, the **civil aspect** was referred for mediation,<sup>246</sup> and the parties successfully reached a **settlement**.<sup>247</sup> Thereafter, they filed a Memorandum of Agreement,<sup>248</sup> insofar as the civil aspect, on 19 June 2017. As to the **criminal aspect**, considering the absence of prosecution's essential witness and the express reluctance to testify, the case was **provisionally dismissed**.<sup>249</sup>

However, accused **failed to comply** with his **obligation** under the **Memorandum of Agreement**. Hence, prosecution filed a **motion to revive** with motion for issuance of writ of execution on 13 March 2018.<sup>250</sup> The motion to revive the criminal aspect was granted. In the meantime, accused was given time to comment on the motion for execution.<sup>251</sup> However, none was filed. **Accused jumped bail.**

During the **pre-trial** of the criminal aspect, accused, through Atty. \_\_\_\_\_, admitted the territorial jurisdiction of this court. Thereafter, the prosecution marked its documentary pieces of evidence, while the defense reserved its right to mark.<sup>252</sup> Subsequently, **trial ensued.**

**Evidence** for the **prosecution** consists of the testimonies of Atty. \_\_\_\_\_,<sup>253</sup> NBI Agent \_\_\_\_\_,<sup>254</sup> and that of \_\_\_\_\_,<sup>255</sup> in addition to its documentary evidence.

237 Information, p. 1.

238 Order, November 21, 2016, p. 76.

239 Warrant of Arrest, p. 77.

240 Cash Bond, pp. 79-84.

241 Recall of Order of Arrest, March 29, 2017, p. 85.

242 Bench Warrant of Arrest, p. 91.

243 Order, April 19, 2017, p. 87.

244 Records, pp. 97-100.

245 Order, April 26, 2017, p. 101.

246 Order, May 17, 2017, p. 112.

247 Mediator's Report, June 19, 2017, p. 118.

248 Records, pp. 119-124.

249 Order, July 5, 2017, p. 126.

250 Records, pp. 131-134.

251 Order, March 21, 2018, p. 135.

252 Pre-Trial Order, April 18, 2018, pp. 139-140.

253 Exhibit "K," Judicial Affidavit of Atty. \_\_\_\_\_, pp. 145-148; TSN, Atty. \_\_\_\_\_, May 16, 2018, pp. 8-11.

254 Judicial Affidavit of NBI Agent \_\_\_\_\_, pp. 181-189; TSN, NBI Agent \_\_\_\_\_, June 27, 2018, pp. 5-17.

255 Judicial Affidavit of \_\_\_\_\_, pp. 245-252; TSN, \_\_\_\_\_, August 1, 2018, pp. 5-13; August 22, 2018, pp. 3-13; September 26, 2018, pp. 3-17.

The facts presented by the prosecution are as follows:

Private complainant \_\_\_\_\_ is the owner of the trademark "\_\_\_\_\_"<sup>256</sup> for consumer beverages, consisting of alcohols, spirits, whisky, and liquors.<sup>257</sup>

Atty. \_\_\_\_\_ testified that their firm, \_\_\_\_\_ Law Offices, is the authorized representative of private complainant \_\_\_\_\_ by virtue of Power of Attorney<sup>258</sup> issued in its favor. \_\_\_\_\_ are the registered owners of "Chivas Regal Label" and "Chivas Regal", as shown by the Certificates of Registration issued by the Intellectual Property Office ("IPO").<sup>259</sup>

NBI Special Investigator \_\_\_\_\_ testified that he is assigned to conduct field investigation and research on suspected counterfeiters. As such, investigates on where counterfeit products are manufactured and sold. He participates in the application for search warrants and takes part in the enforcement thereof.<sup>260</sup>

On 14 March 2016, he applied for a search warrant before the Regional Trial Court of \_\_\_\_\_ for a specified area in \_\_\_\_\_ City. Thereafter, Search Warrant No. 16-26050<sup>261</sup> was issued against alias "Tangkad" and other occupants/tenants of 2<sup>nd</sup> Floor Apartment, \_\_\_\_\_ City, for probable infringement of Chivas Regal trademark and its variants.<sup>262</sup>

On 16 March 2016 at 10:15 in the morning, he coordinated and led the enforcement of the Search Warrant against alias "Tangkad", together with the private complainant's counsel and its product specialist. After examination of the samples subject of the warrant, the product specialist found them counterfeit. They seized a total of one hundred seventy-seven (177) bottles bearing Chivas Regal mark, conducted an inventory thereof,<sup>263</sup> and prepared the necessary documents.<sup>264</sup>

On cross-examination, Agent \_\_\_\_\_ confirmed that the photographs marked as Exhibits "N" and series<sup>265</sup> depict empty bottles, boxes, labels, as well as the operatives searching the area. He also confirmed that some of the bottles depicted in the photographs are that of Martell Cordon Blue and Jack Daniels.<sup>266</sup> On re-direct examination, he clarified that his Inventory indicates the number of filled bottles, including the brand names of the liquors.<sup>267</sup>

On clarificatory questions from the court, he explained it was Atty. \_\_\_\_\_, the brand representative, who identified the items seized bearing the brand name and the trademark Chivas Regal Brothers Ltd.<sup>268</sup>

Product Specialist \_\_\_\_\_ avowed that private complainant \_\_\_\_\_ is the manufacturer and producer of liquors bearing "Chivas Regal" and "Royal Salute" brands. As a Product Specialist or Technical Expert since 2010, he is duly authorized<sup>269</sup> to conduct qualitative examination of \_\_\_\_\_ liquor products, including packaging materials, and production paraphernalia. He gained specialized knowledge on various counterfeiting indicators of Chivas' products through various seminars, trainings, and lectures. As such, he is authorized to confirm whether the products presented for examination are real or counterfeit.<sup>270</sup>

On 16 March 2016, he was at \_\_\_\_\_ City with the team of law enforcement agents of NBI-NCR, \_\_\_\_\_ counsel, and counsels of other liquor brands. He was invited by the NBI-NCR

256 Exhibit "C" to "C-1," pp. 21-23.

257 Exhibit "A," Complaint Affidavit, pp. 11-16.

258 Exhibits "B," "B-1" to "B-2," pp. 21-23.

259 *Supra*, Judicial Affidavit of Atty. \_\_\_\_\_, pp. 146-147.

260 *Supra*, Judicial Affidavit of NBI \_\_\_\_\_, pp. 182-183.

261 Exhibit "J," pp. 63-64.

262 *Supra*, Judicial Affidavit of NBI \_\_\_\_\_, pp. 183-184.

263 Exhibit "L-2," p. 69.

264 *Supra*, TSN-NBI \_\_\_\_\_, pp. 6-7.

265 Records, pp. 226-239.

266 *Supra*, TSN-NBI \_\_\_\_\_, pp. 10-11.

267 *Id.* at 13.

268 *Id.* at 16.

269 Exhibit "O," pp. 255.

270 *Supra*, Judicial Affidavit of \_\_\_\_\_, pp. 246-248.

and \_\_\_\_ counsel to identify whether the liquors bearing the brand name “Chivas Regal”, which may be found thereat, are genuine or counterfeit.<sup>271</sup>

Upon his examination of the items subject of the warrant, he found out that there were **counterfeit packaging paraphernalia** of “Chivas Regal” and **counterfeit liquor** bearing the brand “Royal Salute”, including **empty bottles** of **said registered brand names**. He also found out that the top aluminum shrink-wraps for Chivas Regal were counterfeit, as it has a dull metallic rose color. It has a smooth surface without any corrugation, as well as on the snake-skin pattern design. The corrugation on the aluminum shrink-wraps is distinctive only on genuine Chivas Regal shrink-wraps. There were also no production codes printed thereon. The Chivas Brothers Golden Lion icon, and the words “Chivas Regal Blended Scotch Whisky” on top of the aluminum shrink-wrap are of poor quality print, and are not fitted on the cap engravings.<sup>272</sup>

As for the “Royal Salute” brand, he found out that the shrink-wraps were also counterfeit, as they have no distinct perforated tear lines, and no holographic tear strip of genuine Royal Salute products. The shrink-wraps have no production code of any type as well. He issued a Product Specialist Certification<sup>273</sup> relative to his findings.<sup>274</sup>

Upon knowing that the items were indeed counterfeit, he immediately informed the NBI-NCR raiding team and \_\_\_\_ counsel, \_\_\_\_\_. Thereafter, the counterfeit products were all seized.<sup>275</sup> He identified and affirmed his Judicial Affidavit used as his direct testimony.<sup>276</sup>

In **open court**, \_\_\_\_ presented the **original Royal Salute bottle**, and explained that it has a plastic shrink-wrap or seal, which is tamper-evident. It has perforated tear-strip, which has holographic print. The tear-strip is very detailed and it has production codes, which correspond to the code laser-etched on the lower side label of the bottle. Also, the shrink-wrap goes below the bottleneck sticker. The shrink-wrap is the primary tamper-evident component of the product.<sup>277</sup>

He also brought the **original Chivas Regal 18 years**. He described it as having a genuine shrink-wrap, which is not actually flat, as it has a detailed bamboo weave pattern. The prints thereon are clear, crisp, and of good quality. The genuine shrink-wrap has its own tear strip that goes horizontal from the top. It is not perforated, but it has herringbone or fish pattern. Just like the Royal Salute, the shrink-wrap has lot codes that correspond to the lot codes indicated at the back label.<sup>278</sup>

For **comparison** with the **representative sample**, \_\_\_\_ presented, in **open court**, one **navy blue bottle**, specifically classified as ceramic flagon of the brand “Royal Salute”, 21-year old Scotch. He described it as counterfeit as the plastic wrap lacks the distinct markings and distinct perforated tear lines, and has no holographic tear strip and product codes, which should have been etched on the bottle. Moreover, the bottle was just recycled, as the cap appears to be resealed.

He also **identified**, in open court, the **representative samples of empty bottles**<sup>279</sup> of what appears to be 18-year old **Chivas Regal** as counterfeit. The shrink-wrap is made of lead instead of aluminum.<sup>280</sup> The print quality on the shrink-wrap is poor; the color is blue instead of metallic blue, unlike the genuine product; it has a flat surface; and the gold Colin Scott signature on the Chivas crest is not crisp, but blotchy.<sup>281</sup> As to the boxes<sup>282</sup> of Chivas Regal, they are genuine, but they are not brand new.<sup>283</sup>

271 Supra, Judicial Affidavit of \_\_\_\_\_, p. 249.

272 *Id.*, p. 250.

273 Exhibit “Q,” p. 256.

274 Supra, Judicial Affidavit of \_\_\_\_\_, p. 250.

275 *Id.*, p. 251.

276 Supra, TSN- \_\_\_\_\_, August 1, 2018, pp. 5-6.

277 Supra, TSN- \_\_\_\_\_, August 22, 2018, pp. 5-8.

278 Supra, TSN- \_\_\_\_\_, September 26, 2018, pp. 7-8.

279 Exhibits “P-1,” “P-1a” to “P-1m,” pp. 329-342.

280 Supra, TSN- \_\_\_\_\_, August 1, 2018, pp. 7-10.

281 Supra, TSN- \_\_\_\_\_, September 26, 2018, p. 7.

282 Exhibit “P-1L,” p. 341.

283 Supra, TSN- \_\_\_\_\_, August 1, 2018, pp. 11-12.

He further testified that the genuine Royal Salute costs around P4,500.00 to P5,500.00, depending on the retailer, while the representative samples cost around P3,500.00 to P4,000.00.<sup>284</sup>

On cross-examination, \_\_\_\_\_ confirmed he is \_\_\_\_\_ product expert since 2010. He was present when the representative samples, consisting of empty bottles, were seized from accused \_\_\_\_\_.<sup>285</sup>

On 16 October 2018, prosecution filed its formal offer of evidence.<sup>286</sup> However, accused failed to file his comment thereon. Hence, prosecution's exhibits were subsequently admitted.

During the **initial presentation of defense evidence** on 12 December 2018, accused still failed to appear. His counsel manifested that he has not communicated nor coordinated with him as to the presentation of his defense. Nevertheless, he was given another opportunity to appear and present evidence on 06 February 2019.<sup>287</sup> But, accused still failed to appear. Hence, he was **deemed** to have **waived his right to present evidence**, and the case was submitted for decision.<sup>288</sup> Hence, promulgation of judgment was thereupon set.

### I S S U E

Whether accused committed acts of infringement defined under Section 155.1 of Republic Act No. 8293.

### R U L I N G

This court finds he committed the offense charged.

Article 155 of the **Intellectual Property Code** enumerates the acts constituting infringement of trademark, as follows:

**“Section 155. Remedies; Infringement.** - Any person who shall, without the consent of the owner of the registered mark:

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

x x x

x x x

x x x.”

Based on the foregoing, the **elements of trademark infringement** are:

1. The trademark being infringed is registered in the Intellectual Property Office;
2. the infringer uses in commerce any reproduction, counterfeit, copy, or colorable imitation of the registered trademark or the same container or a dominant feature thereof;
3. The infringing mark is used 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;
4. The use of the infringing mark is likely to cause confusion, to cause mistake, or to deceive purchasers or others as to the goods or services themselves; and
5. It is without the consent of the trademark or trade name owner or the assignee thereof.

<sup>284</sup> Supra, TSN\_\_\_\_\_, August 22, 2018, p. 13.

<sup>285</sup> Supra, TSN-Cabiles, September 26, 2018, p. 9.

<sup>286</sup> Records, pp. 288-296.

<sup>287</sup> Order, December 12, 2018, p. 345.

<sup>288</sup> Order, February 6, 2019, p. 348.

Among the elements, the **third element of likelihood of confusion** is the **gravamen** of trademark infringement.

In determining likelihood of confusion, jurisprudence has developed **two tests**, the **dominancy test**, and the **holistic test**. These tests were explained in *Skechers, U.S.A., Inc. v. Inter Pacific Industrial Trading Corp.*,<sup>289</sup> to wit:

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

X X X

X X X

X X X

Relative to the **question on confusion of marks and trade names**, jurisprudence has noted **two (2) types of confusion**, viz.: (1) **confusion of goods** (product confusion), where the ordinarily prudent purchaser would be induced to purchase one product in the belief that he was purchasing the other; and (2) **confusion of business** (source or origin confusion), where, although the goods of the parties are different, the product, the mark of which registration is applied for by one party, is such as might reasonably be assumed to originate with the registrant of an earlier product, and the public would then be deceived either into that belief or into the belief that there is some connection between the two parties, though nonexistent.”<sup>290</sup>

To establish that the seized items were infringing products or are counterfeit, Product Specialist \_\_\_\_\_ positively avowed that the seized bottle products, when compared with the genuine Chivas bottles, revealed **several characteristics of counterfeiting**.

As to the seized bottles, with label **Chivas Regal** 18-year old Scotch whisky, \_\_\_\_\_ avowed on the following **counterfeit features**:

1. the aluminum shrink-wraps have a dull metallic rose color, made of lead instead of aluminum;
2. they have a smooth surface without any corrugation or snake-skin pattern design, distinctive on genuine shrink-wraps;
3. the print quality in the shrink-wrap is poor, the color is blue instead of metallic blue; it has a flat surface, and the gold Colin Scott signature on the Chivas crest is not crisp but blotchy;
4. there are no production codes printed thereon; and
5. the Chivas Brothers Golden Lion icon, and the words “*Chivas Regal Blended Scotch Whisky*” on top of the aluminum shrink-wrap are of poor quality print and are not fitted on the cap engravings.

As to the seized “**Royal Salute**” 21-year old Scotch whisky, he also testified on the following **infringing characteristics**:

1. the shrink-wraps lacked the distinct perforated tear lines and the holographic tear-strip of a genuine product;
- a) the shrink-wraps lacked production code, which should correspond to the code laser-etched on the lower side label of the bottle; and
- b) the bottle has been recycled, as the cap has been resealed.

289 G.R. No. 164321, March 28, 2011 (Resolution).

290 Emphasis supplied.

As thus shown, the **177 empty liquor bottles** seized from accused's place of business, located at the 2<sup>nd</sup> Floor Apartment, \_\_\_\_\_ City, by virtue of Search Warrant No. 16-26050,<sup>291</sup> were **recycled Chivas Regal and Royal Salute ceramic flagons**, with **recycled bottle caps and recycled labels** on the front and back sides of the flagons, **used to refill** them with **replacement spirits** and **resealed with cheap plastic shrink-wraps** to make it appear as genuine. With these established facts, the next issue to determine is whether there exists a likelihood of confusion.

In determining likelihood of confusion, and considering the foregoing established features of the seized items, the **dominancy test** will thus be applied. In applying this test, the determination of whether the seized items would likely cause confusion or deception to the purchasers would be based on the **dominant features** of the **marks** in question.

Applying the Dominancy Test, this court finds that the seized bottle products **appear exactly similar** to \_\_\_\_\_ Chivas Regal and Royal Salute flagons. Undoubtedly, they are likely, if not absolutely, to cause confusion or deception to the purchasers.

Evidently, accused used in commerce, or in his place of business, recycled Chivas bottle liquors, with counterfeit lead plastic shrink-wraps to make it appear as genuine Chivas Regal and Royal Salute bottles. Such indubitably constitutes infringing acts under Section 155.1 of the law.

Considering the foregoing indubitable findings of counterfeiting, and that the seized 177 recycled "Chivas Regal" and "Royal Salute" bottles/flagons were found in accused's place of business, the prosecution has thus sufficiently established a *prima facie* **evidence** that accused \_\_\_\_\_ was the one who **used them in commerce**, or sell them in public, without the consent of private complainant \_\_\_\_\_. Such constitute acts of trademark infringement punishable under Section 170 of Intellectual Property Code.

Besides, Section 3, Rule 18 of the Rules of Procedure for Intellectual Property Rights Cases expressly provides that:

"Section 3. **Presumption of likelihood of confusion.** – Likelihood of confusion shall be presumed in case an identical sign or mark is used for identical goods or services."

Having been constructively found in possession of the recycled and counterfeit Chivas Regal and Royal Salute flagons, it may well be further presumed, in the absence of evidence to the contrary, that accused may have a hand in refilling them with replacement spirits and resealing them with lead plastic shrink-wraps to make it appear as genuine Chivas products thus, deceiving unsuspecting purchasers. Unfortunately, accused failed to overcome the presumption. Again, accused failed to overcome this factual presumption.

To echo the Supreme Court's ruling in one case, "[W]ithal, the protection of trademarks as intellectual property is intended not only to preserve the goodwill and reputation of the business established on the goods bearing the mark through actual use over a period of time, but also to safeguard the public as consumers against confusion on these goods. While respondent's shoes contain some dissimilarities with petitioner's shoes, this Court cannot close its eye to the fact that for all intents and purpose, respondent had deliberately attempted to copy petitioner's mark and overall design and features of the shoes. Let it be remembered, that defendants in cases of infringement do not normally copy but only make colorable changes. The most successful form of copying is to employ enough points of similarity to confuse the public, with enough points of difference to confuse the courts."<sup>292</sup>

#### ***As to the prescribed penalty***

The penalty under R.A. 8293 for acts constituting trademark infringement is as follows:

"**Section 170. Penalties.** - Independent of the civil and administrative sanctions imposed by law, a criminal penalty of imprisonment from two (2) years to five (5) years and a fine ranging from Fifty thousand pesos (P50,000) to Two hundred thousand pesos (P200,000),

291 Exhibit "J," pp. 63-64.

292 *Skechers, U.S.A., Inc. v. Inter Pacific Industrial Trading Corp., et al.*, G.R. No. 164321, March 28, 2011 (Resolution).

shall be imposed on any person who is found guilty of committing any of the acts mentioned in Section 155, Section 168 and Subsection 169.1. (Arts. 188 and 189, Revised Penal Code).<sup>293</sup>

***As to the civil liability***

As pointed out, private complainant \_\_\_\_\_, through its authorized counsel, and accused have executed Memorandum of Agreement<sup>294</sup> insofar as the civil aspect during the mediation proceedings. Unfortunately, accused **failed to comply** with his **obligation** under the Memorandum of Agreement. Hence, the prosecution filed on 13 March 2018 a motion for issuance of writ of execution of accused's obligations under the Agreement.<sup>295</sup> Notwithstanding the period given, accused filed no comment thereon, as he actually jumped bail.

**WHEREFORE**, this court finds accused XXX **GUILTY** beyond reasonable doubt of committing trademark infringement in violation of Section 155.1 of Republic Act No. 8293 and, accordingly, sentences him to suffer the indeterminate penalty of imprisonment ranging from **Three (3) years, as minimum, to Four (4) and Six (6) months, as maximum**, and to pay a **Fine of One Hundred Thousand Pesos (P100,000)**.

As to his civil liability, the **OIC Branch Clerk** is directed to **issue a Writ of Execution** to enforce his obligations strictly in accordance with the stipulations under Memorandum of Agreement.

**SO ORDERED.**

*Presiding Judge*

293 Underscoring supplied.

294 Records, pp. 119-124.

295 Records, pp. 131-134.

## Appendix 2.B Sample judgment

**NOTE** | The following sample judgment is from a criminal case relating to counterfeit dental products in which the accused was found guilty of violating Section 155 of the IP Code. The accused was also found guilty of committing unfair competition pursuant to Section 168 of the IP Code. Penalties were imposed pursuant to Section 170 of the IP Code.

**Republic of the Philippines  
REGIONAL TRIAL COURT  
National Capital Judicial Region**

PEOPLE OF THE PHILIPPINES

-versus-

Crim. Case No. \_\_\_\_\_  
For: *Violation of Section 155, in  
relation to 170 of R.A. 8293  
(Trademark Infringement)*

Crim. Case No. \_\_\_\_\_  
For: *Violation of Section 168, in  
relation to 170 of R.A. 8293  
(Unfair Competition)*

"XXX",

*Accused.*

X-----X

### **DECISION**

On 06 October 2017, accused was charged with violation of Sections 155 and 168, in relation to Section 170 of Republic Act No. 8293, the "**Intellectual Property Code of the Philippines**", alleged in separate Information to have been committed as follows:

In Criminal Case No. R-PSY-17-15459-CR:

*That on or about and prior to 5<sup>th</sup> day of May 2017, in Pasay City, Metro Manila, Philippines and within the jurisdiction of this Honorable Court, the above-mentioned accused, with intent to defraud and deceive the public and without the consent and authority from \_\_\_\_\_, the registered owner of the trademark "NSK" as represented by \_\_\_\_\_, did then and there willfully, unlawfully and feloniously engage and use in commerce by selling and/or offering for sale or distribution at Consolidated Booths No. 245/247/248/250, Hall 2 to 4, \_\_\_\_\_ Convention Center, \_\_\_\_\_ City the following:*

- a. 23 boxes containing 2 pieces of dental handpiece;*
- b. 2 sets each containing air motor EX-203;*
- c. 3 sets each containing high speed air turbine handpiece- Pana-Air;*
- d. 2 sets each containing high speed air turbine handpiece-Dynaled;*
- e. 1 set of air motor straight handpiece and motor with manual;*
- f. 3 pieces delivery receipts Nos. 1895, 6110 and 6156 for NSK products.*

*bearing the trademark "NSK" (counterfeit and/or fake) thereby causing confusion to the general public and to the damage and prejudice of Nakanishi, Inc. its rightful trademark owner.*

**CONTRARY TO LAW.<sup>296</sup>**



That on or about and prior to 5<sup>th</sup> day of May 2017, in \_\_\_\_\_ City, Metro Manila, Philippines, and within the jurisdiction of this Honorable Court, the above-named accused, did then and there willfully, unlawfully and feloniously sell the following to wit: (a) 23 boxes containing 2 pieces of dental handpiece, (b) 2 sets each containing air motor EX-203; (c) 3 sets each containing high speed air turbine handpiece-Pana-Air; (d) 2 sets each containing high speed air turbine handpiece-Dynaled; and (e) 1 set of air motor straight handpiece and motor with manual and give them the general appearance of products manufactured by \_\_\_\_\_ which is the owner of the trademark "NSK", either as the goods themselves or in the wrapping of the package in which they are contained, or in the devices or words thereon, or in any other feature of their appearance, or otherwise clothe the goods with such appearance which could likely to influence purchasers and deceive the public to believe that said goods they offer are those manufactured by the latter, thereby defrauding \_\_\_\_\_ of its legitimate trade, or any subsequent vendor of such goods or any agent of any vendor in selling such goods with a like purpose.

**CONTRARY TO LAW.<sup>297</sup>**

After finding **probable cause**, this court issued on 21 December 2017 a warrant<sup>298</sup> for her arrest. She **voluntarily surrendered**<sup>299</sup> on 10 January 2018, and posted cash bond<sup>300</sup> for her provisional liberty.

When **arraigned** on 31 January 2018, accused, assisted by counsel *de officio*, Atty. \_\_\_\_\_, pleaded "not guilty" to the offenses charged.<sup>301</sup> Thereafter, **preliminary conference** and **pre-trial**<sup>302</sup> proceeded wherein accused denied all the facts proposed for stipulation by the prosecution.

Subsequently, trial ensued.

**Prosecution's evidence**

Evidence for the prosecution consists of the testimonies of witnesses \_\_\_\_\_,<sup>303</sup> \_\_\_\_\_,<sup>304</sup> Atty. \_\_\_\_\_,<sup>305</sup> and Atty. \_\_\_\_\_,<sup>306</sup> in addition to its documentary and object pieces of evidence.

\_\_\_\_\_ owned and operated by private complainant \_\_\_\_\_, is the exclusive and authorized distributor and repair service provider of NSK-brand dental products in the Philippines. The NSK trademark is a registered trademark in the Philippines, as evidenced by the Intellectual Property Office (IPO) Certificate of Registration No. 4-2000-001211 valid until 01 July 2024.<sup>307</sup>

\_\_\_\_\_ testified that \_\_\_\_\_ has exclusive *Agency Agreement* and *Certification* from \_\_\_\_\_, renewed every after three years, the latest of which is for 15 October 2017 to 14 October 2020. The Notice to the Public on its exclusive dealership/distributorship agreement was published in *The Philippine Star*.

As \_\_\_\_\_ sole proprietor doing business for almost forty (40) years, \_\_\_\_\_ experienced at least fifty per cent (50%) dropped in sales due to the proliferation of counterfeit NSK-brand dental products and equipment. \_\_\_\_\_'s weak revenue could lead to the termination of the *Agency Agreement* with \_\_\_\_\_.

Subsequently, \_\_\_\_\_ found out that the Philippine Dental Association (PDA) will be conducting its 108<sup>th</sup> PDA Annual Convention at \_\_\_\_\_ Convention Center, \_\_\_\_\_ City from April

<sup>297</sup> *Id.*, p. 94.

<sup>298</sup> Warrant of Arrest, p. 182.

<sup>299</sup> Certificate of Voluntary Surrender, p. 183.

<sup>300</sup> Cash Bond Undertaking, p. 189.

<sup>301</sup> Certificate of Arraignment, p. 202.

<sup>302</sup> Order, pp. 205-208.

<sup>303</sup> TSN-\_\_\_\_\_, dated March 21, 2018, pp. 3-33; dated April 11, 2018, pp. 4-26.

<sup>304</sup> TSN-\_\_\_\_\_, dated May 9, 2018, pp. 4-23.

<sup>305</sup> TSN-\_\_\_\_\_, dated May 30, 2018, pp. 4-10.

<sup>306</sup> TSN-\_\_\_\_\_, dated June 20, 2018, pp. 4-10.

<sup>307</sup> Records, Exhibit "A," Judicial Affidavit, \_\_\_\_\_, pp. 216-230.

30 to May 6, 2017. Through \_\_\_\_\_'s counsel, Atty. \_\_\_\_\_, \_\_\_\_\_ coordinated with the National Bureau of Investigation (NBI) and requested for investigative assistance on the proliferation of fake or counterfeit NSK-brand dental products that may be exhibited or sold during the convention.<sup>308</sup>

On 02 May 2017, NBI Agent III, Atty. \_\_\_\_\_, together with \_\_\_\_\_ conducted surveillance and test buy operation.

NBI Agent \_\_\_\_\_ **avowed** that such test buy operation yielded positive result upon his purchase of one (1) set of assorted dental hand pieces bearing the NSK mark for Php10,000.00 from XXX Dental Trading (*XXX Dental*) at Consolidated Booth Nos. 245/247/248/250, Hall 2 to 4, \_\_\_\_\_ Convention Center, \_\_\_\_\_ City. As proof of purchase, the sales person issued Delivery Receipt No. 7219, under the business name XXX Dental Trading. A business card was likewise given by the sales person.<sup>309</sup>

Agent \_\_\_\_\_ identified the box containing a set of assorted NSK-brand dental hand pieces, EX-203C set, with three (3) operation manuals, as the items he bought during the test buy operation.

The items purchased from were immediately presented to \_\_\_\_\_, Sales Director for South Asia and Product Specialist of \_\_\_\_\_, for examination.

On 04 May 2017, Agent \_\_\_\_\_ applied<sup>310</sup> for search warrants for the seizure of the fake or counterfeit NSK-brand products from XXX Dental Trading. The search warrants<sup>311</sup> were issued by this court.

On 05 May 2017 at 12:15 p.m., NBI operatives, with \_\_\_\_\_, Atty. \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, implemented the Search Warrants at accused's consolidated Booths Nos. 245, 247, 248 and 250, Hall 2 to 4 of \_\_\_\_\_ Convention Center, \_\_\_\_\_ City. The search resulted in the seizure of the following counterfeit or fake NSK dental handpieces:

1. 23 boxes, each containing 2 pieces of dental handpiece, 1 set of air motor straight hand piece and motor with manual;<sup>312</sup>
2. 2 sets, each containing air motor EX-203;<sup>313</sup>
3. 3 sets, each containing high speed air turbine handpiece – Pana-Air;<sup>314</sup>
4. 2 sets, each containing high speed air turbine handpiece – Dynaled;<sup>315</sup> and
5. 3 pieces delivery receipt no. 1895, 6110 and 6155 for NSK products.<sup>316</sup>

Subsequently, **Product Specialist** \_\_\_\_\_ issued a Certification on 08 May 2017, authenticated by the Embassy of the Philippines in Singapore, confirming that the items purchased are indeed fake or counterfeit products.

\_\_\_\_\_ **avowed** that, after careful examination, he found all the items bought through test buy from XXX Dental Trading booths neither originate from \_\_\_\_\_, nor from \_\_\_\_\_. He checked the items' general appearance, serial numbers, seal stickers, materials used, among others. He based his findings on his 15-year knowledge on NSK-brand products and his training from \_\_\_\_\_.

As to the items confiscated by the NBI during the search, \_\_\_\_\_ further testified that he has the list of NSK products with serial numbers well-controlled and kept in \_\_\_\_\_'s head office in Japan. After he referred them to NSK folder in Japan, they found out that all the serial numbers of the confiscated items were not in their records. As such, the confiscated items are counterfeit.

As a product specialist, he explained there are several ways to distinguish a genuine product from a fake product. They can be distinguished by their appearance, quality of the metal, packaging and so on. The easiest way to determine is through the serial number.

308 *Id.*,

309 Exhibit "GG," Judicial Affidavit of Atty. \_\_\_\_\_, pp. 216-230.

310 Exhibits "T" and "T-1," docketed as SW No. 17-001 to SW No. 17-003, pp. 421-429.

311 Exhibits "U" to "U-2," pp. 430-435.

312 Exhibit "X."

313 Exhibit "Y."

314 Exhibit "Z."

315 Exhibit "AA."

316 Exhibit "BB."

On **clarificatory questions**, \_\_\_\_\_ explained that all the serial numbers of NSK products are registered in the company's computer system. If the serial number does not match with the company's records, it can automatically be considered as not original.

On 12 May 2017, Atty. \_\_\_\_\_ submitted a **Return** of Search Warrant to this court on the successful implementation of the search warrants in the presence of XXX Dental Trading sales representatives, particularly \_\_\_\_\_, security officer of \_\_\_\_\_ Convention namely \_\_\_\_\_, and of \_\_\_\_\_'s expert witness, \_\_\_\_\_, and \_\_\_\_\_.

NBI Senior Agent Atty. \_\_\_\_\_ also identified his **Judicial Affidavit**.<sup>317</sup> He confirmed that the seized dental hand piece equipment are the same as those presented in open court. The same items found by Product Specialist \_\_\_\_\_ as counterfeit.

The prosecution **offered** its documentary and object pieces of evidence, which were **admitted**.<sup>318</sup>

Subsequently, accused moved for **leave** to file **demurrer to evidence**, which the prosecution **objected**. The motion for leave was **denied** on 25 July 2018.<sup>319</sup>

### **Defense evidence**

Evidence for the defense consists of \_\_\_\_\_'s lone testimony.<sup>320</sup>

Accused testified she owns the business operating under the name *XXX Dental Trading*. She is not aware that \_\_\_\_\_ is the exclusive and authorized distributor and repair service provider of NSK dental products until private complainant \_\_\_\_\_ filed cases against her. She learned of the exclusive distributorship when she read the *Agency Agreement* between \_\_\_\_\_ and \_\_\_\_\_.

She denied knowledge of the 13 December 2016 publication in *Philippine Star* on the notice to the public of \_\_\_\_\_ NSK brand of dental products and equipment exclusive distributorship and repair service provider. She learned of such notice when she saw the photocopy of the newspaper clipping. Had she known \_\_\_\_\_ as the exclusive distributor of NSK dental products, she would not have sold dental products with NSK mark.

She is not certain if \_\_\_\_\_ is a qualified examiner of NSK dental product. She is not also certain whether the items \_\_\_\_\_ examined were the same products bought from her store, as there were no markings thereon. Similarly, it is uncertain whether the items bought and confiscated were fake, as \_\_\_\_\_ did not examine the serial numbers of said products. Assuming the products are fake, she is also a victim of counterfeiting. She maintained she did not intend to sell fake products to the public.

On **cross-examination**, accused **admitted selling** the dental hand pieces subject of these cases. She is not the authorized distributor of NSK products. Whenever the hand pieces came, some have marks, while others don't have. The doctors did not mind the marks, as they were after the lower price.

Thereafter, accused manifested she has no documentary evidence, and the defense rested its case. The prosecution manifested to present rebuttal evidence.<sup>321</sup>

After repeated settings, the prosecution presented and marked the original issues of the *Philippine Star*, as evidence on rebuttal. Thereupon, the case was submitted for decision and promulgation of judgment was set.<sup>322</sup>

317 Judicial Affidavit of Atty. \_\_\_\_\_, pp. 285-289.

318 Order, p. 517.

319 *Id.*

320 TSN-Sanguyo, dated September 26, 2018, pp. 4-16; and dated September 19, 2018, pp. 9-11.

321 Order, p. 541.

322 Order and Amended Order, pp. 560 & 564, respectively.

## I S S U E

Whether accused committed trademark infringement and unfair competition.

## R U L I N G

This court finds she committed the offenses charged.

### *As to the charge for trademark infringement*

Section 155 of the **Intellectual Property Code** enumerates the **acts constituting infringement of trademark**:

**“Section 155. Remedies; Infringement.** - Any person who shall, **without the consent of the owner** of the registered mark:

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

x x x

x x x

x x x.”<sup>323</sup>

Based on the foregoing, the **elements of trademark infringement** are:

1. “The trademark being infringed is registered in the Intellectual Property Office;
2. The trademark or trade name is reproduced, counterfeited, copied, or colorably imitated by the infringer;
3. The trademark or trade name is used 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;
4. The **use** or **application** of the infringing mark or trade name is **likely to cause confusion** or mistake **or to deceive purchasers** or others as to the goods or services themselves, or **as to the source or origin of such goods** or services or the identity of such business; and
5. It is without the consent of the trademark or trade name owner or the assignee thereof.”<sup>324</sup>

In this case, the **first element** was **duly established**. The prosecution presented the *Certificate of Renewal of Registration*<sup>325</sup> of *NSK* goods/services, particularly Class 10: Dental apparatus and instruments, issued by the Intellectual Property of the Philippines in favor of \_\_\_\_\_ on 01 July 2014 until 01 July 2024, certified by the Director of the Bureau of Trademarks as the true copy of the renewed registration.<sup>326</sup>

That the seized 23 boxes of dental hand pieces, 2 sets of air motor EX-203, 3 sets of high speed air turbine hand piece – Pana-Air, 2 sets high speed air turbine hand piece – Dynaled, all with NSK marks,<sup>327</sup> are **counterfeit goods** was likewise **duly established**.

<sup>323</sup> Emphasis supplied.

<sup>324</sup> *Prosource International, Inc. v. Horphag Research Management SA*, G.R. No. 180073, November 25, 2009; emphasis supplied.

<sup>325</sup> Exhibit “F,” p. 321.

<sup>326</sup> Exhibit “F-1,” p. 322.

<sup>327</sup> Object pieces of evidence, Exhibits “X” to “AA,” as contained in the Inventory of Seized Articles/Property, Exhibits “W” and “W-1,” attached to the Records of the Applications for Search Warrant Nos. 17-001 and 17-002, Exhibits “T” & “T-1.”

The prosecution presented the duly authenticated<sup>328</sup> **Certification**<sup>329</sup> issued by \_\_\_\_\_, NSK \_\_\_\_\_ Director, stating that, after examination and validation of the serial numbers and models of the seized dental items, he found all the “items examined to be counterfeit “NSK” name brands and proceeded from an illegal source and not from \_\_\_\_\_ of Japan nor from its exclusive and authorized representative in the Philippine territory, \_\_\_\_\_.”

Moreover, the prosecution presented **Product Specialist** \_\_\_\_\_, who confirmed and affirmed his 08 May 2017 Certification, as authenticated by the Philippine Embassy in Singapore.

He further **avowed** that, after careful examination, he found all the items bought during the test-buy from XXX Dental Trading booths neither originate from \_\_\_\_\_ nor from \_\_\_\_\_. His examination was based on the items’ general appearance, serial numbers, seal stickers, materials used, among others. He also found the **serial numbers of all the seized items**<sup>330</sup> **not in their records.**

He explained that the easiest way to distinguish a fake product from the genuine one is by the serial number. NSK maintains a List of NSK Products bearing their corresponding serial numbers, well-controlled and kept in \_\_\_\_\_’s head office in Japan. After referral to their Head Office in Japan, they found out that the serial numbers of the seized items are not among the List, thus, are counterfeit.

That accused **used in commerce** the **seized dental items** with NSK marks in connection with the **sale or offering for sale** is also **beyond dispute**. NBI Agent \_\_\_\_\_ avowed that, during the implementation of the three search warrants on 05 May 2017, they seized<sup>331</sup> the following items:

1. 23 boxes, each containing 2 pieces of dental handpiece, 1 set of air motor straight hand piece and motor with manual;<sup>332</sup>
2. 2 sets, each containing air motor EX-203;<sup>333</sup>
3. 3 sets, each containing high speed air turbine handpiece – Pana-Air;<sup>334</sup>
4. 2 sets, each containing high speed air turbine handpiece – Dynaled;<sup>335</sup> and
5. 3 pieces delivery receipt no. 1895, 6110 and 6155 for NSK products.<sup>336</sup>

from accused’s consolidated Booths Nos. 245, 247, 248 and 250 situated at Halls 2 to 4, \_\_\_\_\_ Convention Center, \_\_\_\_\_ City. Agent \_\_\_\_\_’s avowal of the seizure was positively confirmed by \_\_\_\_\_ proprietor \_\_\_\_\_, NSK’s product specialist \_\_\_\_\_, and NBI Agent, Atty. \_\_\_\_\_, who were present during the search on 05 May 2017. Agents \_\_\_\_\_ and \_\_\_\_\_ further avowed that photographs<sup>337</sup> of the implementation were taken during the search. From their positive avowals, it was proven that accused was selling or offering for sale the seized counterfeit items.

Besides, accused **admitted**, on direct-examination, she **owns** XXX Dental Trading.<sup>338</sup> She also admitted, on cross-examination, she was **selling** the dental hand pieces with NSK marks at her Booths 245, 247, 248 and 250 \_\_\_\_\_ Convention Center. She further admitted she is not the authorized distributor of NSK products.<sup>339</sup>

328 Exhibit “CC,” pp. 440-441.

329 Attached to Exhibit “CC,” pp. 442-443.

330 Exhibits “X” to “AA.”

331 Exhibits “W” and “W-1,” Inventory of Seized Articles/Property, pp. 438-439.

332 Exhibit “X.”

333 Exhibit “Y.”

334 Exhibit “Z.”

335 Exhibit “AA.”

336 Exhibit “BB.”

337 Exhibits “V” to “V-1,” pp. 436-437.

338 Records, Judicial Affidavit, Exhibit “1,” p. 538.

339 TSN, September 26, 2018, pp. 8-9.

That the seized dental hand pieces would **likely to cause confusion** or mistake or to deceive **purchasers** or others as to the goods or services themselves, or **as to the source or origin of such goods** was likewise proven.

Among the elements of trademark infringement, the **element of "likelihood of confusion"** is the **gravamen** of the offense.<sup>340</sup>

"Relative to the question on confusion of marks and trade names, jurisprudence has noted **two (2) types of confusion**, viz.: (1) **confusion of goods** (product confusion), where the ordinarily prudent purchaser would be induced to purchase one product in the belief that he was purchasing the other; and (2) **confusion of business** (source or origin confusion), where, although the goods of the parties are different, the product, the mark of which registration is applied for by one party, is such as might reasonably be assumed to originate with the registrant of an earlier product, and the public would then be deceived either into that belief or into the belief that there is some connection between the two parties, though inexistent."<sup>341</sup>

In this case, **confusion of goods** or product confusion **exists**. Even a simple side-by-side examination and comparison of the seized dental hand pieces<sup>342</sup> with the genuine NSK brand dental hand piece<sup>343</sup> glaringly show **exact similarity** in appearance, *NSK* mark, color, size and make. Evidently, an ordinary buyer would be deceived in buying the counterfeit hand piece as it is an exact copy of the genuine NSK dental hand piece.

At first, when the seized items and the genuine NSK product were laid in open court, this court could not even tell the difference between the two, as the seized items were the exact imitation of the original. It was when NSK product specialist \_\_\_\_\_ explained that the differences in the serial number, material and craftsmanship became apparent. Hence, the **fourth essential element** was **duly proven**.

With the exact similarity in appearance, mark, color and size, the two recognized tests in determining likelihood of confusion, the dominancy test and the holistic test, are thus irrelevant.

Admittedly, accused was selling and/or offering to sell the seized counterfeit dental hand pieces **without the consent** of the registered owner, \_\_\_\_\_, and/or its Philippine exclusive distributor \_\_\_\_\_.<sup>344</sup> As such, the **fifth element** undoubtedly **exists**.

#### ***As to the charge for unfair competition***

The acts constituting unfair competition are provided under Section 168 of R.A. 8239, as follows:

"168.1. 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.

168.2. 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 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**, and shall be subject to an action therefor.

Sec. 168.3. In particular, and without in any way limiting the scope of protection against unfair competition, the **following** shall be deemed **guilty of unfair competition**:

<sup>340</sup> *Id.*

<sup>341</sup> *Sketchers, U.S.A. v. Inter Pacific Industrial Trading Corp.; Trendworks International Corporation v. Inter Pacific Industrial Trading Corp.*, G.R. No. 164321, March 28, 2011.

<sup>342</sup> Exhibits "X" to "AA."

<sup>343</sup> Exhibit "DD."

<sup>344</sup> TSN, September 26, 2018, pp. 8-9.

- (a) Any person, who is **selling his goods and gives them the general appearance of goods of another manufacturer or dealer, either as to the goods themselves** or in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance, which **would be likely to influence purchasers** to believe that **the goods offered are those of a manufacturer or dealer**, other than the actual manufacturer or dealer, or who otherwise clothes the goods with such appearance as shall deceive the public and defraud another of his legitimate trade, or any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose;

x x x

x x x

x x x

Section 168.4. The remedies provided by Sections 156, 157 and 161 shall apply *mutatis mutandis*. (Sec. 29, R.A. No. 166a).<sup>345</sup>

As such, "unfair competition has been defined as **the passing off (or palming off) or attempting to pass off upon the public of the goods or business of one person as the goods or business of another** with the end and probable effect of deceiving the public. The **essential elements** of unfair competition are (1) **confusing similarity in the general appearance of the goods**; and (2) **intent to deceive** the public and defraud a competitor.<sup>346</sup>

Specifically, the elements of unfair competition are:

- (a) that the offender **gives his goods the general appearance of the goods of another manufacturer or dealer**;
- (b) that the general appearance is **shown** in the (1) **goods themselves**, or in the (2) wrapping of their packages, or in the (3) device or words therein, or in (4) any other feature of their appearance;
- (c) that the **offender offers to sell or sells** those goods or gives other persons a chance or opportunity to do the same with a like purpose; and
- (d) that there is **actual intent to deceive the public** or defraud a competitor.<sup>347</sup>

In the separate case for unfair competition, **all** the foregoing elements were duly **established**. *First*, as shown, the items seized from accused's consolidated booths are exactly similar to the genuine NSK dental products. *Second*, undeniably, the exact similarity in the general appearance of the seized items with the genuine NSK products are indubitably shown in the items themselves. *Third*, accused \_\_\_\_\_ admitted selling in her Booths the seized dental hand pieces. She even sold some pieces to customers.

Agent \_\_\_\_\_ even presented and identified Delivery Receipts,<sup>348</sup> issued by XXX Dental Trading owned by accused, showing sales of two (2) sets of dental hand pieces, described in the receipts as "NSK" brand.

*Fourth*, accused's **intent to deceive** the public or **defraud** the exclusive distributor can be **inferred** from the **exact similarity** of the dental hand pieces offered for sale to the genuine products. "The intention to deceive may be inferred from the similarity of the goods packed and offered to sale."<sup>349</sup>

345 Emphasis supplied.

346 *Superior Enterprises, Inc. v. Kunnan Enterprises Ltd.*, G.R. No. 169974, April 20, 2010.

347 *NBI-Microsoft Corporation v. Judy Hwang*, G.R. No. 147043, June 21, 2005.

348 Exhibits "BB-1" and "BB-2," pp. 464-465.

349 *The United States v. Gow Chiong*, G.R. No. 7175, September 5, 1912.

“Actual fraudulent intent need not be shown.”<sup>350</sup> The “passing off (or palming off) takes place where by imitative devices on the general appearance of the goods, misleads prospective buyers into buying the merchandize under the impression that they are buying that of the competitor.”<sup>351</sup>

To reiterate, “[T]he key elements of unfair competition are deception, passing off, and fraud upon the public.”<sup>352</sup>

“The **true test of unfair competition** is whether the acts of defendants are such as are calculated to deceive the ordinary buyer making his purchase under the ordinary conditions which prevail in the particular trade to which the controversy relates.”<sup>353</sup>

As pointed out, the **stark similarity** in the **general appearance** of the seized items with the genuine NSK products would **evidently deceive** an ordinary buyer.

Accused’s contention of having no knowledge of \_\_\_\_\_ exclusive distributorship agreement with \_\_\_\_\_ is **immaterial**, as it was shown that \_\_\_\_\_’s caused the notice of its exclusive distributorship agreement in The Philippine Star. Besides, she admitted, on cross-examination, she is not the authorized distributor of NSK products.<sup>354</sup>

#### ***As to the prescribed penalty***

The penalty under R.A. 8293 for acts constituting trademark infringement and unfair competition is as follows:

“**Section 170. Penalties.** - Independent of the civil and administrative sanctions imposed by law, a criminal penalty of imprisonment from two (2) years to five (5) years and a fine ranging from Fifty thousand pesos (P50,000) to Two hundred thousand pesos(P200,000), shall be imposed on any person who is found guilty of committing any of the **acts mentioned in Section 155, Section 168** and Subsection 169.1. (Arts. 188 and 189, Revised Penal Code).”<sup>355</sup>

Applying the Indeterminate Sentence Law, if the offense is punishable by a special law, the court shall sentence the accused to an indeterminate sentence, the maximum term of which shall not exceed the maximum fixed by said law and the minimum term shall not be less than the minimum prescribed by the same – the penalty imposed being a range.<sup>356</sup>

#### ***As to the civil aspect***

Unfortunately, private complainant \_\_\_\_\_ through its owner, \_\_\_\_\_, did not present evidence to warrant award of damages.

Section 156 of the same law requires presentation of the following to entitle the owner or the authorized distributor corresponding damages:

“156.1. The owner of a registered mark may recover damages from any person who infringes his rights, and the **measure of the damages** suffered shall be **either the reasonable profit** which the **complaining party would have made**, had the defendant not infringed his rights, **or the profit** which the **defendant actually made out of the infringement**, or in the event such measure of damages cannot be readily ascertained with reasonable certainty, then the **court may award damages** a reasonable percentage **based upon the amount of gross sales of the defendant** or the value of the services in connection with which the mark or trade name was used in the infringement of the rights of the complaining party. (Sec. 23, First Par., R.A. 166a).”<sup>357</sup>

350 *In-N-Out Burger Inc. v. Sehwan Incorporated*, G.R. No. 179127, December 24, 2008.

351 *McDonalds Corporation v. L.C. Big Mak Burger, Inc.*, G.R. No. 143993, August 18, 2004.

352 *Torres v. Perez*, G.R. No. 188225, November 28, 2012.

353 *Alhambra Cigar and Cigarette Manufacturing Co. v. Pedro N. Mojica*, G.R. No. 8937, March 21, 1914.

354 TSN, September 26, 2018, pp. 8-9.

355 Underscoring supplied.

356 *People v. Luisito Bustinera*, G.R. No. 148233, June 8, 2004.

357 Emphasis supplied.



None of the above basis was presented to sustain an award of damages. \_\_\_\_\_ simply testified that \_\_\_\_\_'s business experienced at least fifty per cent (50%) dropped in sales due to the proliferation of counterfeit NSK-brand dental products and equipment, which, obviously, is not one of the required legal and factual bases for the award.

As held by the Supreme Court, [I]n recovering the loss suffered by the aggrieved party due to "unfair competition," the complainant has three options within which to ascertain the amount of damages recoverable, either (1) the reasonable profit which the complaining party would have made, had the defendant not infringed his rights; or (2) the profit which the defendant actually made out of the infringement; or (3) the court may award as damages a reasonable percentage based upon the amount of gross sales of the defendant or the value of the services in connection which the mark of trade name was issued in the infringement of the rights of the complaining party.<sup>358</sup> Unfortunately, not one of these factual basis was adduced to warrant of civil liability.

**WHEREFORE, in Criminal Case No. R-PSY-17-15459-CR, this court finds accused XXX GUILTY** beyond reasonable doubt of trademark infringement, in violation of Section 155.1 of Republic Act No. 8293, and, accordingly, sentences her to suffer the **indeterminate penalty of imprisonment** ranging from Three (3) years, as minimum, to Four (4) and Six (6) months, as maximum, and to pay a **fine** of One hundred thousand pesos (P100,000).

In **Criminal Case No. R-PSY-17-15460-CR**, this court also finds accused XXX **GUILTY** beyond reasonable doubt of committing unfair competition, in violation of Section 168 of Republic Act No. 8293, and, accordingly, sentences her to suffer the **indeterminate penalty of imprisonment** ranging from Three (3) years, as minimum, to Four (4) and Six (6) months, as maximum, and to pay a **fine** of One hundred thousand pesos (P100,000).

**SO ORDERED.**

*Presiding Judge*

358 *Universal Rubber Products, Inc. v. Hon. Court of Appeals*, G.R. No. L-30266, June 29, 1984; emphasis supplied.

## Appendix 2.C Sample judgment

**NOTE** | The following sample judgment is from a civil case for trademark and trade name infringement relating to the hotel industry. The defendant was also accused of committing unfair competition. The claim was dismissed.

**REPUBLIC OF THE PHILIPPINES  
REGIONAL TRIAL COURT  
NATIONAL CAPITAL JUDICIAL REGION**

XXX

Plaintiff,

-versus-

**CIVIL CASE NO. 73133**

XXX

*Defendant.*

X-----X

### DECISION

This is a Complaint for Trademark and Tradename or Business Name Infringement and Unfair Competition with Prayer for Issuance of a Writ of Preliminary Injunction and Damages filed by \_\_\_\_\_ operating under the trade name and style of \_\_\_\_\_ against defendant \_\_\_\_\_ for allegedly infringing its registered tradename and trademark by holding out itself as *Puerto Del Sol Resort* and for using *www.puertodelsol.com* as its website name.

#### Plaintiffs' Allegations

In its Complaint dated July 30, 2011,<sup>359</sup> plaintiff \_\_\_\_\_, a domestic corporation duly organized and existing under the laws of the Republic of the Philippines, with principal place of business at \_\_\_\_\_ City, put up a boutique resort in 2002 called the Puerto Del Sol Beach Resort and Hotel located at Pangasinan. Later, through sheer marketing ingenuity coupled with world-class service and accommodations, plaintiff was able to develop Puerto Del Sol as a high-end beach resort affiliated with over four thousand (4,000) resorts/hotels worldwide. It enjoys year-round visits from loyal customers as well as new clients who came to know the resort through its advertisement placements and through its official website *www.puertodelsol.com.ph*.<sup>360</sup>

On August 10, 2009, plaintiff applied for the registration of "Puerto Del Sol and Device," with the Intellectual Property Office under Application No. 4-2009-007921. Accordingly, on May 27, 2010, a Certificate of Registration of Puerto Del Sol<sup>361</sup> was issued in its favor for a term of ten (10) years or until May 27, 2020.<sup>362</sup>

Sometime in October 2010, plaintiff received reports from its customers that they have been erroneously booked over the internet at a different hotel located in Palawan with the same name as Puerto Del Sol. This prompted plaintiff to investigate on the matter by logging on to the internet and searching for "Puerto Del Sol." True enough, plaintiff found

<sup>359</sup> Record, pp. 1-6.

<sup>360</sup> *Ibid.*, p. 1.

<sup>361</sup> Exhibit B, Certificate of Registration of Puerto Del Sol and Device.

<sup>362</sup> *Ibid.*, p. 2.

that there is an establishment which advertises itself as “Puerto Del Sol Resort Dive Center” located in \_\_\_\_\_, Palawan. Resultantly, plaintiff immediately referred the matter to its lawyer who immediately sent a demand letter to defendant, addressed to its General Manager, in this wise:

*“We are writing to you on behalf of our client, **Puerto del Sol Resort and Hotel in Bolinao, Pangasinan, owned and operated by \_\_\_\_\_.** It has come to our attention that your resort is using the name “Puerto del Sol Resort Dive Center.”*

This is to inform you that the Intellectual Property Office has already issued in favor of our client a Certificate of Registration for the name “Puerto del Sol” and its devices, a copy of which is attached for your perusal and guidance.

*In view of the foregoing, we are making this formal demand on you to cease and desist from using the name “Puerto del Sol” within twenty-four hours from receipt of this letter. Otherwise, we will be constrained to file the appropriate case/s against you for violation of the Intellectual Property Code.”<sup>363</sup>*

On December 10, 2010, defendant duly received this letter, as evidenced by the registry return card. Subsequently, defendant changed the name of the resort to “Marina Dive Center.” However, sometime in February 2011, it has again come to plaintiff’s attention that defendant has reverted to using the name of Puerto Del Sol in its website, prompting plaintiff to write another letter dated February 28, 2011,<sup>364</sup> which contained essentially the same demand as in the first letter, for defendant to desist from using the trade name “Puerto Del Sol” as its resort name and also in its promotional materials and official website, which was denominated as *www.puertodelsol.com*.<sup>365</sup> The defendant duly received the letter on March 17, 2011.<sup>366</sup> Yet, defendant persistently and consistently advertised itself as *Puerto del Sol Resort* and maintained the website *www.puertodelsol.com*.<sup>367</sup>

Defendant, who is in the same line of business of resort and hotel accommodations as that of plaintiff, was clearly infringing plaintiff’s registered tradename and trademark and using plaintiff’s *www.puertodelsol.com* as website name, in direct violation of Section 165.2 (a) and (b) of Republic Act No. 8293 or the Intellectual Property Code of the Philippines on Trade Names and Business Names.<sup>368</sup>

Thus, the instant complaint filed by plaintiff specifically praying for the following relief:<sup>369</sup>

- a) Immediately upon filing of the instant case, a temporary restraining order be issued, restraining the defendant from using the words “Puerto Del Sol” in its resort and dive center, as well as in its website, and all promotional materials being used by said defendant in connection with its business;
- b) After notice and hearing, a writ of preliminary injunction be issued restraining the defendant from using the words “Puerto Del Sol” in its resort and dive center, as well as in its website, and all promotional materials being used by said defendant in connection with its business and for this writ to be made permanent and perpetual;
- c) Defendant be adjudged to have infringed on the trademark and trade name of plaintiff and be liable to pay plaintiff the amount of Five Hundred Thousand Pesos (P500,000.00) as unrealized profit due to infringement;
- d) Defendant be ordered to pay plaintiff the sum of Fifty Thousand Pesos (P50,000.00) as unrealized profit due to the infringement;

363 Exhibit C; Demand Letter dated September 29, 2010.

364 Exhibit D; Demand Letter dated February 18, 2011.

365 *Ibid.*, pp. 2-3.

366 Exhibit D-2; Registry Return Receipt of the February 28, 2011 Demand Letter.

367 *Ibid.*, pp. 2-3.

368 *Ibid.*, p. 3.

369 Complaint, pp. 4-5.

- e) Defendant be ordered to pay plaintiff the sum of Fifty Thousand Pesos (P50,000.00) as and by way of Attorney's fees; and
- f) Defendant to pay the costs of suit.

#### Defendant's Affirmative Defenses

In his Answer with Affirmative Defenses and with Counterclaim dated February 11, 2013,<sup>370</sup> the defendant generally and specifically denies the allegations in the complaint and prays for the outright dismissal of the complaint as summons was improperly served. The complaint was served and received on June 8, 2013 by the defendant's staff, a receptionist at \_\_\_\_\_, Palawan, who is not a corporate officer authorized to receive summons as mandated by Sec. 11, Rule 14 of the Rules of Court.<sup>371</sup>

While defendant admits that it has an advertisement in the internet, the same is hosted in the United States, which is outside of Philippine jurisdiction. Further, its advertising name is not *Puerto Del Sol Resort Dive Center* but *Puerto Del Sol Resort Palawan and Discovery Dive Center*.<sup>372</sup> Also, its corporate name as admitted in the complaint of the plaintiff, is registered and existing under the laws of the Philippines. As such, it has all the rights and authority to use its corporate name as allowed and authorized by the Securities and Exchange Commission in all its dealings and activities.<sup>373</sup>

Defendant questions that the name "Puerto Del Sol" itself can be legally registered and exclusively claimed by anyone to the deprivation of others, as what was registered by plaintiff, as appearing in Annex "B" of the complaint, is only the logo and not the name "Puerto Del Sol" itself.<sup>374</sup> While defendant used the word "Puerto Del Sol," it is accompanied by the name of the province "Palawan, Inc." Likewise, defendant did not use and will never use plaintiff's "Puerto Del Sol" logo design.<sup>375</sup>

Further, the place or bay area where the resort of defendant is located is publicly and commonly known as "Puerto Del Sol," which is a *sitio* in Barangay \_\_\_\_\_, Palawan, hence, it was for this reason why defendant picked and registered the name Puerto Del Sol. In light of this, plaintiff cannot acquire exclusive ownership of the name "Puerto Del Sol." Further, the travelling public, local or otherwise could not be confused or easily misled between that of the business resort of plaintiff, which is located at Brgy. Ilog Malinao, Bolinao, Pangasinan with that of defendant which is located at Sitio Puerto Del Sol, Brgy. Concepcion, Busuanga, Palawan considering that their advertised photos of place, kind of resort, amenities and services offered are different from each other. Also, considering the expected huge expenses involved in travelling or touring in different places, the traveller would be more cautious and sensitive to the places he would like to go to and would not, therefore, be easily confused or misled. Thus, for its counterclaim, defendant prays that plaintiff should be made liable for the following:

- a. Defendant (sic) constrained to get the services of a lawyer and agreed to pay him P50,000.00 for his acceptance and representation;
- b. Defendant would stand to incur expenses on hearings not limited to board and lodging, transportation, etc., should this case proceed to trial, the cost of which is fairly assessed in the amount of P250,000.00;
- c. Defendant's Board of Directors suffered humiliation and embarrassment, sleepless nights and anxieties to which plaintiff should be liable of P100,000.00 to each board member;

370 Record, p. 146.

371 *Ibid.*, p. 148.

372 *Ibid.*, p. 1.

373 Record, p. 148.

374 According to the Answer of the Defendant Corporation, "This is clearly explained in the second page of Annex "B" which states that "the font style of Puerto Del Sol logo is comic sans. D. D MS, the orange letters are embossed with a yellow outline. x x x."

375 Record, p. 148.

- d. To serve as example to other similarly minded persons or entity not to file a baseless suit, Plaintiff should be adjudged liable to the Defendant of P500,000.00 as exemplary damages.<sup>376</sup>

### The Court Proceedings

The Notice of Raffle and Summons on defendant, together with copy of the complaint and its annexes, with the request that the same be served upon defendant at his given address was forwarded to the Clerk of Court of Regional Trial Court, Puerto Princesa City, Palawan in a letter of the Clerk of Court of Regional Trial Court, \_\_\_\_\_ City dated December 12, 2011.<sup>377</sup> The same was, however, returned unserved to the Officer-in-Charge of the Office of the Clerk of Court, Regional Trial Court of Palawan and Puerto Princesa.<sup>378</sup> According to the process server, \_\_\_\_\_, the Resort Manager of Puerto Del Sol Palawan explained to him that the said resort was only a branch and all legal documents should be served directly to its head office located at \_\_\_\_\_ City, or to its corporate lawyer Atty. \_\_\_\_\_ holding office at the same address.<sup>379</sup> Thus, upon Ex-Parte Motion dated January 24, 2012, plaintiff's counsel Atty. \_\_\_\_\_, moved that the service of Summons and Notice of Raffle be made at defendant's head office or at its corporate counsel holding office in the same address.<sup>380</sup>

Per Officer's Return dated January 30, 2012 signed by \_\_\_\_\_, Process Server of the Office of the Clerk of Court, Ex-Officio Sheriff, the notice of raffle and summons remained unserved as a certain \_\_\_\_\_, a person working at \_\_\_\_\_ Makati City, refused to sign.<sup>381</sup>

On January 30, 2012, this case was raffled to this Court. On February 7, 2012, the Court issued the Summons to the defendant Puerto Del Sol Palawan, Inc., giving it fifteen (15) days within which to file an Answer to the Complaint.<sup>382</sup> The Summons was returned unserved per Sheriff's Return dated February 29, 2012.<sup>383</sup> Thus, in its March 19, 2012 Order, it directed plaintiff to furnish the Court with the new address of defendant within ten (10) days from receipt thereof, otherwise the case will be dismissed for failure to prosecute.<sup>384</sup>

The Court, acting on the Ex-Parte Motion for Alias Summons dated April 13, 2012 filed by counsel for plaintiff, issued an Order dated April 17, 2012 directing the issuance of an Alias Summons.<sup>385</sup> Thus, an Alias Summons was issued on May 3, 2012,<sup>386</sup> which was again returned unserved.<sup>387</sup>

Consequently, an Ex-Parte Motion for the Issuance for Second Alias Summons dated November 9, 2012 was filed by plaintiff's counsel, which was granted by this Court in its Order dated November 14, 2012.<sup>388</sup> Thus, a Second Alias of Summons was issued giving defendant fifteen (15) days within which to file its Answer to the Complaint.<sup>389</sup>

On January 24, 2013, defendant corporation \_\_\_\_\_ filed a Motion for Extension of Time to File Answer,<sup>390</sup> which was granted by this Court in its Order dated January 29, 2013.<sup>391</sup> On February 11, 2013, however, a Second and Last Motion for Extension of Time to File Answer was filed by defendant.<sup>392</sup> On February 28, 2013, the Court denied the said motion for lack of merit.<sup>393</sup>

376 Record, p. 150.

377 *Ibid.*, p. 34.

378 *Ibid.*, p.74.

379 *Ibid.*, p. 75.

380 *Ibid.*, pp. 83-85.

381 Record., p. 86.

382 *Ibid.*, p. 87.

383 *Ibid.*, pp. 90-91.

384 *Ibid.*, p. 92.

385 *Ibid.*, p. 98.

386 *Ibid.*, p. 99.

387 *Ibid.*, pp. 115-116.

388 *Ibid.*, p. 123.

389 *Ibid.*, p. 124.

390 *Ibid.*, pp. 128-129.

391 *Ibid.*, p. 138.

392 *Ibid.*, pp. 139-140.

393 *Ibid.*, p. 144.

On February 25, 2013, defendant filed its Motion to Admit Late Answer dated February 22, 2013,<sup>394</sup> attaching therewith its Answer with Affirmative Defenses and with Counterclaim.<sup>395</sup>

On March 22, 2013, plaintiff, through counsel, filed a Motion to Declare Defendant in Default with Motion to Strike Out Motion to Admit Late Answer dated March 22, 2013.<sup>396</sup> The Court in its Order dated December 16, 2013 denied the Motion for lack of merit and accordingly admitted defendant's Answer with Affirmative Defenses and with Counterclaim.<sup>397</sup>

Thereafter, a Pre-Trial Notice dated January 17, 2014 was sent to the parties setting the Pre-Trial Conference on February 27, 2014.<sup>398</sup>

Meanwhile, pursuant to Section 2(a), Rule 18 of the 1997 Rules of Civil Procedure and the Second Revised Guidelines for the Implementation of Mediation Proceedings, approved by the Supreme Court on October 16, 2001, the case was referred for mediation.<sup>399</sup> However, the case was referred back to the Court for Judicial Dispute Resolution (JDR) Conference after an unsuccessful mediation.<sup>400</sup>

In view of the failed JDR per Order dated February 21, 2017 of Hon. \_\_\_\_\_, the Presiding Judge of Branch \_\_\_\_\_, this Court, to which the case was re-raffled, set the Pre-Trial Conference anew on June 9, 2017.<sup>401</sup> Pre-Trial Conference was held and terminated on May 10, 2018.<sup>402</sup>

Trial on the merits ensued.

#### Plaintiff's Evidence

The plaintiff presented its lone witness \_\_\_\_\_, who is a former staff, a Resort Manager of Puerto Del Sol Beach Resort who resigned on September 2, 2015 and is presently the Senior Vice-President and Corporate Secretary of \_\_\_\_\_. She testified that as the Corporate Secretary of the Board of Directors of plaintiff-corporation, everything passes through her including sales and expenses.<sup>403</sup> Plaintiff-corporation \_\_\_\_\_ features their hotel, restaurant, spa and other activities such as tour packages. Seventy percent (70%) of their features are from accommodation, while the remaining thirty percent (30%) are from other sources like food and beverages from the restaurant.<sup>404</sup>

According to her, Puerto Beach Resort is a member of RCI an international membership of hotels, and more particularly a member of International Organization Resorts/Condominiums all over the world with about four thousand (4,000) affiliated hotels and that to become a member thereof, a resort has to meet international qualification such as very good amenities and quality service. Their clients consist of 70% locals and 30% foreigners.<sup>405</sup>

There were reported incidents on refund of client's bookings that were made online. There were also a number of people who asked her whether plaintiff-corporation and that of defendant are one and the same or under the same corporation, or whether plaintiff also owns Puerto Del Sol Palawan.<sup>406</sup> Admittedly, there were confusions as to whether both resorts are one and the same or whether they are connected to each other. However, there are no damages sustained by reason of this.<sup>407</sup>

394 *Ibid.*, p. 145.

395 *Ibid.*, pp. 146-152.

396 *Ibid.*, pp. 167-170.

397 *Ibid.*, pp. 197-199.

398 *Ibid.*, pp. 200-201.

399 *Ibid.*, pp. 260-261.

400 Mediator's Report dated January 14, 2014, Record, pp. 269-270; Order dated October 29, 2015 for re-raffle because the case is now ripe for Judicial Dispute Resolution, Record, p. 284, Order dated February 21, 2017 of Branch 265 the JDR Court through Judge \_\_\_\_\_, Record, pp. 346-347.

401 *Ibid.*, p. 350.

402 *Ibid.*, p. 391; Pre-Trial Order dated May 10, 2018, Record, pp. 393-396.

403 Transcript of Stenographic Notes (TSN) dated August 9, 2018, p. 10.

404 *Ibid.*, pp. 11-12.

405 *Ibid.*, pp. 19-20.

406 *Ibid.*, pp. 20-21.

407 *Ibid.*, pp. 20-21.

Nevertheless, the witness believes that defendant is obviously riding on the goodwill and reputation of Puerto Del Sol Bolinao in the travel industry by giving the impression that they are one and the same, or at the very least, that Puerto Del Sol Palawan is also owned by the same company. Further, due to the acts of defendant, plaintiff lost prospective clients and earned negative feedback from travelers thus meriting the award of damages in plaintiff's favor.<sup>408</sup>

Thereafter, a Formal Offer of Documentary Evidence dated October 4, 2018<sup>409</sup> was filed consisting of the following:

<b>Exhibit/s</b>	<b>Descriptions</b>
A	Company Profile of Plaintiff's resort, Puerto Del Sol Beach Resort and Hotel Club;
B	Certificate of Registration issued by the Intellectual Property Office of the Philippines;
B-1	Page 2 of the Certificate of Registration issued by the Intellectual Property Office of the Philippines;
C	Demand Letter dated October 29, 2010 sent to Defendant's Resort Manager;
C-1	The registry return card for the Demand Letter dated October 29, 2010;
C-2	The registry return card for the Demand Letter dated October 29, 2010;
D	Demand Letter dated February 28, 2011 sent to Defendant's Resort Manager;
D-1	The registry return card for the Demand Letter dated February 28, 2010;
D-2	The registry return receipt for the Demand Letter dated February 28, 2010;
E	Web page of the Defendant which reads "Puerto Del Sol Resort & Dive Center";
F	The Cover Sheet of the Articles of Incorporation of Defendant;
F-1	Certificate of Incorporation of Defendant;
F-2 to F-6	The Articles of Incorporation; and
G	Printout of the website of <a href="http://www.puertodelsolresort.com">www.puertodelsolresort.com</a> last August 6, 2-15;

In an Order dated December 13, 2018, the Court admitted all plaintiffs' documentary exhibits.<sup>410</sup>

#### Defendant's Evidence

The defendant's lone witness, \_\_\_\_\_, is a stockholder and director of \_\_\_\_\_, Inc. engaged in the operations of a diving and discovery resort under the name "Puerto del Sol Resort & Dive Center Palawan," the operations of which commenced in 2011. The resort is located in Sitio Puerto del Sol, Barangay Concepcion, Coron, Bisuanga Island, Northern Palawan. They chose the name Puerto Del Sol Resort & Dive Center because they learned from the old locals of the place that said place had been used by the Spaniards which they called Puerto Del Sol Bay and since then it was commonly and publicly known as "Puerto Del Sol." Hence, the adoption of said name for their corporation and resort.<sup>411</sup>

Prior to the registration of Puerto Del Sol Resort Palawan, Inc. as a corporate name, they first sought clearance from the Securities and Exchange Commission (SEC) and since from its records

408 Record, p. 291; Judicial Affidavit, p. 7.

409 Record, pp. 432-434.

410 *Ibid.*, p.441.

411 Record, p. 398; Judicial Affidavit, p. 2.

there is no corporation registered in said name, they were allowed to use and register it for their corporation and resort. Also, at the time of registration, they do not know of the existence of "Puerto del Sol Beach Resort and Hotel Club" that is operating in Barangay Ilog, Malinao, Bolinao, Pangasinan.<sup>412</sup>

According to the witness, they never engaged, much less intended to engage in any unfair competition with the plaintiff or infringement of their trade name for the reason that their respective logos are totally different and distinct. First, the logo of the plaintiff show the words "Puerto del Sol" in comic style and the letter "O" of Puerto is a frolic image of the sun with yellow/red orange uneven broken rays and the small letter "l" in the "Del" is in the form of a yellow green coconut tree with green leaves and orange coconut fruit. On the other hand, their logo shows the words "Puerto del Sol Resort & Dive Center Palawan" in formal style with red blazing sun and even rays. Second, their webpage also differ from that of the plaintiff which shows a hotel building with a swimming pool whereas theirs show a panoramic view of Puerto del Sol Bay with mountain islands and diving sites and many other activities. Third, the locations are far from each other as plaintiff's resort is located in Barangay Ilog, Malinao, Bolinao, Pangasinan. Fourth, the defendant offers adventure and discovery diving on shipwrecks, natural reefs and marine life, fishing sports, yacht mooring, island hopping and other marine related activities within Puerto del Sol Bay and surroundings while plaintiff offers hotel accommodations, venues for conferences and other social gatherings, swimming pool and usual amenities of a boutique beach resort. Finally, the name "Puerto" for plaintiff is improperly descriptive because their resort is situated in a straight coast line without any harbor unlike their resort which is situated in a natural protected harbor. Finally, their websites are also completely different, as theirs is [www.puertodelsolpalawan.com](http://www.puertodelsolpalawan.com) or [www.puertodelsolresort.com](http://www.puertodelsolresort.com) while that of the plaintiff is [www.puertodelsol.com.ph](http://www.puertodelsol.com.ph). They adopted the name "Puerto del Sol" to identify plaintiff as primarily a dive resort with the geographical description of the place where the dive resort is located, particularly in Puerto del Sol Bay, Palawan, like the other resorts operating within the same bay area such as Busuanga Yacht Club, Lawi Point Villas, Busuanga Lodge Sports Fishing, Al Faro Resort, D'Divers, Alaya Resort and Puerto del Sol Marina, which also use Puerto del Sol to indicate their location.<sup>413</sup>

There being no written Formal Evidence filed by defendant despite lapse of the period given and pursuant to the Order dated June 4, 2019, the filing of defendant's Formal Offer of Evidence is deemed waived. The parties are given 30 days to submit their respective Memorandum, thereafter with or without the same so filed, the case will be submitted for decision.<sup>414</sup>

#### Issue of the Case

The issues as contained in the Pre-Trial Order may be synthesized as follows:

Whether or not defendant's use of "Puerto Del Sol" constitutes a violation of the R.A. No. 8293, specifically trademark or business name infringement and unfair competition, for which it should be enjoined from using the same and be held liable for damages in favor of plaintiff.

#### The Court's Ruling

The infringement of trademark occurs when a person who shall, without the consent of owner of the registered mark use in commerce any reproduction, counterfeit, copy or colorable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale or other commercial dealings; or apply such reproduction, counterfeit, copy of colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale or other commercial dealings.

To establish trademark infringement, the following elements must be shown:

- (a) the validity of plaintiff's mark;

412 *Ibid.*, pp. 398-399; *ibid.*, p. 2-3.

413 Record, pp. 399-400; Judicial Affidavit, pp. 3-4.

414 Order dated August 20, 2019, Record, p. 468.



(b) the plaintiff's ownership of the mark; and

(c) the use of the mark or its colorable imitation by the alleged infringer results in "likelihood or confusion."<sup>415</sup>

Colorable imitation, which is an essential element of infringement, is defined on the other hand, as "such close or ingenious limitation as to be calculated to deceive ordinary purchasers, or such resemblance of the infringing mark to the original as to deceive an ordinary purchaser giving such attention as a purchaser usually give and to cause him to purchase the one supposing it to be the other. Relevantly, an ordinary purchaser is one accustomed to buy, and therefore to some extent familiar with, the goods in question."<sup>416</sup>

Relevantly, in determining whether colorable imitation exists, jurisprudence has developed two kinds of tests - the Dominancy Test and the Holistic Test. The test of dominancy focuses on the similarity of the prevalent features of the competing trademarks which might cause confusion or deception and thus constitute infringement. The holistic test mandates that the entirety of the marks in question must be considered in determining confusing similarity.<sup>417</sup>

A trade name, on the other hand, is defined as the name or designation identifying or distinguishing an enterprise.<sup>418</sup> It is also known as business name. Thus, while trademark distinguishes one's goods from the sea of similar goods, a trade name distinguished one's business entity from the rest of the industry.

A trade name or designation may not be used as a trade name if the nature of the use to which such name or designation may be put, is contrary to public order or morals and if, in particular, it is liable to deceive trade circles or the public as to the nature of the enterprise identified by that name. Notwithstanding any laws or regulations providing for any obligation to register trade names, such names shall be protected, even prior to or without registration, against any unlawful act committed by third persons. In particular, any subsequent use of trade name by a third party, whether as a trade name or a mark or collective mark, or any such use of a similar trade name or mark, likely to mislead the public, shall be deemed unlawful.<sup>419</sup>

The Court now, after a perusal of the record of the case, vis-à-vis the prevailing law and jurisprudence on the matter, finds there exists no trademark or trade name infringement committed by defendant, the plaintiff having failed to establish all the elements necessary to prove the same. While there is no question on the validity of plaintiff's mark and ownership of the registered trademark and its trade name "Puerto del Sol," it failed to establish that defendant's use of the mark "Puerto del Sol" Palawan constitutes a colorable imitation that have resulted in likelihood or confusion. If at all there was confusion that resulted, as evidenced by the confusion in the bookings of plaintiff, the same is not by reason of defendant's alleged infringement of plaintiff's trademark or trade name, but rather on the similarity of their websites. It has been a settled rule that identity of mark alone is not trademark infringement. The use of identical mark, if taken alone, does not automatically guarantee a finding of trademark infringement.<sup>420</sup>

It bears emphasis that the nature of the business of plaintiff and defendant corporation involves tourism, where both are considered popular resorts located far from each other, with one in Bolinao, Pangasinan and the other in Busuanga, Palawan. They both cater to people who travel and have the means to indulge in activities that not all ordinary travelers can, local or otherwise. Plaintiff features its hotel, restaurant, spa, tour packages and other activities, with seventy percent of its features coming from accommodation and thirty percent from other sources like food and beverages from the restaurant. Defendant, on the other hand, features adventure and discovery diving on shipwrecks, natural reefs and marine life, fishing sports, yacht mooring, island hopping and other marine related activities. Thus, considering the remarkable

415 *McDonald's Corporation v. L.C. Big Mak Burger*, G.R. No. 143993, August 18, 2004.

416 *Emerald Garment Manufacturing v. Court of Appeals*, G.R. No. 100098, December 29, 1995.

417 Commercial Law Review by Cesar L. Villanueva & Gabriel S. Villanueva, Rex Book Store, 2015 Edition, pp. 1183-1184.

418 Sec. 121.3, Intellectual Property Code.

419 Commercial Law Review, supra.

420 *Mighty Corporation v. E & J Gallo Winery*, G.R. No. 154342, July 14, 2004.

difference in their features and the kind of visitors or travelers that they respectively cater to, confusion between the two appears to be remote.

It is thus clear from the foregoing that there is no infringement as far as trademark or tradename is concerned. The registered trademark, assuming it has a semblance on the design of that of defendant, with both bearing the sun and the word "puerto," they are, nonetheless, not confusingly similar. The fonts and color of the design are different. Ditto with the business name, since Puerto Del Sol Beach and Resort and Hotel Club is very much different from Puerto Del Sol Resort and Discovery Dive Center not only in terms of its location but even with the different features and amenities that they both offer. If at all there was a slight confusion caused, it is most likely in the use of similar website names, with plaintiff using [www.puertodelsol.com.ph](http://www.puertodelsol.com.ph) and defendant [www.puertodelsol.com](http://www.puertodelsol.com).

Verily, for failure of the plaintiff to establish that that its trademark and tradename are confusingly similar or bears a colorable imitation with that of the defendant, the complaint for trademark and tradename infringement is hereby DISMISSED. However, considering the similarity in their websites, and considering further that it was plaintiff who first used the website [www.puertodelsol.com.ph](http://www.puertodelsol.com.ph), defendant is hereby enjoined from using its website [www.puertodelsol.com](http://www.puertodelsol.com).

Finally, on the respective counterclaims of the parties and prayers for award of damages and attorney's fees, the same are hereby dismissed and denied, there being no sufficient factual and/or legal basis for its award. Actual damages cannot be presumed and anchored on mere surmises, speculations or conjectures.<sup>421</sup> Ditto with moral damages where recovery is more an exception rather than the rule. For in order that an award of moral damages can be aptly justified, the claimant must be able to satisfactorily prove that he has suffered such damages and that the injury causing it has sprung from any of the cases listed in Articles 2219 and 2220 of the Civil Code. An award of moral damages would require, firstly, evidence of besmirched reputation or physical, mental or psychological suffering sustained by the claimant.<sup>422</sup> As to exemplary damages, while it may be also awarded, it cannot be recovered as a matter of right.<sup>423</sup>

**WHEREFORE**, premises considered, judgment is hereby rendered dismissing the complaint for trademark and tradename infringement filed by plaintiff \_\_\_\_\_ against defendant \_\_\_\_\_. The respective counterclaims of the parties as against each other are likewise dismissed there being no clear showing on the part of the plaintiff of any damage that it had sustained and likewise with the defendant who failed to adduce any evidence in its behalf in support of its counterclaim. Accordingly, defendant is hereby strictly enjoined from using its website [www.puertodelsol.com](http://www.puertodelsol.com) to avoid further confusion in the future.

**SO ORDERED.**

Presiding Judge

421 *Republic of the Philippines v. Alberto Looyuko, et al.*, G.R. No. 170966, June 22, 2016.

422 *B.F. Metal (Corporation) v. Sps. Rolando M. Lomotan and Linaflor Lomotan, et al.*, G.R. No. 170813, April 16, 2008.

423 Article 2233 of the Civil Code of the Philippines.

# Chapter 3

## Patent

### 3.1 Introduction

This chapter addresses the conduct of civil proceedings involving patents in the Regional Trial Courts, duly designated as Special Commercial Courts. It also addresses the conduct of criminal proceedings for patent infringement, which are conducted in the same courts.

Procedural aspects of the conduct of such proceedings were considered in Chapter 1 of this volume, and this chapter will cross-reference that first chapter, where appropriate. A more general summary of the law of patents is provided in Chapter 2 of the first volume in the series, *Introduction to the International Legal Framework for Intellectual Property*, which refers to the treaties that apply, but are not specific, to the Philippines.

All of the legislation and the Supreme Court case law to which reference is made in this chapter is available on the WIPO Lex database.<sup>424</sup>

### 3.2 What is a patent in the Philippines?

A **patent** is an exclusive right granted over an invention. Generally speaking, patents relate to inventions that provide a new way of doing something or offer a new technical solution to a problem. In exchange for disclosing the invention to the public by filing a patent application containing technical information regarding the invention, the owner of a patent is granted the exclusive right to use the invention within the area patented for a limited period.

In the Philippines, a patentable invention may be:

- a product or a process; or
- an improvement to an existing product or process.<sup>425</sup>

A **utility model** is similar to a patent in that it grants the owner the exclusive right to use the innovation disclosed in the patented area for a limited period. Generally speaking, however, there are fewer requirements demanded of someone seeking to register a utility model and the period of protection it grants over the innovation is shorter than that granted under a patent.

Section 108 of the IP Code provides that, subject to a list of special provisions relating to utility models, the provisions governing patents apply to utility models. Relevant differences between patents and utility models are addressed where they arise in the chapter.

### 3.3 Sources of law

The law on patents and utility models is set out in Part II of the IP Code.

The Civil Procedure Rules and Criminal Procedure Rules apply to all civil and criminal actions filed in court for violations of intellectual property rights, including patents, provided for under the IP Code.

<sup>424</sup> See <https://www.wipo.int/wipolex/en/main/home>

<sup>425</sup> IP Code, s. 21.

See section 1.3 in the first chapter of this volume for a summary of all the laws, codes, rules and regulations that apply to intellectual property proceedings before courts in the Philippines.

### 3.4 Obtaining patent protection

An application for a patent must be filed with the Bureau of Patents in the IP Office. Chapter IV of the IP Code sets out the form in which such an application must be made, including that it must contain a description of the invention, any drawings necessary to understand the invention and claims defining the invention.<sup>426</sup>

Chapter V of the IP Code describes the procedure of application for and grant of the patent.

The following steps are typically involved in a patent application proceeding.

1. The applicant submits a patent application, including information identifying themselves and describing the invention.<sup>427</sup>
2. The IP Office accepts the patent application for filing and assigns a filing date to it.<sup>428</sup>
3. The IP Office conducts an examination of the formalities.<sup>429</sup>
4. At the conclusion of its formality examination, the IP Office will either:
  - accept the patent application, in which case it will be considered “classified” and the IP Office will progress to a search of the prior art;<sup>430</sup> or
  - refuse the patent application on formality grounds.
5. Eighteen months after the filing date, a classified patent application will be published in the IP Office Gazette, together with a document listing any prior art documents found.<sup>431</sup> Any third party<sup>432</sup> may inspect these documents and submit observations on the patentability of the invention.<sup>433</sup>
6. Within six months of the application’s publication, the patent applicant must request a substantive examination of the patent.<sup>434</sup>
7. At the end of its substantive examination, the IP Office will either:
  - grant the application if it meets the requirements for a valid patent;<sup>435</sup> or
  - refuse the patent application on substantive grounds, including that the invention is ineligible for registration.
8. A successful patent application is published in the IP Office Gazette<sup>436</sup> and the patent takes effect on the date of its publication.<sup>437</sup>

This procedure is also followed, with some modification, in applications to register utility models.<sup>438</sup>

The procedure to be followed for the grant of industrial designs is set out in Chapter XIII of the IP Code.

426 IP Code, s. 32.

427 IP Code, s. 40.

428 IP Code, s. 41.

429 IP Code, s. 42.

430 IP Code, s. 43.

431 IP Code, s. 44.

432 IP Code, s. 44.2.

433 IP Code, s. 47.

434 IP Code, s. 48.

435 IP Code, s. 50.

436 IP Code, s. 52.

437 IP Code, s. 50.3.

438 IP Code, s. 109.

### 3.4.1 Appeals of IP Office decisions

Decisions of the Director General of the IP Office, including decisions to grant, refuse or cancel patents, may be appealed to the Court of Appeals, and from there to the Supreme Court.

Trial courts have no jurisdiction over appeals of IP Office decisions.

## 3.5 Requirements for a valid patent

For an invention to be patentable, it must be a technical solution to a problem in any field of human activity, which invention is new (novel), involves an inventive step and is industrially applicable.<sup>439</sup>

Novelty and inventive step are measured against the prior art to determine whether an invention is patentable.

- An invention is not new if it forms part of the prior art.<sup>440</sup>
- An invention involves an inventive step if, having regard to the prior art, it would not be obvious to a person skilled in the art at the time of the filing date or priority date of the application claiming the invention.<sup>441</sup>

The “prior art” consists of two categories of information:

- everything that has been made available to the public, anywhere in the world, before the filing date or the priority date of the application claiming the invention;<sup>442</sup> and
- the whole contents of any application for a patent, utility model or industrial design registration, published in accordance with the IP Code, or otherwise filed or effective in the Philippines, with a filing or priority date that is earlier than that of the application.<sup>443</sup>

The IP Code provides special rules for determining whether inventions relating to drugs and medicines involve an inventive step.<sup>444</sup>

Finally, an invention must be **industrially applicable**, meaning that it can be produced and used in any industry.<sup>445</sup>

### 3.5.1 Nonpatentable inventions

Section 22 of the IP Code excludes certain inventions from patent protection, including:

- discoveries, scientific theories and mathematical methods;
- schemes or methods for treatment of the human or animal body;
- plant varieties;
- animal breeds;
- aesthetic creations; and
- anything contrary to public order or morality.

## 3.6 Rights conferred by a patent

- A patent confers exclusive rights on its owner (see section 3.6.3). These rights differ slightly depending on whether the patent protects a product or a process. Where the subject matter of a patent is a **product**, the owner of the patent has the exclusive rights to restrain, prohibit and prevent any unauthorized person or entity from making, using, offering for sale, selling or importing that product.<sup>446</sup>

439 IP Code, s. 21.

440 IP Code, s. 23.

441 IP Code, s. 26.

442 IP Code, s. 24.1.

443 IP Code, s. 24.2.

444 IP Code, s. 26.2.

445 IP Code, s. 27.

446 IP Code, s. 71(a).

- Where the subject matter of a patent is a **process**, the owner of the patent has the exclusive rights to restrain, prevent or prohibit any unauthorized person or entity from using the process and from manufacturing, dealing in, using, selling or offering for sale, or importing any product obtained directly or indirectly from such process.<sup>447</sup>

Patent owners also have the right to assign or otherwise transfer the patent, including by license (see section 3.6.4).<sup>448</sup>

The owner or any person possessing any right, title or interest in the patented invention may bring an action for the infringement of the patent (see section 3.8.1).<sup>449</sup>

The extent of protection afforded by the patent – which is directly relevant to the question of whether a patent has been infringed – is determined by the claims of the patent, which are to be interpreted in light of the description and drawings.<sup>450</sup> For more on the infringement of patents, see section 3.8.

The IP Code provides that where a patent application has been made, but not determined, the patent applicant enjoys the same rights as the patent owner, subject to the alleged infringer having:

- actual knowledge of the pending patent application; or
- received written notice of their alleged infringement of the pending patent application, including the application's serial number.<sup>451</sup>

### 3.6.1 Limitations

The IP Code provides for certain limitations on the rights of patent owners.

Specifically, the owner of a patent has no right to prevent third parties from performing, without authorization, the exclusive rights of the patentee where:

- they are using a patented product after the owner of the product has put it, or expressly consented to it being put, on the market in the Philippines;<sup>452</sup>
- the act is performed privately and noncommercially (in scale or purpose), provided that it does not significantly prejudice the economic interests of the patent's owner;<sup>453</sup>
- the act consists of making or using the patented invention exclusively for experimental scientific or educational purposes;<sup>454</sup>
- in the case of drugs or medicines, the act is necessary in pursuit of regulatory approval from government agencies in relation to the manufacture, construction, use or sale of the product;<sup>455</sup>
- a pharmacy or medical professional performs the act in the course of preparing a medicine, for individual use only, in accordance with a medical prescription, or acts concerning the medicine so prepared;<sup>456</sup> and
- the invention is used in any ship, vessel, aircraft or land vehicle of any other country entering the territory of the Philippines, temporarily or accidentally, provided that the invention is used exclusively for the needs of that ship, vessel, aircraft or land vehicle and is not used for the manufacturing of anything to be sold within the Philippines.<sup>457</sup>

In addition to these limitations, a government agency, or a third party authorized by the government, may exploit the invention even without agreement of the patent owner where:

- the public interest – in particular, in national security, nutrition, health or the development of other sectors, as determined by the appropriate agency of the government – so requires;<sup>458</sup>

447 IP Code, s. 71(b).

448 IP Code, s. 71.2.

449 IP Code, s. 76.

450 IP Code, ss. 36 and 75.

451 IP Code, s. 46.

452 IP Code, s. 72.1.

453 IP Code, s. 72.2.

454 IP Code, s. 72.3.

455 IP Code, s. 72.4.

456 IP Code, s. 72.5.

457 IP Code, s. 76.2.

458 IP Code, s. 74(a).

- a judicial or administrative body has determined that the manner of exploitation by the owner of the patent or their licensee is anticompetitive;<sup>459</sup> or
- the invention relates to drugs and medicines, provided that the government meets certain criteria.<sup>460</sup>

### 3.6.2 Duration

Patent rights subsist for 20 years from the patent application's filing date.<sup>461</sup> This term cannot be extended, but a patent owner may surrender their patent early.<sup>462</sup>

Once a patent has expired, the patent owner no longer possesses the exclusive right to make, use and sell the patented articles or products.<sup>463</sup>

Registrations for utility models expire seven years after the date of filing.<sup>464</sup>

### 3.6.3 Ownership of a patent

The rights in a patent belongs to the inventor, their heirs or their assignees. In the case of two or more joint inventors, the rights in a patent belong to each of them jointly.<sup>465</sup>

Where two or more persons have made the same invention separately and independently of each other, the patent will be granted to the first to file an application for the invention. Where two or more conflicting patent applications are found to be in progress, the applicant with the earliest filing date, or priority date, is entitled to the patent.<sup>466</sup>

Different rules apply where a patent is created in the course of employment or pursuant to a commission.

- In the case of an employee who creates an invention in the course of an **employment** contract:
  - the patent will belong to the employee if the inventive activity is not part of their regular duties;<sup>467</sup> and
  - it will belong to the employer if the invention resulted from the employee's performance of their regularly assigned duties, unless there is an agreement to the contrary.<sup>468</sup>
- In the case of an invention created pursuant to a **commission**, the person who commissions the work shall own the patent, unless otherwise provided for in the contract.<sup>469</sup>

In circumstances in which a person who is not the true owner of a patent makes a patent application, the true owner is entitled to certain remedies against that person.<sup>470</sup>

### 3.6.4 Licensing and assignment of a patent

#### 3.6.4.1 Licensing

The owner of a patent is entitled to voluntarily license others to use the claimed invention.

The IP Code regulates the clauses that can be included in a license contract to ensure that the licensing of patents does not have an adverse effect on competition and trade<sup>471</sup> – namely:

459 IP Code, s. 74(b).

460 IP Code, s. 74(c)–(e).

461 IP Code, s. 54.

462 IP Code, s. 56.

463 See *Phil Pharmawearth, Inc. v. Pfizer, Inc. and Pfizer (Phil.), Inc.*, G.R. No. 167715, November 17, 2010.

464 IP Code, s. 109.3.

465 IP Code, s. 28.

466 IP Code, s. 29. See also *E.I Dupont DE Nemours and Co., v. Director Emma C. Francisco, et al.*, G.R. No. 174379, August 31, 2016.

467 IP Code, s. 30.2(a).

468 IP Code, s. 30.2(b).

469 IP Code, s. 30.1.

470 IP Code, ss. 67 and 68.

471 IP Code, s. 85.

- Section 87 provides a list of clauses that are deemed *prima facie* to have an adverse effect on competition and trade, and which are therefore prohibited from inclusion in a license contract; and
- Section 88 provides a list of provisions that *must* be included in license contracts.

In exceptional circumstances, a license agreement need not comply with either of these requirements – but such an agreement must be approved by, and registered with, the Documentation, Information and Technology Transfer Bureau.<sup>472</sup>

Under certain circumstances, Chapter X of the IP Code also permits the Director General of the IP Office to grant a license, without the patent owner's agreement, to someone who has proven ability to exploit the invention.<sup>473</sup> These circumstances include:

- national emergencies;
- where the public interest so requires; and
- where the conduct of the owner of the patent or the licensee has been determined to be anticompetitive.

#### 3.6.4.2 Assignment

Chapter XI of the IP Code provides that patents, or applications for patents and the inventions to which they relate, are protected in the same way as other property under the Civil Code.<sup>474</sup>

Sections 104–107 of the IP Code govern the content, form and recording of patent assignments, as well as the rights of joint owners who have been assigned the rights in a patent.

### 3.7 Revocation or cancellation

A party may seek the cancellation of a patent as a defense to an infringement claim brought before the Special Commercial Court (see section 3.9.3).

A person may also petition the Director of Legal Affairs in the IP Office for revocation of a patent.

This overlap may mean that proceedings are duplicated and the court should ensure, when revocation proceedings are commenced before it, that they are not also being conducted before the IP Office.

Any person may petition to cancel a patent, its claims or parts of those claims.<sup>475</sup> The grounds for such cancellation are that:

- what is claimed as the invention is not new or patentable;<sup>476</sup>
- the patent does not disclose the invention sufficiently clearly and completely for it to be carried out by any person skilled in the art;<sup>477</sup> or
- the patent is contrary to public order or morality.<sup>478</sup>

Similar grounds may be relied upon in a petition to cancel a utility model, except that lack of inventive step cannot be alleged as a ground.<sup>479</sup>

The additional grounds that may be relied upon in a petition to cancel a utility model are that:

- the description and the claims do not comply with the prescribed requirement;<sup>480</sup>
- any drawing that is necessary to understanding the invention has not been furnished;<sup>481</sup> and

472 IP Code, s. 92.

473 IP Code, s. 93.

474 IP Code, s. 103.

475 IP Code, s. 61.

476 IP Code, s. 61(a).

477 IP Code, s. 61(b).

478 IP Code, s. 61(c).

479 IP Code, s. 109(a).

480 IP Code, s. 109(b).

481 IP Code, s. 109(c).



- the owner of the utility model registration is not the inventor or their successor in title.<sup>482</sup>

A petition must be filed in a particular form with the Director of Legal Affairs of the IP Office.<sup>483</sup>

A hearing will then be arranged before the Director of Legal Affairs or a three-person committee, who will determine whether the patent as a whole or any part of its claims should be cancelled.<sup>484</sup>

Any such decision may be appealed to the Director General of the IP Office.<sup>485</sup>

## 3.8 Infringement proceedings

### 3.8.1 Standing

The patent owner, or any person possessing any right, title or interest in and to the patented invention whose rights may have been infringed, may commence a civil action alleging patent infringement.<sup>486</sup> This includes a foreign national, whether or not they are licensed to do business in the Philippines.<sup>487</sup>

A criminal action for patent infringement may be commenced only against a repeat infringer or any person in connivance with a repeat infringer. Criminal proceedings can therefore be commenced only after at least one civil judgment has been entered against the infringer.

In respect of standing generally, including of foreign national or juridical persons, see section 1.6.1.1 of the first chapter in this volume.

### 3.8.2 Urgent measures/interim relief

A patent owner, or any person possessing any right, title or interest in and to the patented invention whose rights may have been infringed, may seek urgent relief such as injunctions and restraining orders, search-and-seizure orders, and orders for disposal and destruction property.

For further details regarding the provisional urgent measures or interim relief available in the event of infringement of IP rights, see section 1.8.1 of the first chapter in this volume.

### 3.8.3 Pleadings and onus

Pleadings in civil and criminal proceedings are discussed in detail in sections 1.6.1 and 1.6.2 of the first chapter in this volume, respectively. What follows adds to those sections specific commentary relevant to patent infringement proceedings.

#### 3.8.3.1 Summons/complaint

An **administrative complaint** for patent infringement is commenced by filing a verified complaint with the IP Office's Bureau of Legal Affairs. The Bureau has original jurisdiction in administrative actions for violations of laws involving intellectual property rights where the total damages claimed are no less than P 200,000.

The plaintiff may commence **civil proceedings** alleging patent infringement by the filing a complaint in which it clearly identifies:

- its standing to sue;
- the patent sued upon;

482 IP Code, s. 109(d).

483 IP Code, s. 62.

484 IP Code, ss. 63–65.

485 IP Code, s. 64.

486 IP Code, s. 76.2.

487 IP Code, s. 77.

- the nature of its ownership of the patent; and
- the precise acts of infringement alleged.

The onus will be on the plaintiff to establish these matters if the defendant does not admit them. This is subject to the operation of several presumptions provided for in the IP Code (see section 6.2 below).

For further details regarding the process for commencing civil patent infringement proceedings, see section 1.6.1 of the first chapter in this volume.

To commence **criminal proceedings** alleging patent infringement, the plaintiff must file a complaint appropriately with the Office of the Prosecutor, in which it clearly identifies:

- its own standing to institute the criminal action;
- the respondents;
- the documents with which it will establish probable cause, including:
  - the complainant's ownership of the patent; and
  - the precise acts of infringement alleged.

Such a complaint can be filed only after a judgment of the court has been entered against the infringer and within three years of the date on which the alleged crime took place.<sup>488</sup>

Following such a filing, the investigating prosecutor will conduct a preliminary investigation to determine whether there is probable cause for filing of a charge.

- If they find there to be probable cause, the prosecutor will file an information with the appropriate Regional Trial Court, in which the prosecutor will supply the verified complaint and evidence of the alleged offense.
- If the court agrees with the prosecutor's assessment, it may issue a warrant for the arrest of the accused. If it disagrees, it may dismiss the case.

For further details regarding the process for commencing criminal patent infringement proceedings, see section 1.6.2 of the first chapter in this volume.

### 3.8.3.2 Answer/defense

In patent infringement cases of either type, the defendant's answer should clearly identify its defense – that is, the reasons why it says it has *not* infringed the plaintiff's patent. The defendant is likely to:

- dispute that the plaintiff owns the patent;
- deny doing the acts that are said to constitute infringement;
- claim that they committed the acts before they knew, or had reasonable grounds to know, of the patent; and
- challenge the validity of the patent or invoke another statutory defense.

For more on the defenses upon which a defendant may rely, including the grounds upon which they may assert that the patent is invalid, see section 3.9.3.

All defenses available in civil patent infringement proceedings are also available in criminal cases.

In addition, the defendant in criminal patent proceedings may plead lack of jurisdiction, lack of preliminary investigation and warrantless arrest.

### 3.8.3.3 Reply

A reply is a prohibited pleading in a patent case except when an actionable document is attached to the answer.<sup>489</sup>

<sup>488</sup> IP Code, s. 84.

<sup>489</sup> IP Rules, r. 3.4.

### 3.8.4 Pre-trial

For both civil and criminal patent infringement actions, the IP Rules set out the required pre-trial process.

Of particular note in patent cases, which often concern technical inventions, is that the court may appoint an expert, or order the creation of a committee of three experts, to provide advice on the technical aspects of the patent in dispute, including on the construction of the claims, if necessary.

Rule 17.4 of the IP Rules sets out the procedure for establishing such a committee.<sup>490</sup>

In addition, in a trial involving highly technical evidence or matters, the court may request that the IP Office provide equipment, technical facilities and personnel.<sup>491</sup>

For further discussion of the pre-trial process in civil and criminal proceedings, see sections 1.6.1.5 and 1.6.2.5 of the first chapter in this volume, respectively.

**TIP** | The appointment of experts and the request for assistance from the IP Office can be part of the pre-trial order.

### 3.8.5 Trial and judgment

For a claim of patent infringement to succeed, the evidence on the record must demonstrate:

- the complainant's ownership of a valid patent; and
- the defendant's infringement of that patent.

The defendant may present evidence disputing these facts, as well as any evidence that supports their defenses.

Given the technical subject matter of many patents, the parties will frequently rely upon evidence from experts in the field of the invention to support their claims.

## 3.9 Evidence

A **product patent** is infringed when an unauthorized third party makes, uses, offers for sale, sells or imports a patented product or a product obtained directly or indirectly from the use of a patented process.<sup>492</sup>

Similarly, a **process patent** is infringed when an unauthorized third party uses a patented process.<sup>493</sup>

Additionally, any person who induces the infringement of a patent, or aids a primary infringer in infringing a patent, can be liable as a contributory infringer.<sup>494</sup>

The IP Code provides that the scope and extent of protection conferred by a patent is to be determined having regard to the claims, which are to be interpreted in light of the description and drawings in the patent.<sup>495</sup>

A claim is to be interpreted to cover not only all the elements expressed within it but also equivalent elements.<sup>496</sup>

<sup>490</sup> IP Rules, r. 17.4.

<sup>491</sup> IP Rules, r. 17.4.

<sup>492</sup> IP Code, s. 76.1.

<sup>493</sup> IP Code, s. 76.1. See also *Kenneth Roy Savage, et al. v. Judge Taypin*, G.R. No. 134216, May 11, 2000.

<sup>494</sup> IP Code, s. 76.6.

<sup>495</sup> IP Code, s. 75.1.

<sup>496</sup> IP Code, s. 75.2.

The process of determining the scope and extent of what is claimed by a patent is known as claim construction.

### 3.9.1 Presumptions

Certain evidentiary presumptions apply to patent infringement cases.

- Letters patent issued by the IP Office are *prima facie* evidence of the patent's existence and validity during the term specified on the letter, unless the patent has already been cancelled or voided by a final and executory judgment or order.<sup>497</sup>
- The patent is presumed to have been validly issued by the IP Office in accordance with applicable laws, unless otherwise contradicted or overcome by other admissible evidence showing that it was irregularly issued.<sup>498</sup> This means that although the plaintiff bears the burden of proving a charge of infringement, where the plaintiff introduces the patent in evidence in due form this creates a *prima facie* presumption of its correctness and validity. Because the decision of the IP Office in granting the patent is presumed to be correct, the burden then shifts to the defendant to overcome the presumption.<sup>499</sup>
- In certain circumstances, where the patent is for a process of obtaining a product, any identical product is presumed to have been obtained by means of the patented process. The court will require the defendant in such a case to prove that the process they used is different from the patented process.<sup>500</sup>
- When the court is assessing damages, it presumes that the infringer knew of the patent if the words "Philippine Patent," with its number, were placed on the patented product, on its container or packaging, or on materials advertising it.<sup>501</sup>

### 3.9.2 Tests for infringement

Case law in the Philippines has developed two tests on which a party alleging infringement may rely – namely:

- literal infringement; and
- the doctrine of equivalents.

#### 3.9.2.1 Literal infringement

The test of literal infringement essentially involves a comparison between:

- what is literally claimed in the patent claims; and
- the allegedly infringing product or process.

As the Supreme Court noted in *Godinez v. Court of Appeals*:

In using literal infringement as a test, "resort must be had, in the first instance, to the words of the claim. If accused matter clearly falls within the claim, infringement is made out and that is the end of it." To determine whether the particular item falls within the literal meaning of the patent claims, the court must juxtapose the claims of the patent and the accused product within the overall context of the claims and specifications, to determine whether there is exact identity of all material elements.<sup>502</sup>

#### 3.9.2.2 Doctrine of equivalents

Patent infringement may also be established having regard to the doctrine of equivalents, which provides that an infringement also takes place when a device appropriates a prior invention by incorporating its innovative concept – with some modification – to perform substantially the same function in substantially the same way to achieve substantially the same result as the

497 IP Rules, r. 17.2.

498 *Aguas v. De Leon*, G.R. No. L-32160, January 30, 1982; *Manzano v. Court of Appeals*, G.R. No. 113388, September 5, 1997.

499 *Maguan v. Court of Appeals*, G.R. No. 45101, November 28, 1986.

500 IP Code, s. 78; IP Rules, r. 17.1(b).

501 IP Code, s. 80; IP Rules, r. 17.3.

502 G.R. No. 97343, September 13, 1993.

patented invention. This is summarised as the “function–means–result” test and the patentee bears the burden of showing that all three components are met.<sup>503</sup>

In *Del Rosario v. Court of Appeals*, the Supreme Court applied the doctrine of equivalents thus:

It is elementary that a patent may be infringed where the essential or substantial features of the patented invention are taken or appropriated, or the device, machine or other subject matter alleged to infringe is substantially identical with the patented invention. In order to infringe a patent, a machine or device must perform the same function, or accomplish the same result by identical or substantially identical means and the principle or mode of operation must be substantially the same.

It may be noted that respondent corporation failed to present before the trial court a clear, competent and reliable comparison between its own model and that of petitioner, and disregarded completely petitioner’s utility Model No. 6237 which improved on his first patented model. Notwithstanding the differences cited by respondent corporation, it did not refute and disprove the allegations of petitioner before the trial court that: (a) both are used by a singer to sing and amplify his voice; (b) both are used to sing with a minus-one or multiplex tapes, or that both are used to play minus-one or standard cassette tapes for singing or for listening to; (c) both are used to sing with a minus-one tape and multiplex tape and to record the singing and the accompaniment; (d) both are used to sing with live accompaniment and to record the same; (e) both are used to enhance the voice of the singer using echo effect, treble, bass and other controls; (g) both are equipped with cassette tape decks which are installed with one being used for playback and the other, for recording the singer and the accompaniment, and both may also be used to record a speaker’s voice or instrumental playing, like the guitar and other instruments; (h) both are encased in a box-like cabinets; and, (i) both can be used with one or more microphones.

Clearly, therefore, both petitioner’s and respondent’s models involve substantially the same modes of operation and produce substantially the same if not identical results when used.<sup>504</sup>

### 3.9.3 Defenses to allegations of infringement

There are several defenses on which a defendant may rely in a patent infringement case.

Section 72 of the IP Code sets out some limitations on the rights of patent owners on which defendants may rely (see section 3.6.1).

Section 73 of the IP Code provides that anyone who was using the patented invention or preparing to do so, in good faith, before the filing or priority date of the patent has the right to continue using it.

Further, Section 74 provides certain circumstances in which a government agency or a third person authorized by the government may exploit the invention without the patent owner’s agreement.

In addition, the defendant may demonstrate the invalidity of the whole patent or any part of its claims. The grounds upon which the defendant may rely are the same as those that may be raised in a petition for the cancellation of a patent in the IP Office (see section 3.7)<sup>505</sup> – namely, that:

- what is claimed as the invention is not new or patentable;
- the patent does not disclose the invention sufficiently clearly and completely for it to be carried out by any person skilled in the art; or
- the patent is contrary to public order or morality.<sup>506</sup>

Case law has developed to add detail to the circumstances in which a patent will be invalid on novelty grounds:

503 *Smith Klyne Beckman Corp. v. Court of Appeals and Tryco Pharma Corp.*, G.R. No. 126627, August 14, 2003.

504 G.R. No. 115106, March 15, 1996.

505 IP Code, s. 81.

506 IP Code, s. 61.

- if a device or process has been known to or used by others prior to its invention or discovery and prior to the grant of the patent, the court shall declare the patent void;<sup>507</sup> and
- a simple instance of public use of the invention by the patentee for more than two years before the date of their patent application will be fatal to its validity.<sup>508</sup>

If the patent is held to be invalid, the court may cancel it.

On receipt of the court's judgment, the Director of Legal Affairs of the IP Office shall record its cancellation in the Register of patents and publish a notice to that effect in the IP Office Gazette.<sup>509</sup>

If the court cancels the patent, the infringement case will fail.

There are also limitations on the damages that a patent owner can recover in an infringement suit, on which a defendant may rely to minimize their liability.

- No damages may be recovered for acts of infringement committed more than four years before the commencement of the infringement suit.<sup>510</sup>
- No damages may be recovered for acts of infringement committed before the infringer knew, or had reasonable grounds to know, of the patent.<sup>511</sup>

### 3.9.4 Criminal infringement

Criminal proceedings for patent infringement may be commenced only against a repeat infringer.

This means that an infringer, or anyone in connivance with the infringer, can be held criminally liable for patent infringement only after having already been found liable for patent infringement in at least one civil proceeding.<sup>512</sup>

## 3.10 Remedies

What follows are the remedies broadly available in the event of infringement of patent rights in the Philippines.

See also Chapter 4 of the first volume in this series, *Introduction to the International Legal Framework for Intellectual Property*, on remedies more generally.

### 3.10.1 Civil remedies

A party found to have infringed a patent in civil proceedings may be liable to pay damages, which the court may assess and award in several ways, including:

- as the damages sustained as a result of the infringement;<sup>513</sup>
- according to the circumstances of the case, as a sum of up to three times the amount of actual damages sustained by the complainant;<sup>514</sup> or
- if damages are inadequate or cannot be readily ascertained with reasonable certainty, as damages equivalent to a reasonable royalty.<sup>515</sup>

The IP Code also provides that damages cannot be recovered for acts of infringement committed:

507 *Manzano v. Court of Appeals*, G.R. No. 113388, September 5, 1997.

508 *Vargas v. F.M. Yaptico & Co., Ltd.*, G.R. No. 14101, September 24, 1919.

509 IP Code, s. 82.

510 IP Code, s. 79.

511 IP Code, s. 80.

512 IP Code, s. 84.

513 IP Code, s. 76.2.

514 IP Code, s. 76.4.

515 IP Code, s. 76.3.

- before the infringer had knowledge of the patent;<sup>516</sup> or
- more than four years before commencement of the infringement action.<sup>517</sup>

Additionally, the courts have awarded reasonable or moderate damages where a plaintiff has suffered some pecuniary loss, but the amount cannot be established with certainty in the circumstances of the case.<sup>518</sup>

Further damages include:

- payment of costs (attorney's fees and other expenses of litigation);<sup>519</sup>
- injunctions restraining infringement;<sup>520</sup> and
- disposal or destruction of infringing goods.<sup>521</sup>

### 3.10.2 Criminal remedies

A party found to have infringed a patent in criminal proceedings is liable to:

- imprisonment for a period of no less than six months but no more than three years; and/or
- a fine not less than P 100,000 but not more than P 300,000.

516 IP Code, s. 80.

517 IP Code, s. 79.

518 See *Smith Klyne Beckman Corp. v. Court of Appeals and Tryco Pharma Corp.*, G.R. No. 126627, August 14, 2003.

519 IP Code, s. 76.2.

520 IP Code, s. 76.2.

521 IP Code, s. 76.5.

# Chapter 4

## Copyright

### 4.1 Introduction

This chapter addresses the conduct of civil proceedings relating to copyright and related rights in the Regional Trial Courts, duly designated as Special Commercial Courts. It also addresses the conduct of criminal proceedings for infringement of copyright, which are conducted in the same courts.

Procedural aspects of the conduct of such proceedings were considered in Chapter 1 of this volume, and this chapter will cross-reference that first chapter, where appropriate. A more general summary of the law of copyright is provided in Chapter 3 of the first volume in the series, *Introduction to the International Legal Framework for Intellectual Property*, which refers to the treaties that apply, but are not specific, to the Philippines.

All of the legislation and the Supreme Court case law to which reference is made in this chapter is available on the WIPO Lex database.<sup>522</sup>

### 4.2 What is copyright in the Philippines?

Copyright protects the original expression of an author's work.

In the Philippines, copyright protection is afforded to "original works" and "derivative works."

- **Original works** are literary and artistic works, such as books, newspapers, musical compositions, photographs and computer programs, which attract copyright protection from the moment of their creation.<sup>523</sup>
- **Derivative works**, such as dramatizations, translations and collections of original works, are also protected by copyright.<sup>524</sup>

The copyright in a work is not attached to the material object in which it is embodied.<sup>525</sup>

#### TIP

The following factors are relevant to determining whether copyright subsists in a work:

- the creativity of the expression;
- whether it was independently created;
- whether the author was personally involved in its creation; and
- the effort expended by the author ("sweat of the brow").

The following factors are *not* relevant to whether copyright subsists:

- the artistic merit of the work;
- the quality of the work; and
- the purpose of the work.

522 See <https://www.wipo.int/wipolex/en/main/home>

523 IP Code, s. 172.1.

524 IP Code, s. 173.1.

525 IP Code, s. 181.



Ideas are not subject to copyright protection nor are thoughts, procedures, systems, methods and principles, items of press information, official legal texts of the legislature or works of the Government of the Philippines.<sup>526</sup>

**TIP**

The distinction between an idea and its expression can be expressed thus:

A person has an idea that they might write about the struggles of a judge in the Philippines. Anyone is free to write about the same idea – whether they write a novel, a short story or even a poem – because the idea is not subject to copyright protection. But if someone expresses this idea in a particular form – as a novel or an essay – this expression will be subject to copyright protection, and anyone copying it may be liable for copyright infringement.

### 4.3 Sources of law

The law on copyright is found in Part IV of the IP Code.

The Civil Procedure Rules and Criminal Procedure Rules apply to all civil and criminal actions filed in court for violations of intellectual property rights, including copyright, provided for under the IP Code.

See section 1.3 in the first chapter of this volume for a summary of all the laws, codes, rules and regulations that apply to intellectual property proceedings before courts in the Philippines.

### 4.4 Requirements for copyright protection

The Supreme Court has ruled that copyright protection does *not* extend to:

- the format or mechanics of a television show – copyright covers audiovisual recordings of each episode of a show but does not extend to the general concept or format of the show;<sup>527</sup>
- a light box – copyright protection extended only to the technical drawings and not to the light box itself, because the latter was not at all in the category of “prints, pictorial illustrations, advertising copies, labels, tags and box wraps” and hence the light box was not a literary or artistic piece that could be copyrighted;<sup>528</sup>
- a hatch door – copyright protection covered only illustrations of the hatch door and not the hatch door itself because, unlike patent protection, copyright gives no exclusive right to the art disclosed;<sup>529</sup>
- a leaf spring eye bushing for an automobile and the vehicle bearing cushion – both were considered not to be intellectual creations in the literary and artistic domain or works of applied art, and while works of applied art that comprise original intellectual, literary and artistic works are copyrightable, useful articles and works of industrial design are not;<sup>530</sup> and
- any work of the Government of the Philippines.<sup>531</sup>

### 4.5 Obtaining copyright protection

Unlike trademark and patent rights, copyright protection arises from the moment a work is created. Copyright protection need not be registered to be enforced in the Special Commercial Courts; it is free and automatic.<sup>532</sup>

**TIP**

© is a symbol that indicates copyright has been claimed. Although it is not necessary for a copyright owner to use the © symbol, it is still used as a highly visible way to indicate that the owner of the work claims copyright protection. This may assist in establishing an entitlement to certain pecuniary remedies.

526 IP Code, ss. 175 and 176.

527 *Joaquin, Jr. v. Drilon*, G.R. No. 108946, January 28, 1999.

528 *Pearl & Dean (Phil.), Inc. v. Shoemart, Inc.*, G.R. No. 148222, August 15, 2003.

529 *Olaño, et al. v. Lim Eng Co.*, G.R. No. 195835, March 14, 2016.

530 *Ching v. Salinas*, G.R. No. 161295, June 29, 2005.

531 *Domingo v. Civil Service Commission*, G.R. No. 236050, June 17, 2020.

532 IP Code, ss. 172.2 and 173.2.

## 4.6 Rights of the copyright owner

### 4.6.1 Economic rights

The owner of a copyright work has economic rights, which protect the financial interests of the owner and consist of the exclusive right to carry out, authorize or prevent:

- reproduction of the work or substantial portion of the work;
- dramatization, translation, adaptation, abridgment, arrangement or other transformation of the work;
- the first public distribution of the original and each copy of the work by sale or other forms of transfer of ownership;
- rental of the original or a copy of an audiovisual or cinematographic work, a work embodied in a sound recording, a computer program, a compilation of data and other materials, or a musical work in graphic form, irrespective of the ownership of the original or the copy that is the subject of the rental;
- public display of the original or a copy of the work;
- public performance of the work; and
- other communication to the public of the work.<sup>533</sup>

### 4.6.2 Moral rights

Independently of the economic rights enjoyed by the owner of copyright, the author of a copyright work has what are known as moral rights in relation to the copyright work. Moral rights protect the personal interests of an author in the copyright work and remain with the author even if they transfer the economic rights to another person.

The moral rights of the author of a copyright work are:

- to require that authorship of the works be attributed to them – in particular, the right that their name, as far as practicable, be indicated in a prominent way on any copies and in connection with the public use of their work;
- to make any alterations of their work prior to, or to withhold it from, publication;
- to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the work that would be prejudicial to the author's honor or reputation; and
- to restrain the use of their name with respect to any work not of their own creation or in a distorted version of their work.<sup>534</sup>

### 4.6.3 Duration of rights

Copyright in works is generally protected from the date on which the work is created until 50 years after the author's death, which clock starts ticking on January 1 after the author's death.<sup>535</sup> If there is more than one author, copyright protection continues for 50 years after the death of the last surviving coauthor.<sup>536</sup>

The IP Code also sets out specific rules governing the duration of copyright in anonymous or pseudonymous works, works of applied art, photographic works and audiovisual works.<sup>537</sup>

The duration of the moral rights of the author of a copyright work are specified in Section 198 of the IP Code.

### 4.6.4 Ownership and transfer of rights

Chapter VI of the IP Code sets out rules in relation to ownership of copyright, including the presumptions to be applied in the different circumstances in which a work is created. While

<sup>533</sup> IP Code, s. 177.

<sup>534</sup> IP Code, s. 193.

<sup>535</sup> IP Code, ss. 213 and 214.

<sup>536</sup> IP Code, s. 213.2.

<sup>537</sup> IP Code, s. 213.3–213.6.

the default position is that the author of a copyright work is its owner, these rules regulate the circumstances in which another person, such as an employer, will be the owner of the copyright.

#### 4.6.4.1 Authorship and ownership of copyright

The author is the person who creates the copyright work. In the case of original literary and artistic works, subject to any assignment, the work's first owner is its author.<sup>538</sup>

Copyright works can also be created jointly by several authors. In the case of works of joint authorship, the coauthors shall be the original owners of the copyright. If a work of joint authorship consists of parts that can be used separately and attributed to the individual authors, the author of each part shall be the original owner of the copyright in the part that they have created.<sup>539</sup>

Different rules apply where a copyright work is created by an author during the course of employment. In such cases, the copyright shall generally belong to:

- the employee if the copyright work was not created as part of their regular duties; or
- the employer if the copyright work is the result of the employee's performance of their regularly assigned duties.<sup>540</sup>

Specific rules regarding the ownership of commissioned works,<sup>541</sup> audiovisual works<sup>542</sup> and letters<sup>543</sup> are provided for in the IP Code.

Where the author of a work is anonymous or uses a pseudonym, the publisher of the work is deemed to be the author's representative, except in certain circumstances.<sup>544</sup>

Should someone register or deposit a work with the National Library or the IP Office, they are not presumed to be the owner of copyright in that work nor is such registration or deposit a precondition to a claim of copyright infringement.

A work is said to be in the "public domain" if no one owns its copyright and related rights. This happens when the term of protection has expired or the author or owner has voluntarily relinquished their rights, for example in the public interest.

#### 4.6.4.2 Assignment and licensing of copyright

Moral rights always belong to the creator of the work.<sup>545</sup> Moral rights cannot be assigned or licensed, although they can be waived.<sup>546</sup>

The owner of copyright and/or moral rights may also nominate a collecting society to manage those rights on their behalf.<sup>547</sup>

An owner may assign or license their economic rights in a work in whole or in part.<sup>548</sup> The assignee or licensee is entitled to all of the rights and remedies that the assignor or licensor had in respect of the right, either exclusively or jointly, depending on the scope of the agreement.

Any licensing agreement or assignment *must* be in writing.<sup>549</sup> It may be filed with the National Library, but this is not a precondition for standing (see section 4.8.1).<sup>550</sup>

538 IP Code, s. 178.1.

539 IP Code, s. 178.2.

540 IP Code, s. 178.3.

541 IP Code, s. 178.4.

542 IP Code, s. 178.5.

543 IP Code, s. 178.6.

544 IP Code, s. 179.

545 IP Code, s. 193.

546 IP Code, s. 195.

547 IP Code, s. 183.

548 IP Code, ss. 180 and 182.

549 IP Code, s. 180.

550 IP Code, s. 181.

## 4.7 Revocation or cancellation

Since subsistence of copyright does not depend on formalities such as registration (see section 3.4.1), it is not subject to revocation or invalidation procedures.

## 4.8 Infringement Proceedings

The owner of the copyright may commence infringement proceedings automatically. The main questions that arise in such proceedings are whether or not the plaintiff in the action is the owner of the work, whether copyright subsists in the work and whether or not the allegedly infringing work is sufficiently similar to the protected work to amount to an infringing reproduction.

### 4.8.1 Standing

A civil action may be commenced by the copyright owner or an exclusive licensee whose rights may have been violated.<sup>551</sup> The same is true of a criminal action.

In respect of standing in civil intellectual property cases more broadly, including of foreign natural or legal persons, see section 1.6.1.1 of the first chapter in this volume.

### 4.8.2 Urgent measures/interim relief

A copyright owner and exclusive licensee whose rights may have been infringed may seek urgent relief such as an injunction or restraining order, a search-and-seizure order or an order for disposal and destruction of property.

For further details regarding the provisional urgent measures or interim relief available in the event of copyright infringement, see section 1.8.1 of the first chapter in this volume.

### 4.8.3 Pleadings and onus

Pleadings in civil and criminal proceedings are discussed in detail in sections 1.6.1.3 and 1.6.2 of the first chapter in this volume, respectively. What follows adds to those sections specific commentary relevant to copyright infringement proceedings.

#### 4.8.3.1 Summons/complaint

##### *Civil proceedings*

In civil copyright infringement cases, the plaintiff's complaint must clearly identify:

- their standing to sue;
- the copyright work sued upon, including whether it is an original or derivative work;
- how the plaintiff comes to own the copyright, for example whether they are the author of the work or one of the presumptions applies;
- why copyright subsists in the copyright work; and
- the precise acts of infringement alleged.

The onus will be on the plaintiff to establish these matters if the defendant does not admit them.

For further details regarding the process for commencing civil copyright infringement proceedings, see section 1.6.1 of the first chapter in this volume.

##### *Criminal proceedings*

In criminal copyright infringement cases, the plaintiff must file a complaint with the appropriate office in the Office of the Prosecutor, which must clearly identify:

- their standing to institute the criminal action;
- the identity of the respondent; and

<sup>551</sup> IP Code, s. 180.

- supporting documents to establish probable cause, including evidence of the complainant's ownership of the copyright work, the subsistence of copyright in the work and the precise acts of infringement alleged.

Following the filing of a complaint instituting criminal proceedings, the investigating prosecutor will conduct a preliminary investigation to determine if there is probable cause for filing of a charge. If probable cause is found, an information will be filed with the appropriate Regional Trial Court, which information will contain the verified complaint and evidence relating to the alleged offense.

- If the court finds there to be no probable cause, the case may be dismissed.
- If the court finds there to be probable cause, a warrant of arrest may be issued for the defendant.

For further details regarding the process for commencing criminal copyright infringement proceedings, see section 1.6.2 of the first chapter in this volume.

#### 4.8.3.2 Answer/defense

In copyright infringement cases, the defendant's answer should clearly identify its defense – that is, the reasons why it says it has *not* infringed the plaintiff's copyright. The defendant is likely to:

- dispute that the plaintiff owns the copyright in the work;
- dispute that the work is protected by copyright;
- deny doing the acts that are said to constitute infringement; and/or
- invoke a statutory defense such as "fair use."

All defenses available in civil copyright infringement proceedings are also available in criminal cases.

In addition, the defendant in criminal copyright proceedings may plead lack of jurisdiction, lack of preliminary investigation and warrantless arrest.

#### 4.8.3.3 Reply

A reply is a prohibited pleading in copyright cases, except when an actionable document is attached to the answer.<sup>552</sup>

#### 4.8.4 Pre-trial

For both civil and criminal copyright infringement actions, the IP Rules set out the pre-trial process that the courts must follow. For further discussion of the pre-trial process in civil and criminal proceedings, see sections 1.6.1.5 and 1.6.2.5 of the first chapter in this volume, respectively.

#### 4.8.5 Trial and judgment

Section 216 of the IP Code sets out that, in copyright actions:

Any person infringes a right protected under this Act when one:

- Directly commits an infringement;
- Benefits from the infringing activity of another person who commits an infringement if the person benefiting has been given notice of the infringing activity and has the right and ability to control the activities of the other person; or
- With knowledge of infringing activity, induces, causes or
- materially contributes to the infringing conduct of another.

552 IP Rules, r. 3.4.

#### 4.8.5.1 Infringement of economic rights (civil and criminal)

The copyright owner has the exclusive right to carry out, authorize or prevent the exploitation of their economic rights.<sup>553</sup> It is an infringement of copyright for any person to engage in any of the following acts without the copyright owner's permission:

- reproduction of the work or a substantial portion of the work;
- dramatization, translation, adaptation, abridgment, arrangement or other transformation of the work;
- the first public distribution of the original and each copy of the work by sale or other forms of transfer of ownership;
- rental of the original or a copy of an audiovisual or cinematographic work, a work embodied in a sound recording, a computer program, a compilation of data and other materials, or a musical work in graphic form, irrespective of the ownership of the original or the copy that is the subject of the rental;
- public display of the original or a copy of the work;
- public performance of the work; and
- other communication to the public of the work.

There are a number of ways in which copyright may be infringed. In *Microsoft Corp. v. Maxicorp, Inc.*, the Supreme Court held that: "Copyright infringement and unfair competition are not limited to the act of selling counterfeit goods. They cover a whole range of acts, from copying, assembling, packaging to marketing, including the mere offering for sale of the counterfeit goods."<sup>554</sup>

To constitute infringement, it is not necessary that the whole, or even a large portion, of the work shall have been copied: if so much is taken that the value of the original is sensibly diminished, or the labors of the original author are substantially and to an injurious extent appropriated by someone else, that may be sufficient in point of law to constitute piracy.<sup>555</sup>

In cases of infringement, therefore, copying alone is not what is prohibited; rather, the copying must produce an "injurious effect." Because a copyright work is the product of its author's creative effort, perhaps including substantial and assiduous research, and copyright provides protection to the intellectual product of an author, for someone else to represent it as their own may produce a sufficient injury.<sup>556</sup>

#### *Plagiarism and piracy*

Copyright infringement is a violation of the rights of the copyright holder and involves the use of the owner's works without consent.<sup>557</sup>

**Plagiarism** is the practice of claiming or implying original authorship of (or incorporating material from) someone else's written or creative work, in whole or in part, into one's own without acknowledgment.

#### *Defenses to allegations of infringement of economic rights*

There are several defenses available in response to an allegation of copyright infringement.<sup>558</sup>

**Fair use** of a copyright work for the purposes of criticism, comment, news reporting, teaching, scholarship, research and similar purposes is not considered an infringement of copyright.<sup>559</sup>

The factors to be considered in determining whether the use is fair are set out in Section 185.1 of the IP Code. For example, use of a copyright work may not be deemed fair if the use was for a commercial purpose, if a large portion of the work was used and/or if that use diverted sales away from the original work.

553 IP Code, s. 177.

554 G.R. No. 140946, September 13, 2004.

555 *Habana v. Robles*, G.R. No. 131522, July 19, 1999.

556 *Ibid.*

557 IP Code, s. 177.

558 IP Code, ss. 184, 185 and 187.

559 IP Code, s. 185.

Other specific acts that will not infringe copyright are set out in Sections 184 and 186–190 of the IP Code. It should be noted that many these defenses are available only if other conditions are complied with, such as if the use acknowledges the owner or creator of the work.

In *ABS-CBN Corp. v. Gozon, et al.*,<sup>560</sup> a test of four factors set out under Section 185 of the IP Code was used to assess whether the fair use defense was made out – namely, of:

- the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- the nature of the copyrighted work;
- the extent and substance of the portion used in relation to the copyrighted work as whole; and
- the effect of the use upon the potential market for, or value of, the copyrighted work.

Examples of reproduction of a copyright work that may be within the fair use defense include:

- private use;
- judicial and administrative use;
- educational, research and scientific purposes;
- teaching purposes;
- use by libraries and archives;
- use for humanitarian purposes (e.g., for blind and visually impaired readers); and
- use for cultural purposes (social and religious functions).

Good faith is not a defense to copyright infringement. In *ABS-CBN Corp. v. Gozon*,<sup>561</sup> the Supreme Court held that, unlike other jurisdictions that require intent for a criminal prosecution of copyright infringement, the Philippines does not statutorily support good faith as a defense. Copyright infringement is thus considered *malum prohibitum*: it is the act of infringement, not the intent behind it, which causes the damage.

#### 4.8.5.2 Infringement of moral rights

It is an infringement of moral rights to:

- fail to attribute the creator of a copyright work;
- alter a work prior to its first publication without the creator's consent;
- publish a work for the first time without the creator's consent;
- distort, mutilate, modify or subject a work to any derogatory action that would prejudice the honour or reputation of its creator; and
- to falsely attribute a person as the creator of a work.<sup>562</sup>

#### *Defenses to allegations of infringement of moral rights*

Exceptions to the infringement of moral rights are set out in Sections 196 and 197 of the IP Code.

## 4.9 Evidence

In an action for copyright infringement, an affidavit made before a notary public by or on behalf of the owner of the copyright in any work or other subject matter shall be admitted in evidence in any proceedings and shall be *prima facie* proof of the matters stated, unless the contrary is proved, and the court shall assume that the affidavit was made by or on behalf of the owner of the copyright.<sup>563</sup>

Those matters stated are that:

- at the time specified, copyright subsisted in the work or other subject matter;
- the person named is the owner of the copyright; and
- the copy of the work or other subject matter annexed is a true copy of it.

This is a useful means of proving ownership of the work in question.

<sup>560</sup> G.R. No. 195956, March 11, 2015.

<sup>561</sup> G.R. No. 195956, March 11, 2015.

<sup>562</sup> IP Code, s. 193.

<sup>563</sup> IP Code, s. 218.

### 4.9.1 Essential evidence

For a claim of copyright infringement to prevail, the evidence on record must demonstrate:

- ownership of a validly copyrighted material by the complainant; and
- infringement of the copyright by the respondent.<sup>564</sup>

In other words, there must be evidence proving that there is a work in which copyright subsists (i.e., that the work is protected by copyright), that the complainant is the owner or exclusive licensee of the copyright in the work and that the respondent has done an act constituting infringement.

The defendant may put forward evidence disputing these facts and supporting any defenses to infringement that it invokes.

**TIP** | Proving ownership of copyright may be complicated where there are multiple authors of one work, particularly if they are not employees of the same organization or otherwise bound together by contract.

### 4.9.2 Presumptions

The IP Code establishes several evidentiary presumptions that apply in copyright infringement proceedings.

- First, regarding the authorship of copyright, the natural person whose name is indicated on a work in the usual manner as the author shall, in the absence of proof to the contrary, be presumed to be the author of the work. This presumption applies even if the name is a pseudonym, provided that the pseudonym leaves no doubt as to the identity of the author.<sup>565</sup>
- Second, regarding the ownership and subsistence of copyright, copyright is presumed to subsist in the work or other subject matter to which the action relates, and ownership of that copyright shall be presumed to belong to the complainant if they so claim it by affidavit unless the defendant disputes it and shows or attaches proof to the contrary in an answer to the complaint.<sup>566</sup> Mere denial of the subsistence of copyright and/or ownership of copyright based on ignorance shall not be sufficient to rebut the presumption.
- Third, some weight may also be placed upon evidence from international copyright registers. A statement concerning a work, recorded in an international register in accordance with an international treaty to which the Philippines is or may become a party, shall be construed as true until the contrary is proved, except where the statement cannot be valid under the IP Code, as amended, or any other law concerning intellectual property, or where the statement is contradicted by another statement recorded in the international register.<sup>567</sup>

### 4.9.3 Standard of evidence

Despite the operation of these presumptions, the evidence capable of supporting a copyright infringement claim must be to a certain standard.

Rule 133.1 of the Rules of Court mandates that, in civil cases, the party with the burden of proof must establish its case by a preponderance of evidence. "Preponderance of evidence," according to the court in *Raymundo v. Lunaria*,<sup>568</sup> means that the evidence as a whole adduced by one side is superior to that of the other. It refers to the weight, credit and value of the aggregate evidence on either side and is usually considered to be synonymous with the terms "greater weight of evidence" or "greater weight of the credible evidence." It is evidence that the court finds to be more convincing than that put forward by the other party.<sup>569</sup>

<sup>564</sup> *Olaño, et al. v. Lim Eng Co.*, G.R. No. 195835, March 14, 2016.

<sup>565</sup> IP Code, s. 219.1.

<sup>566</sup> IP Code, s. 218.

<sup>567</sup> IP Code, s. 220.

<sup>568</sup> G.R. No. 171036, 17 October 2008.

<sup>569</sup> *BP Oil and Chemicals International Philippines, Inc. v. Total Distribution & Logistic Systems, Inc.*, G.R. No. 214406, February 6, 2017.



In ruling that a work is protected by copyright, courts cannot merely rely on the fact that an article appears on a website without seeking further authentication or verification. It must be remembered that some articles appearing on the internet or on websites are easily edited and their sources are unverifiable, and hence sole reliance on such articles is greatly discouraged.<sup>570</sup>

Further, certificates of copyright merely constitute *prima facie* evidence of validity and ownership. There is no presumption of validity where other evidence exists that may cast doubt on the validity of copyright, and hence where there is sufficient proof that the alleged copyright works are not original creations but are readily available in the market under various brands, validity and originality will not be presumed.<sup>571</sup>

#### 4.9.4 Evidence in criminal proceedings

In *20<sup>th</sup> Century Fox Film Corp. v. Court of Appeals*,<sup>572</sup> the Supreme Court considered the evidence necessary to establish probable cause:

The essence of copyright infringement is the similarity, or at least substantial similarity, between the purported pirated works and the copyrighted work. Hence, the applicant must present to the court the copyrighted films to compare them with the purchased evidence of the video tapes allegedly pirated to determine whether the latter is an unauthorized reproduction of the former. This linkage of the copyrighted films to the pirated films must be established to satisfy the requirements of probable cause. Mere allegations as to the existence of the copyrighted films cannot serve as basis for the issuance of a search warrant.

The courts, however, have discretion to determine what nature of evidence will be sufficient. In the later case *Columbia Pictures v. Court of Appeals*,<sup>573</sup> the court found that:

... to restrict the exercise of discretion by a judge by adding a particular requirement (the presentation of master tapes, as intimated by 20<sup>th</sup> Century Fox) not provided nor implied in the law for a finding of probable cause is beyond the realm of judicial competence or statesmanship. It serves no purpose but to stultify and constrict the judicious exercise of a court's prerogatives and to denigrate the judicial duty of determining the existence of probable cause to a mere ministerial or mechanical function. There is, to repeat, no law or rule which requires that the existence of probable cause is or should be determined solely by a specific kind of evidence. Surely, this could not have been contemplated by the framers of the Constitution, and we do not believe that the Court intended the statement in 20<sup>th</sup> Century Fox regarding master tapes as the dictum for all seasons and reasons in infringement cases.

In *Microsoft Corp. v. Manansala*,<sup>574</sup> the court found that the mere sale of the illicit copies of the software programs was enough by itself to show the existence of probable cause for copyright infringement. There was no need for the petitioner to prove who copied, replicated or reproduced the software programs to establish probable cause.

## 4.10 Remedies

What follows are the remedies broadly available in the event of infringement of copyright and related rights in the Philippines.

See also Chapter 4 of the first volume in this series, *Introduction to the International Legal Framework for Intellectual Property*, for more on remedies more generally.

570 See *Juan v. Juan*, G.R. No. 221732, August 23, 2017.

571 See *Manly Sportswear Manufacturing, Inc. v. Dadodette Enterprises*, G.R. No. 165306, September 20, 2005; *Ching v. Salinas*, G.R. No. 161295, June 29, 2005; *Olaño, et al. v. Lim Eng Co.*, G.R. No. 195835, March 14, 2016.

572 G.R. No. 110318, August 28, 1996.

573 G.R. Nos. 76649–51, August 19, 1988.

574 G.R. No. 166391, October 21, 2015.

#### 4.10.1 Civil remedies

A civil infringer of a copyright work may be subjected to the following forms of relief:

- an injunction restraining them from further acts of infringement;<sup>575</sup>
- payment of actual damages to the copyright owner, or their assignees or heirs, including legal costs and other expenses, as well as the profits the infringer made as a result of the infringement;<sup>576</sup>
- delivery for impounding, while the infringement action is pending, sales invoices and other documents evidencing sales, all articles and their packaging alleged to infringe and equipment used for making them;<sup>577</sup>
- delivery for destruction of all infringing goods and equipment used to reproduce them;<sup>578</sup> and
- payment of moral and exemplary damages.

There may be circumstances in which it is not possible to accurately determine the damages or loss suffered by a copyright owner. In *Sambar v. Levi Strauss & Co. and Levi Strauss (Phil.), Inc.*,<sup>579</sup> the Supreme Court held that:

Although the exact amount of damage or loss cannot be determined with reasonable certainty, the fact that there has been infringement means a plaintiff has suffered losses for which they are entitled to moderate damages. We find that the award of P50,000.00 as temperate damages fair and reasonable, considering the circumstances herein as well as the global coverage and reputation of private respondents Levi Strauss & Company and Levi Strauss (Phil.), Inc.

#### 4.10.2 Criminal remedies

An infringer of a copyright work is guilty of a crime punishable:

- **for their first offense**, by imprisonment of between one and three years *plus* a fine of between P 50,000 and P 150,000;<sup>580</sup>
- **for their second offense**, by imprisonment of between three years and one day and six years *plus* a fine of between P 150,000 and P 500,000;<sup>581</sup> or
- **for their third and subsequent offenses**, by imprisonment of between six years and one day and nine years *plus* a fine of between P 500,000 and P 1,500,000.<sup>582</sup>

In the event that the offender is insolvent, they will be sentenced to subsidiary imprisonment.<sup>583</sup>

In determining the number of years of imprisonment and the amount of the fine, the court shall consider the value of the infringing materials that the defendant has produced or manufactured and the damage that the copyright owner has suffered by reason of the infringement.<sup>584</sup>

Criminal liability extends to any person who has in their possession for certain purposes an article that they know is an infringing copy of a copyright work.<sup>585</sup>

#### 4.10.3 Moral rights remedies

The owner of moral rights is entitled to the same rights and remedies available to the copyright owner, if the two are not the same. Any damages that may be recovered after the creator's death are held in trust for the creator's heirs and, in default, the State.<sup>586</sup>

See also Chapter 4 of the first volume in this series, *Introduction to the International Legal Framework for Intellectual Property*.

575 IP Code, s. 216.1(a).

576 IP Code, s. 216.1(b).

577 IP Code, s. 216.1(c).

578 IP Code, s. 216.1(d).

579 G.R. No. 132604, March 6, 2002.

580 IP Code, s. 217(a).

581 IP Code, s. 217(b).

582 IP Code, s. 217(c).

583 IP Code, s. 217.1(d).

584 IP Code, s. 217.2.

585 IP Code, s. 217.3.

586 IP Code, s. 199.

The Intellectual Property Benchbook Series is a set of practical manuals on IP law and procedure to assist judges in adjudicating IP cases appearing before them in their own courts, as well as for readers interested in learning about judicial adjudication of IP disputes across jurisdictions.

This title in the Benchbook series provides a guide to the judicial management of IP disputes at each stage of adjudication in the Philippines, with a particular focus on procedural aspects. The volume was drafted by experienced judges with the perspective of sharing good practices with their judicial peers.



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