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**BACKGROUND READING MATERIAL  
ON THE  
INTELLECTUAL PROPERTY SYSTEM  
OF  
THE PHILIPPINES**



**WORLD INTELLECTUAL PROPERTY ORGANIZATION  
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## PREFACE

The World Intellectual Property Organization (WIPO) is a specialized agency within the United Nations system of organizations. It is responsible for the promotion and protection of intellectual property throughout the world.

WIPO is cooperating with the developing countries of Asia and the Pacific in a comprehensive program of activities to facilitate the establishment and strengthening of intellectual property systems in the region. One of the components of this development cooperation program is the preparation and publication of guides, manuals and other training and information aids in the field of intellectual property.

In 1988 WIPO issued, under a development cooperation project funded by the United Nations Development Programme (UNDP) for countries of Asia and the Pacific, a publication entitled *Background Reading Material on Intellectual Property*. The publication consisted of a collection of reading materials on various aspects of intellectual property law, administration and practice and was prepared as a reference work for university students, government officials, lawyers and businessmen.

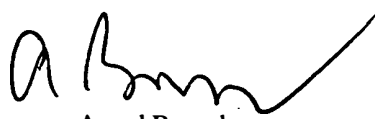
To complement that basic reference work, WIPO has commissioned a number of leading intellectual property scholars in the Asian and Pacific region, each to write a commentary on the intellectual property laws of his own country as a "national supplement" to the *Background Reading Material on Intellectual Property*.

The author of the present book, entitled *Background Reading Material on the Intellectual Property System of the Philippines*, is Attorney Ignacio S. Sapalo, Director, Bureau of Patents, Trademarks and Technology Transfer (BPTTT), Department of Trade and Industry, Manila.

While primarily intended for law students, this book may also be of use as a reference work for government officials, attorneys and businessmen concerned with intellectual property law or its administration in the Philippines.

WIPO wishes to record its deep appreciation to Attorney Sapalo for his contribution which should significantly increase understanding of the working of the intellectual property system of the Philippines.

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Arpad Bogsch  
Director General

World Intellectual Property Organization

Geneva, October 1993

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# **CHAPTER 1**

## **PATENTS**

### **SYNOPSIS**

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## 1.1 Introduction

### 1.1.1 *The Spanish Period*

Quoted are excerpts from the paper prepared by Cecilia D. Tadle, entitled “The Organization and Management of the Philippine Patent Office,” which she submitted to the Graduate School of the University of the Philippines:

“The first Spanish patent law, promulgated on March 27, 1826, resembled closely the contemporaneous French law. As to when and how this law or a subsequent one was first adopted and administered in the Philippines is unknown. Available records, however, show the existence of a system of patent regulation in the Islands before 1862. The Royal Decree of July 19, 1862, referred to a query raised by an unnamed sender, presumably the Spanish Governor of the Philippines, regarding the settling of a controversy between Juan Elias Maigot, owner of a grant for lime of saccharine juice, and Francisco Dominech, another grantee for the process of treating the juice of sugar cane with lime. The Queen of Spain decreed, in the said Royal Order, that the laws then enforced in the colonies be amended to conform with the provisions of the Royal Decree of January 11 and July 16, 1849, and that henceforth meritorious questions of such nature should be placed within the jurisdiction of ordinary tribunals. This order was followed by the Royal Decree of January 12, 1863, transmitted by the Governor, Captain-General of Cuba, stating that the revisions of the laws of the colonies referred to in the preceding order be effected immediately.

A major revision of the patent law of Spain took effect on July 30, 1878, when the term of patents of invention was extended to 20 years, while the term of patents of importation which do not confer the right to prohibit the importation of patented articles from abroad was curtailed to five years.

The Patent Law of 1888 granted to the author of an invention the exclusive right to the exploitation of the invention, which included the fabrication or elaboration, the sale, the use or consumption of the object of the invention. This right was acquired by obtaining from the Government a patent of invention which was issued without examination of the novelty, utility or validity of the object of the invention.

Invention patents were issued for a term of five, 10 or 20 years, depending on the desire of the petitioner. The patents granted for five or 10 years could be renewed for an equal period by petition of the interested party. But no patent lasted for more than 20 years except by virtue of a special law.”

### 1.1.2 *The American Period*

The triumph of the American fleet in the battle of Manila Bay in 1898 marked the end of more than three centuries of Spanish colonization of the Philippines. Through the Treaty of Paris signed on December 10, 1898, Spain ceded the Philippines to the United States of America.

On the basis of the provisions of Article 13 of the Treaty of Paris, patents, trademarks and copyright that were granted by the Spanish Government continued to have legal effect in the Philippine Islands even after the signing of the Treaty.<sup>1</sup>

On February 10, 1913, the Philippine legislature passed Act No. 2235 which made the United States patent laws applicable in the Philippine Islands.<sup>2</sup>

<sup>1</sup> *GSELL v. Yap-Jue*, No. 1816, 6 Phil. 143.

<sup>2</sup> *Vargas v. F.M. Yaptico & Co.*, No. 14101, September 24, 1919, 40 Phil. 195.

In retrospect during the Spanish period, all patent applications of Philippine residents had to be sent to Spain for examination and grant. After the Treaty of Paris took effect, patent applications originating from the Philippines were filed with the United States Patent Office.

### 1.1.3 *Republic Act No. 165 and Philippine Accession to the Paris Convention for the Protection of Industrial Property*

#### (a) *Republic Act No. 165*

This law, which took effect on June 20, 1947, established an independent patent system for the country and created the Philippine Patent Office (now known as the Bureau of Patents, Trademarks and Technology Transfer). Republic Act No. 165 was patterned mainly on United States patent laws. As such, it follows the first-to-invent system. It has undergone a few amendments since its enactment the more significant of which was the grant of protection for utility models under Republic Act No. 864, which took effect on June 16, 1953. On December 14, 1977, Presidential Decree No. 1263 amended the provisions on compulsory licensing of Republic Act No. 165 delimiting the meaning of “working” to exclude importation,<sup>3</sup> indicated additional grounds for the grant of compulsory licenses and set certain limits on the amount of royalty that licensees may be required to pay under a compulsory license.

#### (b) *Philippine accession to the Paris Convention*

##### (i) Date of accession

The Philippines acceded to the Paris Convention for the Protection of Industrial Property (Paris Convention) as revised at Lisbon on September 27, 1965, and to the revision done at Stockholm, as regards Articles 13 to 30 on administrative matters, on July 16, 1980.

##### (ii) National treatment

On the basis of the national treatment principle, provided for by the Paris Convention, nationals of the countries of the Union, as regards the protection of industrial property, are entitled to the same advantages that the Philippines has granted or may hereafter grant to its nationals.<sup>4</sup>

##### (iii) Right of priority

The Convention also grants to a “person who has duly filed an application for a patent, or for the registration of a utility model, or of an industrial design, or of a trademark, in one of the countries of the Union, or his successor in title, . . . for the purpose of filing in other countries, a right of priority”<sup>5</sup> which “shall be 12 months for patents and utility models, and six months for industrial designs and for trademarks,”<sup>6</sup> and “these periods shall start from the date of filing of the first application.”<sup>7</sup>

Consequently, the subsequent filing in any of the other countries of the Union before the expiration of those periods shall not be invalidated through any acts accomplished in the interval as, for instance, by another filing, by publication or exploitation of the invention, by the putting on sale of copies of the design or model, or by use of the mark, and these acts cannot give rise to any right of third parties, or of any personal possession.

<sup>3</sup> Republic Act No. 165, Section 34(3).

<sup>4</sup> Paris Convention, Article 2(1).

<sup>5</sup> Article 4A(1).

<sup>6</sup> Article 4C(1).

<sup>7</sup> Article 4C(2).

Rights acquired by third parties before the date of the first application which serves as the basis for the right of priority are reserved under the domestic legislation of each country of the Union.<sup>8</sup>

(iv) Independence of patents

Article 4*bis*(1) of the Convention recognizes the independence of patents, viz:

Patents applied for in the various countries of the Union by persons entitled to the benefits of the Union shall be independent of patents obtained for the same invention in other countries, whether members of the Union or not.

(v) Mention of the inventor in the patent

The inventor shall have the right to be mentioned as such in the patent.<sup>9</sup>

(vi) Obligations of the patentee

Paragraph (2) of Article 5A of the Convention provides that “Each Country of the Union shall have the right to take legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent, for example, failure to work.” Article 5A of the Convention in effect imposes on the patentee the obligation to “work” the patent after it has been granted. Certain limitations, however, were made by paragraph (4) of the same Article, viz: that the application for a compulsory license shall not be made after the expiration of four years from the date of filing of the patent application or three years from the date of the grant of the patent, whichever period last expires; and such a compulsory license shall be non-exclusive and shall not be transferable except with that part of the enterprise or goodwill using such license.

(c) *Philippine accession to the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure*

The Philippines became a party to the Budapest Treaty on October 21, 1981.

(d) *Binding effect of the Paris Convention*

In the leading case of *Lacoste v. Fernandez*,<sup>10</sup> which is discussed at great length in Chapter 3 on Trademarks, the court ruled that La Chemise Lacoste, a French corporation, had the right to sue in Philippine courts for unfair competition or infringement of its trademark. The court stated:

“We are moreover recognizing our duties and the rights of foreign States under the Paris Convention for the Protection of Industrial Property to which the Philippines and France are parties. We are simply interpreting and enforcing a solemn international commitment of the Philippines embodied in a multilateral treaty to which we are a party and which we entered into because it is in our national interest to do so . . . . For a treaty or convention is not a mere moral obligation . . . . It creates a legally binding obligation on the parties founded on the generally accepted principle of international law of *pacta sunt servanda* which has been adopted as part of the law of our land.” (Constitution, Art. II, Sec. 2)

<sup>8</sup> Article 4B.

<sup>9</sup> Article 4*ter*.

<sup>10</sup> L-63796-97, May 21, 1984; 129 SCRA 373.



## 1.2 Conditions of Patentability

### 1.2.1 *The Provisions of Law*

Sections 7, 8 and 9 of Republic Act No. 165 provide:

*Sec. 7.* Inventions patentable.—Any invention of a new and useful machine, manufactured product or substance, process, or an improvement of any of the foregoing, shall be patentable.

*Sec. 8.* Inventions not patentable.—An invention shall not be patentable if it is contrary to public order or morals, or to public health or welfare, or if it constitutes a mere idea, scientific principle or abstract theorem not embodied in an invention as specified in Section 7 hereof, or any process not directed to the making or improving of a commercial product.

*Sec. 9.* Invention not considered new or patentable.—An invention shall not be considered new or capable of being patented if it was known or used by others in the Philippines before the invention thereof by the inventor named in an application for patent for the invention, or if it was patented or described in any printed publication in the Philippines or any foreign country more than one year before the application for a patent therefor; or if it had been in public use or on sale in the Philippines for more than one year before the application for a patent therefor; or if it is the subject matter of a validly issued patent in the Philippines granted on an application filed before the filing of the application for patent therefor.”

Rule 34 of the Rules of Practice in Patent Cases provides:

*“Rule 34.* Inventiveness essential.—In order to be patentable, an alleged invention must not only be new and useful, but it must also actually be an invention, as the word “invention” has been interpreted by the courts. If the concept involved in an alleged invention is within the reach of those skilled in the art, there is no invention in the legal sense.”

### 1.2.2 *Decisions of the Director of Patents*<sup>11</sup>

*In Co San v. Jose Ong Lian Bio*,<sup>12</sup> the Director of Patents ruled:

“According to Section 7, in order that it may be patentable, an alleged invention must be:

(a) an invention, as this word has been judicially defined:

The law does not define ‘invention’ but the courts have declared that an alleged invention is not an invention in the sense of the Patent Law, if it is not ingenious, if it is obvious to a person skilled in the art to which the alleged invention belongs, or if it is merely the result of the skill of a mechanic;

(b) an invention either of

1. a machine; or
2. a manufactured product; or
3. a manufactured substance; or
4. a process; or
5. an improvement of 1, 2, 3 or 4 statutory classes of inventions.

Any invention not falling under any of these five statutory classes is not patentable;

<sup>11</sup> There are hardly any decisions of the Supreme Court or the Court of Appeals on patents. Consequently, the discussion in this chapter on requirements of patentability and other significant issues relating to patents shall consist mainly of the interpretation and application of the Patent Law contained in the decisions of the Director of Patents in both *ex-parte* and *inter-partes* proceedings.

<sup>12</sup> Decision No. 108, March 15, 1956.

(c) a new invention

Section 9 defines what a 'new invention' is in the sense of the patent law;

(d) a useful invention

Section 8 enumerates what are not 'useful inventions' in the patent law. This Section is nothing but a reduction into statutory form of what courts have decided are not useful inventions."

### 1.2.3 Novelty

(a) *Anticipation by prior knowledge of prior use*

(i) In general

The Director of Patents, in a cancellation case,<sup>13</sup> stated that a prior patent should be measured as anticipatory by what it clearly and definitely disclosed, not by what could be made of it. The specification of the first patent must be such that persons skilled in the art could construct the invention described in the subsequent patent without the exercise of a creative faculty or further experimentation. An existing patent which did not bear within its four corners adequate directions for the practice of the patent in suit did not anticipate it.

In the chemical field, there are thousands of chemical compounds which could be synthesized on paper, their utilities predicted and their chemical structures and molecular weights determined and designated. If these references did not describe the manner of making or producing them but referred to compounds which were creation in theory only, they could not be cited to bar issuance of a patent for lack of novelty.

(ii) As applied to a combination

Novelty in patent jurisdiction means that a thing is new unless all its elements, except for insignificant differences, can be found in a single prior description or structure where they do substantially the same work in the same way. Thus, in order to support an allegation of lack of novelty when a combination is at issue, the combination in its entirety must be shown to be old.<sup>14</sup>

(iii) As applied to a process

All the elements or steps of the process in question must be unequivocally met, element by element, in the correct sequence or order, and under the same or identical conditions these steps are carried out by the process which is allegedly the subject of prior use or prior knowledge.<sup>15</sup>

(b) *What constitutes "prior art"?*

Prior art, as construed from the expression "known or used" in the first clause of Section 9, signifies knowledge by others in the Philippines before the invention thereof by the inventor named in an application for a patent therefor. Such knowledge may be actual or real knowledge, or knowledge derived from printed publications or patents in the Philippines. The latter case also includes foreign printed publications or patents which, however, must be shown to have been publicly available in the Philippines, for instance, by the "date of receipt stamped thereon, or by the records of any library, or elsewhere, in the Philippines where such publication may be found" prior to the date of the invention.

Under the third clause of Section 9, prior art means public use or sale of the invention in the Philippines for more than one year before the application for a patent therefor. Such

<sup>13</sup> *United Laboratories et al. v. Merck & Co., Inc.*, Decision No. 802, June 10, 1974.

<sup>14</sup> *Nissin v. Inoue*, Decision No. 82-77, November 9, 1982.

<sup>15</sup> *Acme Show v. General Rubber & Footwear Corp.*, Decision No. 659, March 6, 1972.

public use must be of the operative form of the actual invention, intended for commercial purposes and must be established beyond reasonable doubt.

Meanwhile, an absolute bar to the grant of a patent on an invention, as stipulated in the second clause of Section 9, is prior art constituting any patent or printed publication describing the invention in the Philippines or any foreign country, issued or published more than one year prior to the application for patent for the invention.<sup>16</sup>

(c) *Quantum of evidence needed to establish the element of anticipation of patent*

In *Manzano v. Madolaria*<sup>17</sup> the Director of Patents, following American jurisprudence, stated this rule:

“Prior unpatented development or prior use not described in a printed publication, in order to anticipate a patent, must be proved by clear and convincing evidence and not by ordinary preponderance of evidence; although there are expressions in some cases that it must be proved beyond a reasonable doubt, it is necessary to go as far. It is easy to make an honest mistake in testifying as to details of events that are claimed to have occurred many years previously; patent rights should not be disposed of on such a nebulous basis.”

With respect to printed publications reference is made to the discussion in section 1.2.3(e) of this chapter.

(d) *First clause of Section 9 of Republic Act No. 165, viz: an invention shall not be considered new or capable of being patented if it was known or used by others in the Philippines before the invention thereat by the inventor named in an application for patent for the invention*

(i) Meaning of “known or used by others in the Philippines”

A single instance of public use of the invention by a patentee for more than one year before the date of his application for a patent will be fatal to the validity of the patent when issued.<sup>18</sup>

If the use by others of an invention or utility model is a complete one, not purposely hidden, and primarily for profit, a single instance known by certain members of the public not charged with a duty to keep the knowledge confidential is sufficient to constitute a bar to a valid patent claiming the subject matter thereof.<sup>19</sup>

Prior knowledge by others need not be through a plurality of two or more persons. Prior knowledge by one person of an alleged invention or utility model, if his testimony is clear and convincing, suffices to defeat novelty and may be considered “publicly known.”<sup>20</sup>

One’s own invention, whatever the form of disclosure to the public, may not be prior art against oneself. The first clause of Section 9 requires that the invention be known or used by others in the Philippines in order to negate novelty.<sup>21</sup>

<sup>16</sup> *Nissin v. Inoue*, *supra*, footnote 14.

<sup>17</sup> Decision No. 86-56, July 7, 1986.

<sup>18</sup> *Vargas v. Yaptico*, *supra*, footnote 2; *Vargas v. Chua*, No. 36650, January 27, 1933, 54 Phil. 784; *Frank and Gohn Kosuyana*, No. 38010, December 21, 1933, 59 Phil. 206; *Maguan v. Court of Appeals*, No. L-45101, November 28, 1986; 146 SCRA 107.

<sup>19</sup> *Nissin v. Inoue*, *supra*, footnote 14.

<sup>20</sup> *Hercules Metal Products v. Ong Kim Siu*, Decision No. 502, October 11, 1968.

<sup>21</sup> *Bajado v. Director of Patents*, AC-G.R. No. SP-03628, August 5, 1985.

(ii) Exception: experimental use

On the other hand, it is well settled that the use of an invention by way of experiment and in order to bring the invention to perfection is not such public use as will make a subsequent patent void.<sup>22</sup>

If the use is to ascertain the utility, value or success of the invention and not for profit, such is regarded as experimental, but where the main object of the use is profit and improvement is only incidental, that use is regarded as public. If a device is used mainly for purposes of trade, the use is a public one though the use is incidentally experimental since it is the principal use that gives character to the use in determining whether the use bars an application for a patent.<sup>23</sup>

(iii) When invention takes place

The following principles were considered by the Director of Patents<sup>24</sup> in resolving the issue of priority of invention in an interference case:

“1. ‘Conception of an invention’ is the date when the idea of the complete and operative invention was formed in the mind. According to the Court of Appeals of the District of Columbia, the conception of the invention consists in the complete performance of the mental part of the inventive act. All that remains to be accomplished in order to perfect the act or instrument belongs to the department of construction, not invention. It is therefore the formation in the mind of the inventor of a definite and permanent idea of the complete and operative invention as it is thereafter to be applied in practice that constitute an available conception within the meaning of the patent law.

2. ‘Constructive reduction to practice’ is a principle which is *pure fiction of law* and came into being as a result of judicial interpretation on the theory that a valid application for a patent *completes the invention and makes it available to the public*, enabling anyone of this group skilled in the art to which it relates to reproduce or perform the invention disclosed.

3. ‘Actual reduction to practice’ is the reduction of the invention to practice by the actual construction of the device or carrying out the process, etc.; hence, the physical part of the inventive act, as distinguished from conception, the mental part.

4. ‘Diligence’ is the principle which states that the party who although first to conceive is second to have reduced his invention may nevertheless be deemed the first inventor upon meeting one condition, namely, that he showed reasonable diligence in reducing his invention to practice. He who invents first, i.e., is first to conceive, shall have the prior right if he is using reasonable diligence in adopting and perfecting the same, although the second inventor has, in fact, first perfected the same and reduced the same to practice in a positive form.

Thus, if one derived the invention from another, the latter prevails. As between independent inventors, the first to reduce to practice wins, unless the other party is first to conceive and was diligent in reducing to practice. The first to conceive and who additionally is the first to reduce to practice wins the interference. The first to conceive who is not the first to reduce to practice may win if a showing of reasonable diligence is made.”

In another interference case,<sup>25</sup> the Director of Patents ruled that in the absence of proof of an earlier date properly adduced and established, the date of conception and reduction to practice of any invention is the filing date of the application.

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<sup>22</sup> *Co v. Co Ling*, Decision No. 1031, June 2, 1978.

<sup>23</sup> *Ortega v. Kahulugan*, Decision No. 82-48, August 9, 1982.

<sup>24</sup> *Alegre v. Chua*, Decision No. 474, March 7, 1968.

<sup>25</sup> *Santos v. Siron Jr.*, Decision No. 82-43, July 26, 1982.

(e) *Second clause of Section 9, viz: an invention shall not be considered new or capable of being patented if it was patented or described in any printed publication in the Philippines or any foreign country more than one year before the application for a patent therefor*

(i) Meaning of “it was patented or described in any printed publication”

On the point of novelty, the Examiner was of the opinion that the bamboo products described in the three claims were not new in the sense of Section 9 of the Patent Law. That the bamboo products become tough and durable and light because of impregnation with resins, were matters already described in United States patent No. 2,352,740 granted to Shannon on July 4, 1944, four years before Icasiano filed his application in the Philippine Patent Office on May 24, 1948.

Shannon’s patent, which described the qualities of bamboo products treated with his process, was deemed a printed publication, since United States patents, like Philippine patents, were, after issue, printed and copies sold to the public. Applicant’s alleged invention was thus not new, having been described in the earlier Shannon patent.

The bamboo boards, characterized in that the two or more plys were bonded together, were considered new commercially but not in patent-law sense. Except for the substitution of bamboo plys for wood plys, these bamboo boards were in all respects the same as plywood, both in the method of manufacturing and in the resulting product. Plywood and the method of its manufacture have been described in *Handbook of Plastics* (1943) and mentioned in *Modern Plywood* (1945).<sup>26</sup>

The fact that the subject matter of the United States patent in suit relating to isomers of phenyl-alkaline derivatives was patented more than one year before the effective filing date of the application for the same invention, even though not isolated or used, should bar the issuance of a patent for that subject matter.<sup>27</sup>

Newspaper advertisements of “electric welded wire mesh,” which neither stated what particular wire mesh was being referred to nor mentioned the machine which produced the wire mesh, were not the printed publication referred to in Section 55 or in Section 9 of the Patent Law. The advertisements did not contain a description of the electric wire mesh machine as patented in favor of the respondent. The petition to cancel the patent was denied.<sup>28</sup>

Printed publication or brochures which do not indicate any date of publication do not have probative value to establish lack of novelty under the second clause of Section 9.<sup>29</sup>

The statement of a witness, uncorroborated by documentary evidence, was deemed not sufficient to establish that brochures depicting the jalousie covered by the patent were distributed to the public. Brochures or printed publications can negate newness if they were in fact circulated within the country.<sup>30</sup>

That the publication date of the *Journal of the American Chemical Society* was September 20, 1959, was not conclusive of the availability and the circulation of said *Journal* in the Philippines before November 9, 1959, when the application was filed in the Philippine Patent Office. The Examiner should have taken into consideration the fact that the cited reference was a foreign publication. While it may be potentially accessible to the local reader, it was nevertheless incumbent upon him to show, or to afford the applicants the opportunity

<sup>26</sup> *Ex Parte Icasiano*, Decision No. 54, May 30, 1952.

<sup>27</sup> *United Laboratories et al. v. Merck & Co., Inc.*, *supra*, footnote 13.

<sup>28</sup> *Bonifacio Co. v. Rufino Co Ling*, Decision No. 1031, June 2, 1978.

<sup>29</sup> *Mercury Rubber Mfg. Co. v. General Rubber & Footwear Corp.*, Decision No. 697, February 20, 1973.

<sup>30</sup> *Aguilla et al. v. Alegre Jr.*, Decision No. 733, August 20, 1973.

to know, even by *prima facie* showing thereof, the date when such publication was actually available in the country. *Onus probandum* is on the party asserting a fact.<sup>31</sup>

(ii) Meaning of “the application for a patent therefor”

As to what constitutes an application for a patent and the corollary issue, its effective filing date, reference is made to section 1.3.1(a) (“What constitutes a complete application?”) and 1.3.1(b) (“Time to complete application; serial number; filing date”).

(f) *Third clause of Section 9, viz: an invention shall not be considered new if it had been in public use or on sale in the Philippines for more than one year before the application for a patent therefor*

(i) Meaning of “public use”

Reference is made to the discussion on the meaning of “known or used” in section 1.2.3(d)(i) because “known or used” and “public use” are equivalent.

(ii) Meaning of “on sale”

Pending the result of the test, the modified electronic ballasts were being produced and sold in small quantities. Moreover, the idea of electronic ballasts had been publicly known as early as July 16, 1982, when the applicant invited managers and sales supervisors of some electrical companies for the introduction and promotion of electronic ballasts. Considering that prior use may be defined as the use of the invention in public, generally for profit, and that the use may be by only one or a limited number of persons, and that an offer to sell the product or machine had been held to be a sale within the meaning of the statute, the above circumstances rendered the electronic ballasts publicly known or used prior to the filing of the application.<sup>32</sup>

(g) *Fourth clause of Section 9, viz: an invention shall not be considered new if it was the subject matter of a validly issued patent in the Philippines granted on an application filed before the filing date of the application for patent therefor*

In *Ex Parte Bonifacio Co.*,<sup>33</sup> the applicant, on appeal to the Director of Patents, argued that the rejection of his application was not legal because UM-2449, which was cited as a reference, was not yet legally known when he filed his application on August 24, 1976. He said that patent UM-2449 became known only when it was issued on March 25, 1977. Citing the fact that the filing date of UM-2449 was March 16, 1976, the Director affirmed the Examiner’s rejection of the application. He pointed out that an invention shall not be considered new and capable of being patented under Section 9 if “it is the subject matter of a validly issued patent in the Philippines granted on an application filed before the filing of the application for patent therefor.”

#### 1.2.4 Inventive Step

(a) Meaning of “invention”

(i) Rule 34, Rules of Practice in Patent Cases

According to Rule 34, “if the concept involved in an alleged invention is within the reach of those skilled in the art, there is no invention in the legal sense.”

<sup>31</sup> *Ex Parte Frantz Lund et al.*, Decision 507, December 18, 1968.

<sup>32</sup> *Phil. Globe Inc. v. Boo Yong Yoon*, Decision No. 88-101, October 11, 1988.

<sup>33</sup> Decision No. 88-57, July 26, 1988.

(ii) Decisions of the Court and the Director of Patents

1. *No new or unexpected result; meaning of "aggregation."* In *Nissin v. Inoue*,<sup>34</sup> the Director of Patents cancelled the patent for an invention relating to a method of making ready-to-eat vermicelli on the ground of non-inventiveness. Citing American jurisprudence, he outlined the following principles:

"Where two or more prior art references are combined to negative patentability, the test applied is whether the prior art suggests doing what the applicant did; it must be considered whether one skilled in the art, with reference before him, could have made the combination of elements claimed without exercise of invention.

A combination patent will not be sustained where the properties and characteristics inherently possessed by several elements combined remain unchanged and no unusual or surprising consequence results from the combination.

Where a process has been fully disclosed in the prior art without full appreciation of all its valuable attributes, the perception of new advantages in the old process does not in itself constitute invention."

The steps of mixing, kneading, forming into strips, cutting, gelatinizing and frying were standard or basic steps in the process of making ready-to-eat vermicelli and that variations of shape, size, length, ingredients, implements, etc., were determined by the particular characteristics or kind of vermicelli that one desired to prepare.

No new or unexpected result or advantage was seen to emanate from the combination of the old and well-known steps. The objective of the chemical process was to provide "a peculiar taste to the palate," as distinguished from the purpose to prevent the strips from adhering to each other when heated. The particular sensation produced was not a new or unexpected result but merely a manifestation of a characteristic inherent in and deducible from the corrugated or crooked form of the vermicelli strips.

The use of a new way of effecting corrugation, however, did not lend patentability to the claimed process since the important thing in a process or method patent was the combination of steps which comprised it, not the particular means by which these steps was carried out.

In another case,<sup>35</sup> the Director of Patents affirmed the rejection made by the Examiner of the application for an alleged invention entitled "Process for Manufacture of Rubber Shoe Direct from Latex." The Director concurred with the finding of the Examiner that the process was not new and non-inventive for the reason that it consisted merely of known separate steps which produced an obvious and expected result, in their combined or conjoint use. Separate steps producing such a result is known in patent law as aggregation. It is well settled that an aggregation does not constitute an invention and is not patentable under the law.

The appellant contended that, although each step in the process may not be new in the field of rubber manufacture, the combination of steps was entirely new in the realm of rubber-shoe manufacture and, for that reason, the process was patentable.

On the basis of the teachings of several prior art references, the Director ruled that the use of latex, the employment of the moulding and of the dipping processes in the making, directly from latex, of the separate parts of an entire rubber article, the cementing together, into a whole article, of the pre-formed rubber parts, the vulcanization of the assembled articles at low temperature, and the chemically superior product and the lower cost of production resulting from the use of latex, are not new things or processes, even in the particular field of rubber-shoe manufacturing.

<sup>34</sup> *Supra*, footnote 14.

<sup>35</sup> *Ex Parte Jose P. Marcelo*, Decision No. 92, July 7, 1954.

2. *The patentability of the product claim must be found in the product itself.* In *Ex Parte Icasiano*,<sup>36</sup> the Director of Patents affirmed the Examiner's rejection of the application for a "Bamboo Board which is Rigid, Solid, Light, and Durable, as a Material for Building and Construction Purposes, and which is Resistant to Heat, Weather, Abrasion, and to Deteriorations Caused by Fungus, Termites or other Insects," the Director ruled that there could possibly be no invention in a boarding material fashioned in practically the same way and possessed basically of the same characteristics as "plywood," the only difference existing between the two boards being that, while one was made from bamboo plys, the other was fashioned from wood plys. The bamboo board constituted no more than an extension of the original conception of commercial plywood. For that extension, the skill of the mechanic was sufficient; the creative genius of the inventor was not necessary.

The appellant urged that no one in the Philippines had even thought of processing sawale and of bending together several sheets of sawale so processed into a solid, thick, upright board and that the applicant has substantially advanced the sawale-making industry, making sawale, useful for walls, partitions, panels, ceilings, shingles for roofs, doors, etc.

Conceding all these, the Director stated that the patentability of the product claim must be found in the product itself, and not solely upon its alleged new functions or uses. Quoting Judge Learned Hand, the Director said that unless conception alone was the test and if the inventor may eke out his right by recourse to the ingenuity involved in any process or machines, he gains an unfair advantage, for the claims covered the products produced by processes and machines to which, by hypotheses, he had contributed nothing.

3. *The application lacks inventiveness if the advantages claimed have been attained and the solution to the problem has been reached in a prior art.* In *Ex Parte Shomock et al.*,<sup>37</sup> the Director of Patents found that the claimed patentability was mainly in the annular circumferential or upstanding ridge of the nipple flange. The application of pressure on the nipple flange would thus cause rubber to flow into the outer periphery or rabbet of the lip of the bottle. The purpose was to form an upper and lower interlock to prevent the nipple from being pulled out of the cap and bottle. The disclosures of the prior art references, namely, the patent to Porthouse (Philippine patent No. 993) and to Hair (U.S. patent No. 2,599,630) indicate that the same result was attained and the same problem solved. It was obvious from the nursing unit of Porthouse that when pressure was applied by tightening the screwcap to the upper surface of the flange of the nipple its lower portion will be compressed and forced to flow into the annular recess of the lip of the bottle. The nipple in the patent to Hair described a rounded portion adapted to snugly engage the downturned annular flange on the container's lip. The outer periphery of the base was thickened, the thickened portion coated with the remainder of the base to provide an annular groove which receives the downwardly extending lip of the ledge. Thus, there was no possibility of the nipple being accidentally pulled out from the bottle. The Director of Patents held that the prior art already taught the advantages and solution to the problem which the appellants claimed in their application, hence it lacked inventiveness.

In contrast, the Supreme Court in *Aguas v. De Leon*<sup>38</sup> affirmed the decision of the Court of Appeals, viz:

"We find that plaintiff-appellee has introduced an improvement in the process of tile-making which proceeds not merely from mechanical skill, said improvement consisting among other things, in the new critical depth, lip width, easement and field of designs of the new tiles. The improved lip width of appellee's tiles ensures the durability of the finished product preventing the flaking off of the edges. The easement caused by the inclination of the protrusions on his moulds attain an optimum height, so that the engraving thereon would be deep enough to produce tiles for sculptured

<sup>36</sup> *Supra*, footnote 26.

<sup>37</sup> Decision No. 419, September 12, 1966.

<sup>38</sup> L-32160, January 30, 1982; 111 SCRA 238.



and decorative purposes, strong enough, notwithstanding the deep engravings, to be utilized for walling purposes. The optimum thickness of appellee's new tiles of only  $\frac{1}{8}$  of an inch at the deepest easement is a most critical feature, suggestive of discovery and inventiveness, especially considering that, despite said thinness, the freshly formed tile remains strong enough for its intended purpose."

4. *Common knowledge as a ground for rejection of an application for lacking in inventiveness.* In *Ex Parte Natad*,<sup>39</sup> the applicant sought to patent an "Unsinkable Watercraft." What was claimed was the construction of the hull of a boat. The walls of the hull were made of boards that were spaced apart to allow water into the hull. The interior of the hull was filled with corks or bamboo or any light or buoyant materials. The Director of Patents ruled that the concept involved in the "unsinkable watercraft" did not require the exercise of inventive faculty because it was well known that corks, bamboos, foam rubber, expanded plastics and other light plastics, due to their inherent high buoyant properties, have been standard materials for lifesavers, rafts and other seacraft accessories. It was likewise well known that "ballasting" or adding weight to a boat or ship was a standard practice in improving the stability of a boat or ship.

5. *There can be no inventiveness where the "step forward was trivial in the art and without commercial acceptance or use."* In *Ex Parte Natad*, the Director of Patents also decided, viz:

"Whatever improvement in the stability of the boat gained in the novel construction thereof is far outweighed by the increased drag and the loss of speed of the watercraft caused by entry of water in the hull or body of the boat and the increased power requirement of said boat. Moreover, in view of the far-advanced state of the art of watercraft where the problems of unsinkability, stability and speed have already been thoroughly considered, the alleged invention at bar would only have a trivial effect on the art, solving no real problem and answering no recognized need, and therefore cannot rise to the dignity of an invention.

It is well settled that where the "step forward was trivial in the art and without commercial acceptance or use, existence of invention should not be inferred from novelty or utility."<sup>40</sup>

6. *Changing or substituting an equivalent for any part of a machine is not an invention, unless the new part not only performs the function of the part for which it was substituted but also performs another function by another mode of operation.* In *Ex Parte Paul Bonner*,<sup>41</sup> the application claimed the apparatus for producing chips of constant size from extruded monofil or other endless structure of plastic material in which the monofil or other endless structure is cut into chips. It consisted of a rotary cutting device, a rotary feeding device, a variable speed driving motor, a fixed guide block, and a guide block which was adjustable in position relative to the cutting device. The cutting device and the feeding device were connected together by rigid gearing whereby the speed of rotation of the cutting device to that of the feeding device was constant.

The Walton patent described a device for making staple fiber from a substantially endless supply of predetermined length. It described a means for cutting the filaments into staples of predetermined length and also a means of feeding the filaments to the cutting device. The feeding means was positioned to keep the filaments in parallel when being drawn out. Coste's invention, which was another cited reference, described a machine comprising circular rotating cutters adapted to cut a band of material into numerous strips, and of rotating blades adapted to cut transversely the strips coming from the rotary cutters.

<sup>39</sup> Decision No. 8666, September 18, 1975.

<sup>40</sup> *Seymour v. Ford Motor Co.*, 44 F(2d) 306.

<sup>41</sup> Decision No. 458, October 18, 1967.

The Director of Patents rejected the application because to substitute the cutting and feeding means of Walton in place of the "motor," "guide plate," and "support" in the invention of Coste did not constitute inventiveness. It was not an invention to change a machine by substituting an equivalent for any of its parts, unless the new part not only performed the function of the part for which it was substituted but also performed another function by another mode of operation.

7. *When chemical obviousness may be decided on the basis of structural similarities.* In *Ex Parte Meyer Sletzinger*,<sup>42</sup> the applicant appealed the Examiner's rejection of his application for lack of inventiveness. The patent reference disclosed a class of 6  $\alpha$ -steroids, in particular, 1-dehydro-6- $\alpha$  fluorohydrocortisone (Formula II), which in all respects was identical to the claimed compound (Formula I) except that the reference compound lacked the methyl group at the 16-position. It is of record that the prior art compound exhibited anti-inflammatory activity for which activity the claimed compounds were stated to be useful.

On the other hand, the *Journal of the American Chemical Society* reference also disclosed isomeric steroidal compounds likewise possessing anti-inflammatory activity, which have a methyl group attached to the 16-position of the steroid nucleus and differ from the claimed compounds only in that the fluorine was at the 9-position instead of the 6-position. The Examiner maintained that 9  $\alpha$ -fluoro and the 6  $\alpha$ -fluoro steroids were known to exhibit anti-inflammatory activity, and if methylation of the 9  $\alpha$ -fluoro steroid at the 16-position enhanced this activity, it was to be expected that the 16  $\alpha$ -methylation of the 6  $\alpha$ -fluoro compound would also have enhanced its activity.

In upholding the rejection of the application, the Director of Patents ruled that questions of chemical obviousness should not be decided on the basis of structure alone. However, he refused the claims because the applicants failed to present adequate evidence to overcome *prima facie* showing of obviousness by reason of the admitted gross structural similarities of prior art compounds, coupled with the fact that those compounds were shown to have utility in the same area of pharmacological activity.

The methylation of the 6  $\alpha$ -fluoro compound at the 16-position to result in the presently claimed compound was expected. The resulting compound was also expected to exhibit enhanced anti-inflammatory activity. Relying on American authorities, the Director declared that a chemist skilled in the art does not work by certainties and guarantees but by analogies and probabilities; if the new compound is so closely related to known compounds that it is one likely to be tried for the determination of similar properties, there is no invention in the new compound.

8. *The unobviousness of preparing the claimed compounds is irrelevant to the issue of the patentability of the compounds.* In *Ex Parte Meyer Sletzinger*,<sup>43</sup> the appellant also argued that it was not obvious that the claimed compounds could be prepared in the same manner as the compounds cited in the references, since the presence of a substituent in the 6-position or 16-position might interfere with the introduction of a substituent in the other of these two positions. The Director of Patents, however, ruled that the patentability of a compound was determined not by the unobviousness of the method of making it but of the compound itself. It was irrelevant to argue that the compounds were patentable because they were made by an unobvious process. It should be the claimed compounds that must be unobvious and not something else.

9. *When the first who isolates an active component from a substance in which the component exists is not entitled to a patent on the isolated component.* In a cancellation case,<sup>44</sup> the Director of Patents, found the patent for isomers of phenyl-alkaline derivatives

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<sup>42</sup> Decision No. 589, October 13, 1970.

<sup>43</sup> *Supra*, footnote 42.

<sup>44</sup> *United Laboratories v. Merck & Co., Inc.*, *supra*, footnote 13.

lacking novelty because the Pfister and Stein patents which were cited as prior art references disclosed racemic mixtures which were capable of resolution by conventional processes to produce the claimed L-isomers. The Director cited *Ex Parte Cavallito*, 89 USPQ 449, which held that the one who first isolated an active component from a substance in which the component existed as such was not entitled to a patent on the isolated component if it had the same utility as the substance from which it had been isolated, differing therefrom only in degree of activity. In that case, the substance which consisted of an extract of garlic, was held to be completely anticipated. The Director also referred to *In re King et al.*, 43 USPQ 339, where the court ruled that pure vitamin was unpatentable over lemon juice in which the vitamin occurred.

10. *Where the product sought to be patented performed substantially the same function as that disclosed in the prior art, and the alleged improvement was merely an obvious result.* The Director of Patents affirmed the rejection by the Examiner of the application for swine feed containing monosodium glutamate to increase the rate of growth of swine on the ground that it lacked inventiveness over the cited prior art references which taught the use of either glutamic acid or glutamic acid and liquors as an additive for animal food. The Director held that “since monosodium glutamate is a known substance with known properties which, like glutamic acid or glutamic acid and liquors, is suitable for the intended use as additive to improve food flavor, it would not require invention to use monosodium glutamate in place of glutamic acid and liquors” to obtain substantial gain in weight in swine.

Assuming the claimed invention disclosed an improved feed conversion over the prior art, it was merely an obvious and expected result because of the fact that monosodium glutamate contained nitrogenous organic substances which were also essential for increased anabolic activity in animals.<sup>45</sup>

11. *Meaning of “those skilled in the art.”* In *United Laboratories v. Merck*, the Director of Patents defined “those skilled in the art” as follows:

“The phrase ‘those skilled in the art’ has an established and well-defined meaning in patent practices and jurisprudence. By ‘person’ it meant ‘workman.’ ‘A person skilled in the art’ is one who has an ordinary or average knowledge or experience in the particular line, not to mean persons who excel their fellows in particular arts or sciences in which they are skilled, but merely those who have ordinary or fair information and skill in that particular line.”

12. *Double patenting.* In *Ex Parte Tolaram*,<sup>46</sup> the applicant admitted that his application related to the same heating device in respect of which he had earlier obtained a utility model. The Director of Patents therefore affirmed the Examiner’s rejection of the application. It became apparent that had the application been allowed it would have resulted in double patenting. An inventor may not sustain a subsequent patent for an invention actually claimed and secured in a former patent, and a second patent cannot issue to the same party for an invention actually covered by an earlier patent. Considering the specification and claims of UM-66, the present application was undoubtedly similar thereto, as nothing new had been presented.

### 1.2.5 Industrial Applicability

The Director of Patents gave due course to a petition for cancellation<sup>47</sup> of a patent for “a Process for Accelerating Ageing of Alcoholic Liquor” on the ground, among others, that the patented process did not possess utility or usefulness. The Director held that the disclosure failed to describe or show how and to what extent the ageing of the liquor was

<sup>45</sup> *Ex Parte Thrasher*, Decision No. 495, August 23, 1968.

<sup>46</sup> Decision No. 366, August 18, 1965.

<sup>47</sup> *Limpe v. Lobregat et al.*, *ibid.*

effected. What was described as a final result was a smooth, mellow drink with its distinct character and flavor. It was not shown, however, how these characteristics were attained and evaluated, if there be any, in terms of months or years of accelerated ageing. Moreover, it was merely a statement of result of being aged which was not substantiated by any recognized standards of testing.

### 1.2.6 Patentable Subject Matter

#### (a) *Applicability of American statutes and jurisprudence*

The terms “machine,” “manufactured product or substance,” “process,” or an “improvement of any of the foregoing” as used in Section 7 of Republic Act No. 165 were neither defined in the law, the rules, nor in Philippine jurisprudence. Considering, however, that Philippine patent law was patterned on American law, the meaning or interpretation given to these terms by American statutes and jurisprudence are usually adopted by Philippine courts.

#### (b) *The patent for an improvement; the principle of dominancy*

In a cancellation case,<sup>48</sup> the Director of Patents refused to cancel patent No. 11,063 despite the existence of the earlier issued patent No. 10,657 for substantially the same process of making substantially the same product: oil-tempered and termite-proof hardboard. The reason given was that patent No. 11,063 introduced certain modifications to the process disclosed in patent No. 10,657 which produced a hardboard with superior physical characteristics than that found in the product claimed in the earlier issued patent. It was ruled, however, that one who appropriated and manufactured or used a patented invention without the consent of the patentee will not avoid infringement because a patentable improvement was introduced in the invention. In this case, patent No. 10,657 dominated patent No. 11,063, the patent for the improvement. Two patents may be both valid when the second was an improvement on the first, in which event, if the second included the first, neither of the two patentees could lawfully use the invention of the other without the other’s consent.

The court stated the same principle in *Frank and Gohn v. Benito*.<sup>49</sup>

#### (c) *Biotechnology*

##### (i) Introduction

Biotechnology concerns living organisms, such as plants, animals, microorganisms, as well as non-living biological material, such as seed, cells, enzymes, plasmids (which are used in genetic engineering) and the like. Biotechnology inventions fall into three categories. They are the processes for the creation or modification of living organisms and biological material, the result of such processes and the use of such results.<sup>50</sup>

##### (ii) Microorganisms

That the Philippines acceded to the Budapest Treaty, as mentioned in section 1.1.3(c), gives rise to the indubitable conclusion that microorganisms are patentable in this jurisdiction. This would be consistent with United States jurisprudence.<sup>51</sup>

##### (iii) Plant varieties

There is no provision in Philippine Patent Law and jurisprudence from which one could derive the conclusion that plant varieties are patentable in this jurisdiction. Basically,

<sup>48</sup> *Melgarejo v. Brion et al. and Brion et al. v. Melgajero*, Decision No. 19, February 27, 1987.

<sup>49</sup> No. 27793, March 15, 1928, 51 Phil. 712.

<sup>50</sup> *Background Reading Material on Intellectual Property*, World Intellectual Property Organization, Geneva, 1988, WIPO publication No. 659(E), Section 13.5.

<sup>51</sup> *Diamond v. Chakrabarty*, 477 U.S. 303, 206 USPQ 193 (1980).

a plant variety could not be categorized either as a machine, manufactured product or substance, process or an improvement of any of the foregoing. Those sexually reproduced would not likewise be patentable. It should be noted that Republic Act No. 165 does not contain a provision on plant patents. The United States of America, in order to address the need for the protection of plant varieties, adopted the Act of May 23, 1930. In the United States Patent Law of 1952, the provisions relating to plant patents are found in Section 161. These statutes were passed in cognizance of the fact that plant varieties are living and organic entities, and should therefore be the subject of basically different rules on patentability.

On the other hand, there appears no legal obstacle in recognizing only the processes for their production as patentable. If so, can the patentee of the process claim patent protection for the plant variety that would be the direct result of the patented process? To be consistent with the rule that plant varieties are not patentable, the answer should be in the negative.

*(d) Computer programs*

Computer programs are regarded as “work” under Philippine copyright law.<sup>52</sup> Reference is made to the discussion on this matter in section 5.2.2(e)(i) of Chapter 5 on Copyright and Neighboring Rights.

*(e) Integrated circuits*

Reference is made to the discussion in section 1.11.2(e) (“Patentable subject matter”) as regards utility models where the conclusion drawn was that integrated circuits may be considered utility models as defined under Section 55 of Republic Act No. 165.

*(f) Inventions not patentable*

Section 8 of Republic Act No. 165 provides:

“Sec. 8. Inventions not patentable.—An invention shall not be patentable if it is contrary to public order or morals, or to public health or welfare, or if it constitutes a mere idea, scientific principle or abstract theorem not embodied in an invention as specified in Section 7 hereof, or any process not directed to the making or improving of a commercial product.”

### 1.3 Procedure for Grant of Patents

#### 1.3.1 Formal Examination

*(a) What constitutes a complete application?*

- a petition or request for a patent;
- a specification, including a claim or claims;
- an oath;
- drawings, when necessary;
- the prescribed filing fee.<sup>53</sup>

All parts of the application for an invention may be in English, Spanish or Filipino language, but if in either of the two latter languages, a verified translation into English must accompany the application.<sup>54</sup>

<sup>52</sup> P.D. No. 49, Section 2.

<sup>53</sup> Rules of Practice in Patent Cases, Rule 43.

<sup>54</sup> Rule 44, first paragraph.

(b) *Time to complete application; serial number; filing date*

(i) *In general*

An application for an invention patent will not be accepted and placed upon the files for examination until all its required parts, complying with the rules relating thereto, are received, except that certain minor informalities may be waived subject to subsequent correction, whenever required.<sup>55</sup>

If the papers and parts are incomplete or so defective that they cannot be accepted as a complete application for examination the applicant will be notified, the papers will be held for four months for completion, and if not by then completed, will be stored as an abandoned incomplete application and eventually destroyed.<sup>56</sup>

Complete applications are numbered in regular order. The filing date on which the complete application, acceptable for placing on the files for examination, is received in the Patent Office, or the date on which the last part completing such application is received, in the case of an incomplete or defective application completed within four months.<sup>57</sup>

(ii) *Application previously filed abroad with a claim of Convention priority under Section 15 of Republic Act No. 165*

Section 15 of Republic Act No. 165 provides:

*“Sec. 15. Application previously filed abroad.—An application for patent for an invention filed in this country by any person who has previously regularly filed an application for a patent for the same invention in a foreign country which by treaty, convention, or law, affords similar privileges to citizens of the Philippines, shall have the same force and effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was filed in such foreign country: provided, that the application in this country is filed within 12 months from the earliest date on which any such foreign application was filed, and a certified copy of the foreign application together with a translation thereof into English, if not in the English language, is filed within six months from the date of filing in the Philippines, unless the Director for good cause shown shall extend the time for filing such certified copy: and provided, further, that no patent shall be granted on an application for patent for an invention which had been patented or described in a printed publication in this or any foreign country more than one year before the date of the actual filing of the application in this country, or which had been in public use or sale in this country for more than one year prior to such filing.”*

As regards applications of this kind, Memorandum Circular 84-1 provides that the application will be given a serial number in the following cases:

- “1. Upon the payment of the filing fee, and the submission of the pro forma oath, specification and claims and drawings. The claim of priority will be lost and the application treated as an ordinary application under Section 9 if the certified copy of the corresponding home application together with its English translation, if not in English, are not filed within six months from the filing of the application. If the home application does not contain an oath of inventorship, applicant is also required to submit the same, duly legalized, within the aforesaid six-month period.
2. Upon the payment of the fee and the filing of a certified true copy of a corresponding home application together with its English translation, if not in English. The specification and claims and drawings (if any) and legalized oath of inventorship (if not contained in the home application) shall be submitted within the aforesaid six months from the initial submission.”

<sup>55</sup> Rule 47.

<sup>56</sup> *Ibid.*

<sup>57</sup> Rule 48.

Memorandum Circular 84-1 appears to have placed in doubt the ruling in *Boothe v. Director of Patents*,<sup>58</sup> which was rendered before the Memorandum Circular took effect. As stated in the Memorandum Circular, the payment of the filing fee and the submission of the pro forma oath, specification and claims and drawings would suffice for the application to be entitled to a serial number provided a certified copy of the home application is filed within six months thereafter. *Boothe v. Director of Patents*, on the other hand, did not regard the Section 15 application complete because the specification and claims submitted had several missing pages. The Bureau of Patents no longer follows strictly the requirements for completeness prescribed by *Boothe*. Thus, were the Bureau to resolve the issue of completeness of the application under the same circumstances as in *Boothe*, after the effectivity of Memorandum Circular 84-1, it would grant the request of a filing date despite the fact that several pages of the specification would be missing. The applicant would be required to establish, however, that the non-inclusion of the missing pages was due to excusable negligence, and the invention disclosed in the specification and claims of the Philippine application after the omitted pages have been submitted would be substantially similar to that in the foreign application.

- (iii) Application previously filed abroad filed under Section 9 of Republic Act No. 165, i.e., it is not eligible to claim Convention priority under Section 15

Memorandum Circular 84-1 provides that the application will be entitled to a serial number once a certified copy of a corresponding home application together with its English translation have been filed and the filing fee paid. The specification and claims, and drawings (if any) shall be submitted within four months from the initial date.

(c) *Signatures*

The petition, the specification and claim, and the oath, must be signed by the inventor in person. Full names must be given, including the full name without abbreviation, and the middle initial or name, if any.<sup>59</sup>

1.3.2 *Substantive Examination*

(a) *General considerations*

The statutory basis of the Rules relating to the procedure on substantive examination is Section 16 of Republic Act No. 165. As soon as the application is deemed complete it will be accepted and placed upon the files for examination.<sup>60</sup>

A patent application is prosecuted *ex parte* by the applicant<sup>61</sup> and shall be under the original jurisdiction of the Examiners; their decisions, when final, shall be subject to petition or appeal to the Director of Patents.<sup>62</sup>

Applications shall be taken up for examination by the Examiner in the order in which they have been filed.<sup>63</sup>

(b) *Nature of examination, Examiner's action*

On taking up an application for examination, the Examiner shall make a thorough investigation of the available prior art relating to the subject matter of the invention sought

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<sup>58</sup> L-24919, January 28, 1990.

<sup>59</sup> Rules of Practice in Patent Cases, Rule 50.

<sup>60</sup> Rule 47.

<sup>61</sup> Rule 78.

<sup>62</sup> Rule 83.

<sup>63</sup> Rule 84.

to be patented. The examination shall be complete with respect both to compliance of the application with the statutes and rules and to the patentability of the invention as claimed, as well as with respect to matters of form.<sup>64</sup> The applicant will be notified of the Examiner's action. The reasons for any adverse action or any objection or requirement will be stated and such information or references will be given as may be useful in aiding the applicant to judge the propriety of continuing the prosecution of his application.<sup>65</sup>

In rejecting claims for want of novelty or invention the Examiner must cite the best references at his command.<sup>66</sup> Abandoned and forfeited applications will not be cited as references.<sup>67</sup>

*(c) Action by the applicant*

After the action of the Examiner, if the same be adverse in any respect, the applicant, if he persists in his application for a patent, must reply thereto and may request re-examination or reconsideration, with or without amendment.<sup>68</sup> The applicant must respond to every ground of objection and rejection in the Examiner's action and the applicant's action must appear throughout to be a *bona fide* attempt to advance the case to final action.<sup>69</sup> In amending an application in response to a rejection, the applicant must clearly point out the patentable inventiveness and novelty which he thinks the claims present, in view of the state of the art disclosed by the references cited or the objections made, and show how the amendments avoid such references or objections.<sup>70</sup>

*(d) Reexamination; final rejection or action*

After the applicant responds, the application will be reexamined and reconsidered, and the applicant will be notified if claims are rejected or objections or requirements made, in the same manner as after the first examination. The applicant may respond and the application will again be considered, and so on repeatedly, unless the Examiner has indicated that the action is final.<sup>71</sup> On the second or any subsequent examination, the rejection or other action may be made final, whereupon the applicant's response is limited to appeal in the case of rejection of any claim<sup>72</sup> or amendment which, as specified by the rules, is not a matter of right.<sup>73</sup>

*(e) Amendments by the applicant*

*(i) When permitted*

The applicant may amend before or after the first examination and action and also after the second or subsequent examination.<sup>74</sup> Amendments after the final rejection or action of the Examiner may be admitted upon a showing of good and sufficient reasons why they are necessary and were not presented earlier, but the admission of any such amendment shall not operate to relieve the application from its condition as subject to appeal or to save it from abandonment.

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<sup>64</sup> Rule 87(a).

<sup>65</sup> Rule 87(b).

<sup>66</sup> Rule 89.

<sup>67</sup> Rule 91.

<sup>68</sup> Rule 92(a).

<sup>69</sup> Rule 92(b).

<sup>70</sup> Rule 92(c).

<sup>71</sup> Rule 93.

<sup>72</sup> Rule 94.

<sup>73</sup> Rule 96.

<sup>74</sup> Rule 95.



(ii) Amendments by the applicant; new matter

In original applications, all amendments of the drawings or specifications, and all additions thereto, must conform to at least one of them as it was at the time of the filing of the application. Matter not found in either, involving a departure from or an addition to the original disclosure, cannot be added to the application even though supported by a supplemental oath, and can be shown or claimed only in a separate application.<sup>75</sup>

In *Ex Parte Boothe*,<sup>76</sup> an application for “Chemotherapeutic Materials and Methods of Making the Same” was filed with the Philippine Patent Office on March 5, 1954, with a claim that letters patent be granted under Section 15 of Republic Act No. 165 claiming priority rights as of March 16, 1953, the date the corresponding application was filed in the United States of America. A legalized certified copy of the corresponding United States application was also filed with the Philippine Patent Office within 12 months from March 16, 1953, the filing date in the United States of America. The specification, as initially filed, contained nine pages. At page 9, the last sentence abruptly ended, and there was discontinuity in its construction. Subsequently the applicants submitted the complete specification which had 18 pages. The Examiner refused admission of the missing pages “inasmuch as nine pages of new matter are actually proposed to be added to the specification.” On appeal, the Director of Patents overruled the Examiner. He stated that as clearly shown by the foreign application, the missing pages were important and necessary portions of the application without which it could not be called an invention and the scope of the claims referred to the matter covered by the missing pages of the specifications. The condition required by Section 15, that the invention for which an application for a patent is filed in this country should be the same invention disclosed in the certified copy of the home application submitted to the Philippine Patent Office, in order to claim priority, indicated that supplying the omitted pages to the local application, if they relate to portions which were clearly included in the foreign application, cannot be regarded as addition of new matter to the application.

(iii) Amendment to change an application for an invention patent to an application for a utility model patent

An application for an invention patent may be changed to an application for a utility model patent by amending the application to comply with the rules relating to the requirements of an application for a utility model patent. Unless the application as originally filed was sufficient for giving it a filing date, the date of filing such amendment will be considered the filing date of the application for the utility model. Such conversion once made is irrevocable.<sup>77</sup>

(f) *The whole content approach*

In Philippine jurisdiction, the specification, claims and drawings of a prior filed application are considered to determine the patentability of an application for a later invention. Rules 108 and 109 of the Rules of Practice in Patent Cases adopt this rule by implication. They provide that a rejection on reference to a domestic patent which substantially shows or describes but does not claim the rejected invention is one of the several instances of rejections to overcome when the applicant may be required to state under oath the facts relied on to traverse the rejection.

(g) *Time for response by applicant; abandonment of application*

If an applicant fails to prosecute his application within four months after the date when the last official notice of any action by the Office was mailed to him,<sup>78</sup> or in a shorter period but not less than 30 days,<sup>79</sup> the application will become abandoned.

<sup>75</sup> Rule 98.

<sup>76</sup> Decision No. 330, December 9, 1964.

<sup>77</sup> Rules of Practice in Patent Cases, Rule 106.

<sup>78</sup> Rule 111.

<sup>79</sup> Rule 112.

An application abandoned for failure to prosecute may be revived as a pending application within four months from the date of abandonment upon good cause shown, upon the payment of the required fee and upon tender of the proposed response to the last Office action. An application not revived within the specified period shall be deemed forfeited.<sup>80</sup>

(h) *Questions considered in the examination of application*

In resolving any question of fact, the Patent Office is not confined to technical evidence, but may base its judgment upon any book, publication or record which it considers relevant to the issue.<sup>81</sup> But the Examiners should not take any notice of questions of patentability of any pending application, by any person not in privity therewith, except so far as they may consult with each other on such a statement. If it is received in writing by the Director of Patents, or any other official of the Patent Office, it may properly be returned to the sender as impertinent. Citizens have no right to intervene in such cases.

The restrictiveness of this rule is lessened by the provisions of Rules 188 and 189 on Protests by Public Use Proceedings which are discussed in the following subsections.

(i) *Protests and public use*

(i) Applications subject to public use proceedings

Applications for invention patents, applications for industrial design patents and applications for utility model patents are all subject to public use proceedings.

(ii) Protest to the grant of a patent

The patent statutes do not provide for opposition to the grant of a patent on the part of the public. Protests to the grant of a patent are ordinarily merely acknowledged and filed after being referred to the Principal Examiner having charge of the subject matter involved for his information.<sup>82</sup>

(iii) Public use proceedings

When a petition for the institution of public use proceedings, supported by affidavits, is filed by one having information of the pendency of an original application and is found, on reference to the Principal Examiner, to make a *prima facie* showing that the invention, utility model or design involved in an interference or claimed in an application believed to be on file had been in public use or on sale one year before the filing of the application, or before the date alleged by an interfering party in his preliminary statement or the date of invention or making established by such party, a hearing may be had before the Director to determine whether a public use proceeding should be instituted. The petitioner will be heard in the proceedings but after decision therein will not be heard further in the prosecution of the application for patent.

The petition and accompanying papers should be filed in duplicate, and served upon the applicant, his attorney or agent of record, and the petitioner should offer to bear any expense to which the Office may be put in connection with the proceeding.<sup>83</sup>

In *Nagado v. del Rosario*,<sup>84</sup> the Director of Patents ruled that the question of lack of invention in an application is "extrinsic to the issue in a public use proceeding and is not a ground thereof." The principle was also laid down that subject to the requirements of due

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<sup>80</sup> Rule 113, first paragraph.

<sup>81</sup> *Nagado v. del Rosario*, Decision No. 154, November 19, 1959.

<sup>82</sup> Rules of Practice in Patent Cases, Rule 188.

<sup>83</sup> Rule 189.

<sup>84</sup> *Supra*, footnote 81.

process, the decision to hold or not to hold public use proceedings, after consideration of the evidence on hand, was within the discretion of the Director of Patents and cannot be controlled by mandamus. The fact that no appeal was allowed from his decision did not alter the case.

(j) *Interference*

(i) Applications subject to interference proceedings

Applications for invention patents, applications for industrial design patents, and applications for utility model patents are all subject to interference proceedings.<sup>85</sup>

(ii) Definition

Rule 191 of the Rules of Practice in Patent Cases, in line with the provisions of the second paragraph of Section 10 of Republic Act No. 165, provides that an interference is a proceeding instituted for the purpose of determining the question of priority of invention between two or more parties claiming substantially the same patentable invention and may be instituted as soon as it is determined that common patentable subject matter is claimed in a plurality of applications or an application and a patent.

Only applications which are allowable in accordance with the provisions of the Patent Law may be the subject of proceedings. Interferences will not be declared, nor continued, between applications or applications and patents owned by the same party unless good cause is shown therefor.

The Director of Patents, in Memorandum Circular No. 83-1, formulated a set of guidelines in declaring interference. It actually added a requirement that the filing dates of the interfering applications should fall within the periods indicated in the Circular. These periods are as follows:

1. between utility model patent applications: 2 months or less;
2. between design patent applications: 3 months or less;
3. between invention patent applications: 6 months or less;
4. between a design application and a utility model application:
  - if the earlier filed application is for a design: 2 months or less,
  - if the earlier filed application is for a utility model: 3 months or less;
5. between invention application and a design application:
  - if the earlier filed application is an invention patent application: 3 months or less,
  - if the earlier filed application is a design application: 6 months or less;
6. between an invention patent application and a utility model application:
  - if the earlier filed application relates to an invention: 2 months or less,
  - if the earlier filed application is for a utility model: 6 months or less.

The earlier filed application will be allowed and the later filed application rejected if the difference between their respective filing dates exceeds the periods fixed in the Memorandum Circular.

(iii) Declaration of interference

The Director shall, pro forma, institute and declare the interference by forwarding to the parties the notices indicating, *inter alia*, the time within which the preliminary statements required by the Rules must be filed.<sup>86</sup> Upon the institution and declaration of the interference

<sup>85</sup> Rules of Practice in Patent Cases, Rule 190.

<sup>86</sup> Rule 199(a).

the Director will take jurisdiction of the same<sup>87</sup> and the *ex parte* prosecution of the application subject of the interference is suspended.<sup>88</sup>

(iv) Preliminary statement

Each party to the interference will be required to file a preliminary statement, signed and sworn to by the inventor, but in appropriate circumstances by his assignee or authorized representative who knows the facts.<sup>89</sup> It must state that the applicant made the invention and set forth facts relating to the conception of the invention and reduction of the invention to practice.<sup>90</sup> It must likewise indicate the serial number and filing date of any prior co-pending application in the Philippines filed by the same applicant disclosing the invention set forth by the court of interference, and the filing date and country of any application for the same invention in a foreign country, the benefit of the filing date of which applications may be claimed as the effective filing date of the application or patent involved.<sup>91</sup> This benefit could not be claimed unless the prior application was specified in the notice of interference or set forth in the preliminary statement.<sup>92</sup> When the invention was made abroad the preliminary statement should only indicate when the invention was introduced into the country.<sup>93</sup>

The statement must be filed at the time specified in the notices of interference<sup>94</sup> and placed in a sealed envelope bearing the name of the party filing it and the number and title of the interference. The statements may be opened only by the Director.<sup>95</sup>

The preliminary statement should be carefully prepared as each of the parties by whom or on whose behalf it is made will be strictly held in his proof to the dates set forth therein.<sup>96</sup>

If a junior party to an interference fails to file a statement, or if his statement fails to overcome the *prima facie* case made by the filing date of the application of a senior party, such junior party shall be notified that judgment upon the record will be rendered against him.<sup>97</sup>

(v) Motion period

After the preliminary statements have been received and approved or the time for filing them has expired, a period will be fixed within which the parties may file various motions.<sup>98</sup>

A motion to dissolve may be filed on the grounds stated in Rule 215 of the Rules of Practice in Patent Cases. The reason underlying these grounds for dissolving an interference is that the declaration has no basis in law or fact, i.e., priority of invention is not at issue between the applications or patents subject of the declaration. However, when one of the parties to the interference is a patentee, motions to dissolve on the ground that the counts are unpatentable may not be brought.<sup>99</sup>

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<sup>87</sup> Rule 200.

<sup>88</sup> Rule 201.

<sup>89</sup> Rule 202.

<sup>90</sup> Rule 203(a).

<sup>91</sup> Rule 203(b).

<sup>92</sup> Rule 210.

<sup>93</sup> Rule 204.

<sup>94</sup> Rule 205.

<sup>95</sup> Rule 206.

<sup>96</sup> Rule 209.

<sup>97</sup> Rule 211.

<sup>98</sup> Rule 214.

<sup>99</sup> Rule 215(b).

Motions to amend the interference may be brought to put in issue additional claims<sup>100</sup> or add or substitute any other application owned by him<sup>101</sup> which should be made the basis of interference between the moving party and any other party.

Any party may file a motion to shift the burden of proof on the ground that he is entitled to the benefit of the filing date of an earlier domestic or foreign application or that an opposing party is not entitled to such benefit which he has been given in the declaration.<sup>102</sup> If in the opinion of the Director the motion has been fixed, he may hear and consider the same.<sup>103</sup>

During the pendency of an interference the Director of Patents, on motion of the Principal Examiner, for the reason that reference is found that rendered all or part of the counts unpatentable, suspend the interference and refer to the Examiner for his determination the question of patentability. The consideration of such reference shall be *inter partes*.<sup>104</sup> Likewise, the Director may, on request of the Examiner, if another case appears claiming substantially the subject matter in issue, suspend the interference for the purpose of adding a new party.<sup>105</sup>

#### (vi) Trial

1. *Burden of proof.* The parties to an interference will be presumed to have made their inventions in the chronological order of the filing dates of their applications involved in the interference or the effective filing dates which such applications have been accorded, and the burden of proof will rest upon the party who shall seek to establish a different state of facts.<sup>106</sup>

2. *Matters considered in determining priority.* In determining priority of invention, the Director will consider only the evidence submitted. Questions of patentability of a claim generally will not be considered in the decision on priority; and neither will the patentability of a claim to an opponent be considered, unless the non-patentability of a claim to the opponent will necessarily result in the conclusion that the party raising the question is in fact the prior inventor on the evidence before the Office, or relates to matters which have been determined to be ancillary to priority and must be considered, but a party shall not be entitled to raise the issue on non-patentability unless he has duly presented and prosecuted a motion under Rule 215 for dissolution upon such ground or shows good reason why such a motion was not presented and prosecuted.<sup>107</sup>

#### (vii) Termination

Whenever an award of priority has been rendered in an interference proceeding and the limit of appeal from such decision has expired, the claim or claims constituting the issue of the interference in the application of the defeated or unsuccessful applicant or applicants stand finally disposed of without further action by the Principal Examiner and are not open to further *ex parte* prosecution.<sup>108</sup>

After judgment of priority, the application of any party may be held subject to further examination, including interference with other applications.<sup>109</sup>

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<sup>100</sup> Rule 217.

<sup>101</sup> *Ibid.*

<sup>102</sup> Rule 218.

<sup>103</sup> Rule 219.

<sup>104</sup> Rule 220.

<sup>105</sup> Rule 221.

<sup>106</sup> Rule 229.

<sup>107</sup> Rule 231, first paragraph.

<sup>108</sup> Rule 235.

<sup>109</sup> Rule 236, second paragraph.

(k) *Petitions and appeals*

(i) *Petitions*

Petitions which must contain a statement of the facts involved, the points to be reviewed and action requested, may be filed with the Director from any repeated actions or requirements of the Examiner which are not subject to appeal. The mere filing of a petition under this Rule will not stay the period of four months for replying to the Examiner's action as provided in Rule 111 nor act as a stay to other proceedings.<sup>110</sup>

(ii) *Appeals*

1. *Appeals to the Director.* Every applicant for a patent or for the reissue of a patent, any of the claims whose application has been twice rejected for the same reasons, on grounds involving the merits of the invention, utility model or design, such as lack of invention, novelty, or utility, or on the ground of abandonment, public use or sale, inoperativeness of invention or utility model, aggregation of elements, incomplete combination of elements, or when amended, for want of identity with the invention, utility model or design originally disclosed, or because the amendment involves a departure from the invention, utility model or design originally presented, and every applicant who has been twice required to divide his application, may appeal from the decision of the Principal Examiner to the Director.

Questions relating to matters not affecting the merits of the invention, utility model or design, may be required to be settled before an appeal can be considered.

Appeal may also be taken to the Director by the proper party from any final adverse order or decision of the Executive Examiner in any matter relating to: (1) the extension of the term of a utility model or of an industrial design patent; (2) the payment or non-payment of an annual fee on any subsisting patent or the reinstatement of a lapsed invention patent; (3) the surrender, cancellation or correction of an issued patent; (4) the recordal of the assignment of a patent or of an application for a patent; the recordal of any other instrument affecting the title to a patent; or the recordal of a license under a patent; and (5) any other matter over which these Rules of Practice give him original jurisdiction. A second order or decision of the Executive Examiner on a given issue, based on the same grounds as the previous order or decision, may be considered as final for purposes of appeal.<sup>111</sup>

2. *Effect of a final decision of the Examiner which is not appealed.* A final decision of the Examiner which is not appealed to the Director of Patents within four months from the mailing date of notice of the decision or, if appealed, the appeal is not prosecuted, shall be considered to have the effect of *res judicata* in respect of any subsequent action on the same subject matter.<sup>112</sup>

3. *Rule 258: Requirements for appeal; appellant's brief.* Such appeal must be taken within four months from the mailing date of the action appealed from, must identify the rejected claim or claims or the point from which the appeal is taken, and must be signed by the appellant or his duly authorized attorney or agent.

The appellant shall, within 60 days from the date of appeal, file a brief of the authorities and arguments on which he relies to maintain his appeal. On failure to file the brief within the time allowed, the appeal shall stand dismissed.

4. *Rule 262: Decision by the Director.* The Director, in his decision, may affirm or reverse the decision of the Principal Examiner in whole or in part on the grounds and on

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<sup>110</sup> Rule 255.

<sup>111</sup> Rule 256.

<sup>112</sup> Rule 257.

the claims specified by the Examiner. The affirmance of the rejection of a claim on any of the grounds specified constitutes a general affirmance of the decision of the Principal Examiner on that claim, except as to any ground specifically reversed. Should the Director have knowledge of any grounds not involved in the appeal for rejecting any claim, he may include in his decision a statement to that effect with his reasons for his so holding.

5. *Rule 263: Action following decision: implementation; petition for rehearing or reconsideration; period of appeal to the Court of Appeals.* After decision by the Director, the case shall be returned to the Principal Examiner, subject to the applicant's right of appeal or other review, for such further action by the applicant or by the Principal Examiner as the condition of the case may require, to carry into effect the decision.

Any request or petition for rehearing or reconsideration must be filed before the limit of appeal (15 days from notice) to the Court of Appeals expires.

(l) *Issuance of letters patent*

If the applicant is justly entitled to a patent under the law the Director of Patents shall issue the patent and shall, as soon as possible thereafter, cause to be published in the Official Gazette the fact of the issuance together with a suitable view of the drawing and with a statement of the claims allowed.<sup>113</sup>

(i) Assignee

In the case of the assignment of a pending application for patent, the letters patent may be issued to the assignee of the applicant, provided the assignment has been recorded in the Patent Office before the actual issue of the patent.<sup>114</sup>

In *Ex Parte Feliciano et al.*,<sup>115</sup> the Director of Patents ruled that the interest in the invention and the patent thereon, which the petitioner obtained through the alleged agreement with the co-inventors Feliciano and Tapinio, did not convey to him the right, with the said co-inventors, to make, use and sell the electrical contrivance subject of the invention, but merely gave him the right to act as the selling agent of the co-inventors for the invention (not its concrete embodiments) and the patent thereon (if granted), and to receive compensation for such services.

This being the case, the petitioner was obviously not entitled to have his name included as one of the joint patentees in the grant of the patent to the invention, if a patent is granted. *A fortiori* he was not entitled to participate with the co-inventors Feliciano and Tapinio in the proceedings for the grant of the patent.

(ii) Section 20, Republic Act No. 165: Content of patent

The patent shall contain the patent number, the title of the invention, the name and residence of the inventor and of the patentee if the patentee is other than the inventor, the date on which the application was filed, the date on which it is issued, and grant to the patentee, his heirs or assigns, of the exclusive right to the invention throughout the Philippines for the term thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

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<sup>113</sup> Republic Act No. 165, Section 18.

<sup>114</sup> Rules of Practice in Patent Cases, Rule 179.

<sup>115</sup> Decision No. 41, October 27, 1950.

## 1.4 The Patent Application

### 1.4.1 Who May Apply for an Invention Patent?

#### (a) The provision of law

##### (i) Statutory provisions

The right to the patent belongs to the first true and actual inventor, his heirs, legal representatives, or assigns. If two or more persons have an invention jointly, the right to the patent belongs to them jointly. If two or more persons have made the invention separately and independently of each other, the right to the patent shall belong to the person who is the first to file an application for such invention, unless it is shown that the second to file an application was the original and first inventor.<sup>116</sup>

##### (ii) The Rules of Practice in Patent Cases

1. *Only the inventor may apply for a patent.* Only the actual inventor may apply for a patent and the application papers must be signed and the necessary oath executed by the inventor, unless the inventor is dead or insane.<sup>117</sup>

2. *When the inventor is dead or insane.* In case of the death of the inventor, the executor or administrator or, if he becomes insane, the legally appointed guardian, conservator or representative, may sign the application and make the necessary oath and apply for and obtain the patent.<sup>118</sup>

3. *Joint inventors.* Joint inventors must apply for a patent jointly and each must sign the application papers and make the required oath; neither of them alone, nor less than the entire number, can apply for a patent for an invention invented by them jointly.

If an application for patent has been made inadvertently or by mistake and without fraudulent intention by two or more persons as joint inventors when they were not in fact joint inventors, the application may be amended to remove the names of those not inventors upon filing a statement of the facts verified by all of the original applicants, and an oath as required by Rule 66<sup>119</sup> by the applicant who is the actual inventor, provided the amendment is diligently made. An application cannot be amended to add the name of a joint inventor who was omitted, but a new independent application must be filed.

The Director of Patents held in one case<sup>120</sup> that a joint patent to a sole inventor and another is void. Thus, if several persons obtained a joint patent for what was invented solely by one of them, that patent is void. There is no statutory authority to grant a patent or a claim to a non-inventor jointly with an inventor, without an assignment or a death, any more than there is to grant a patent to a non-inventor alone.

4. *Assigned inventions and patents.* In case the whole or a part interest in the invention or in the patent to be issued is assigned, the application must still be made by the inventor. However, the patent may be issued to the assignee or jointly to the inventor and the assignee provided the assignment has been recorded in the Patent Office before the actual issue of the patent.<sup>121</sup>

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<sup>116</sup> Republic Act No. 165, Section 10.

<sup>117</sup> *Ibid.* and Rules of Practice in Patent Cases, Rule 35.

<sup>118</sup> Rules 37 and 38.

<sup>119</sup> Contents of the oath of inventorship, see section 1.4.2(d)(i).

<sup>120</sup> *Sy Peng Hong v. Lim Chuan Un et al.*, Decision No. 947, January 20, 1977.

<sup>121</sup> Rules of Practice in Patent Cases, Rules 42 and 179.



5. *Application by a non-resident.* Any person filing an application for a patent who is not a resident of the Philippines must appoint an agent or representative in the Philippines upon whom notice or process relating to the application for patent may be served. In the event of death, absence or inability of the agent or representative, a new agent or representative must be appointed and notice thereof must be filed in the Office. Upon failure to maintain an agent or representative on record in the Office, service on the Director shall be deemed sufficient.<sup>122</sup>

#### 1.4.2 *The Application for an Invention Patent*

##### (a) *The application*

Section 13 of Republic Act No. 165 provides:

“*Sec. 13.* The application.—The application for patent shall be in English or Spanish, or in the National Language with its corresponding English translation, and signed by the applicant, and shall include a statement giving the name, address, and citizenship or nationality of the applicant and of the inventor, if the applicant is not the inventor, and:

- (a) A specification;
- (b) Drawing, where the invention can be shown by drawings, where there are drawings;
- (c) Power of attorney if the filing is through an attorney;
- (d) The assignment of a certified copy of the assignment of the invention for recording, where the application is filed by one who derives his title from the inventor, or proof of title if the derivation is not by assignment;
- (e) A sworn statement by the inventor of his inventorship; or such sworn statement may be made by his heirs or legal representatives in case of death or incapacity of the inventor; however, such sworn statement will not be required if a certified copy of a previously filed application containing the same is filed;
- (f) The appointment of a resident agent or representative in cases coming under section 11 hereof; and
- (g) The required fee.”

##### (i) What constitutes a complete application?

Reference is made to section 1.3.1(a) of this chapter which deals with this matter.

##### (ii) Application for invention patent previously filed abroad

This matter is discussed at length, likewise, in section 1.3.1(a)(ii) and (iii).

##### (b) *The petition for an invention patent*

The petition must be addressed to the Director of Patents and must state the name, citizenship, residence and post office address of the petitioner, request the grant of a patent, designate by title the invention sought to be patented, contain a reference to the specification and must be signed by the petitioner.

.. The power of attorney or authorization of agent, and the appointment of a Philippine resident agent upon whom notice or process may be served, may be incorporated in the petition.<sup>123</sup>

<sup>122</sup> Republic Act No. 165, Section 11.

<sup>123</sup> Rules of Practice in Patent Cases, Rule 57.

(c) *The specification*

(i) The provision of law

Section 14 of Republic Act No. 165 provides:

“*Sec. 14.* The specification.—The specification shall include:

- (a) The title of the invention;
- (b) A brief statement of its nature and purposes;
- (c) A brief explanation of the drawings, where there are drawings;
- (d) A complete and detailed description of the invention in such full, clear, concise and exact terms as to enable any person skilled in the art or science to which the invention relates to make and practice the invention; and
- (e) A distinct and explicit claim or claims of the subject matter which the applicant claims as new and seeks to have patented.”

(ii) The abstract

On September 21, 1983, the Director of Patents issued Memorandum Circular 83-10 requiring all patent applications for inventions to be provided with an abstract of the disclosure. The main purpose of the abstract is to enable the Patent Office and the public to determine quickly from a cursory inspection the nature and gist of the technical disclosure. The abstract, however, shall not be used for interpreting the scope of the patent protection.

(iii) Summary of the invention

The brief summary of the invention should indicate its nature and substance and include a statement of the object or purpose of the invention. Such summary should, when set forth, be commensurate with the invention as claimed in the “Claims,” and any object or purpose recited therein should be that of the particular invention claimed.<sup>124</sup>

(iv) Description of the drawings

When there are drawings, there shall be a brief description of the several views of the drawings and the detailed description of the invention shall refer to its different parts, as shown in the views, by use of reference letters or numerals (preferably the latter).<sup>125</sup>

(v) Detailed description

The detailed description of the invention must not only be of the character called for, but must specifically include a complete description of the manner and process of making, constructing, compounding, and using the invention. Such description of the manner and process must be in such full, clear, concise and exact terms as will enable any person skilled in the art or science to which the invention appertains, or with which it is most nearly connected, to make, construct, compound, and use the said invention.

The detailed description must set forth the precise or exact invention for which a patent is solicited, in such manner as to distinguish such invention from other inventions, and from what is old and is no longer patentable. Such detailed description must contain a complete description of a specific embodiment of the process, machine, manufactured product or substance, or improvement invented, and must explain the mode of operation of such embodiment and of the scientific principle involved in the operation, if the applicant knows such principle. The best mode devised by the inventor of carrying out his invention must be set forth.

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<sup>124</sup> Rule 60.

<sup>125</sup> Rule 61.

In the case of an improvement, the detailed description must particularly point out the part or parts of the process, machine, manufactured product or substance to which the improvement relates, and the description should be confined to the specific improvement and to such parts of the old process, machine, etc., as necessarily cooperate with the improvement or as may be necessary to a complete understanding or description of said improvement.<sup>126</sup>

In *Boothe v. Director of Patents*,<sup>127</sup> the court concluded that it is imperative that the specifications be full, definite and specific in order to apprise the public of what the patentee claims as his invention, to inform the courts as to what they are called upon to construe, and to convey to competing manufacturers and dealers information of exactly what they are bound to avoid.

(vi) The claim

1. *In general.* The specification must conclude with a claim particularly pointing out and distinctly claiming the part, improvement or combination which the applicant regards as his invention.

More than one claim may be presented, provided they differ substantially from each other and are not unduly multiplied.

When more than one claim is presented, they may refer back to and further restrict a single preceding claim.

The claim or claims must conform to the invention as set forth in the description made in the specification, and the terms and phrases used in the claims must find clear support or antecedent basis in the said description, so that the meaning of the terms in the claims may be ascertainable by reference to the description.<sup>128</sup>

The claims are the vital part of a patent. They define the inventor's monopoly. Claims are likened to the boundaries staked out on a piece of land by a prospector. Everything within the boundary the prospector claims are his and nobody can come within that boundary without paying tribute to the prospector. The public is informed as to what the inventor claims as his invention and as to what the public must not make, use or sell.<sup>129</sup>

2. *Multiple inventions in one application.* If several independent inventions which are not so closely related as to be proper in one application are claimed, the Director may require the application to be restricted to a single invention in the same manner as notifications of defects in the application. A later application filed for an invention divided out shall be considered as having been filed on the same day as the first application provided the latter application is filed within four months after the requirement to divide becomes final, or within such additional time, not exceeding four months, as may be granted.<sup>130</sup>

(d) *The oath of inventorship*

(i) Contents of the oath

The applicant must take oath for affirmation (a) that he does believe himself to be the original and first inventor of the machine, manufactured product or substance, process, or improvement thereof (as the case may be), for which he solicits a patent, (b) that he is the sole (or joint, as the case may be), inventor of the invention claimed in his application, (c) that, to the best of his knowledge and belief, (1) the machine, manufactured product or process, or improvement (as the case may be) sought to be patented was not known or used

<sup>126</sup> Rule 62.

<sup>127</sup> *Supra*, footnote 58.

<sup>128</sup> Rules of Practice in Patent Cases, Rule 63(a), (b), (c) and (d).

<sup>129</sup> *United Laboratories v. Merck, supra*, footnote 13.

<sup>130</sup> Republic Act No. 165, Section 17.

by others in the Philippines before his invention thereof, (2) that it had not been patented or described in any printed publication either in the Philippines or in any foreign country more than one year before he made application for a patent therefor, and (3) that the subject matter of his invention, for which he is applying for a patent, is not the same as that of any other invention covered by a patent validly issued in the Philippines, and granted on an application filed before the filing of his own application.

If any application for patent has been filed in any foreign country by the applicant in this country, or by his legal representatives or assigns, prior to his application in this country, he shall state in the oath the country or countries in which such application has been filed, giving the date of such application, and shall also state that no application has been filed in any other country or countries than those mentioned, and if no application for patent has been filed in any foreign country, he shall so state.

If the application is made by an executor or administrator of a deceased person or by the guardian, conservator or representative of an insane person, the oath shall allege the relationship of the affiant to the inventor and, upon information and belief, the facts which the inventor is required by this rule to make oath to.

The Principal Examiner may require an additional oath in cases where the applications have not been filed in the Patent Office within a reasonable time after the execution of the original oath.<sup>131</sup>

*(e) The drawings for an invention*

The drawing must be signed by the applicant or the name of the applicant may be signed on the drawing by his attorney or agent. The drawing must show every feature of the invention covered by the claims, and the figures should be consecutively numbered, if possible.

When the invention consists of an improvement of an old machine, the drawing must exhibit, in one or more views, the invention itself, disconnected from the old structure, and also, in another view, so much only of the old structure as will suffice to show the connection of the invention therewith.<sup>132</sup>

*(f) The model for an invention*

A model will be required by the Office when the invention sought to be patented cannot, on examination, be well understood by the Examiner without it. In such case, the Principal Examiner shall notify the applicant of such requirement, which will constitute an official action in the case. When a model has been received in compliance with the official requirement, the date of its filing shall be entered on the file wrapper. Models not required nor admitted will be returned to the applicants. When a model is required, the examination may be suspended until it has been filed.<sup>133</sup>

*(g) The specimens for an invention*

When the invention is a manufactured product or substance, or an improvement thereof, the applicant, if required by the Principal Examiner, shall furnish specimens of the product or substance and of its ingredients, sufficient in quantity for the purpose of experiment. In all cases where the article is not perishable, a specimen of the composition claimed, in a form which may be preserved by the Office, must be furnished.<sup>134</sup>

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<sup>131</sup> Rules of Practice in Patent Cases, Rule 66.

<sup>132</sup> Rule 69.

<sup>133</sup> Rule 72.

<sup>134</sup> Rule 77.

## 1.5 Scope of Exclusive Rights

### (a) *Rights of patentees*

Section 37 of Republic Act No. 165 provides:

“*Sec. 37. Rights of patentees.*—A patentee shall have the exclusive right to make, use and sell the patented machine, article or product, and to use the patented process for the purpose of industry or commerce, throughout the territory of the Philippines for the term of the patent; and such making, using, or selling by any person without the authorization of the patentee constitutes infringement of the patent.”

In the absence of any definition in the law or jurisprudence of the terms “make, use, and sell” appearing in Section 37, reference is made to United States statutes and decisions on this matter. Their relevance is due to the fact that Republic Act No. 165 was patterned mainly on United States patent laws.

Article 5*quater* of the Paris Convention also provides as follows:

“When a product is imported into a country of the Union where there exists a patent protecting a process of manufacture of the said product, the patentee shall have all the rights, with regard to the imported product, that are accorded to him by the legislation of the country of importation, on the basis of the process patent, with respect to products manufactured in that country.”

### (b) *Limitations*

#### (i) Experimental use of invention

The making or using of a patented invention when not conducted for profit and solely for the purpose of research or experiment, or for instruction shall not constitute infringement.<sup>135</sup>

#### (ii) Temporary presence in the country

No patent shall prevent the use of any invention in any ship, vessel, aircraft, or land vehicle of any other country entering the territory of the Philippines temporarily or accidentally, and such use shall not constitute infringement of the patent, provided such invention is used exclusively for the needs of the ship, vessel, aircraft, or land vehicle and not used for the manufacturing of anything to be sold within or exported from the Philippines.<sup>136</sup>

#### (iii) Rights of third parties prior to application

Any person who has purchased or acquired from the inventor, his legal representatives, or assigns, or who, with their knowledge and consent, constructs any newly invented device or other patentable article, prior to the filing of the application therefor, shall have the right to use and sell the specific thing purchased, acquired or made, without liability therefor.<sup>137</sup>

#### (iv) Use of invention by the Government

The Government of the Philippines may use any patented invention at any time for governmental purposes, and the manufacture or use of the invention by or for

<sup>135</sup> Republic Act No. 165, Section 38.

<sup>136</sup> Section 39.

<sup>137</sup> Section 40.

the Government for such purpose shall not constitute infringement of the patent, but the patentee shall be entitled to receive reasonable compensation for the use of the invention.<sup>138</sup>

(v) The compulsory licensing law

The compulsory licensing law dealt with in section 1.10.1 also indicates limits on the enjoyment and exercise of these rights.

Section 37 does not mention, among the rights of the patentee, the importation of the patented article. As such it should be deemed excluded.

(vi) The Generics Act

The rights of the patentee of pharmaceutical or chemical compounds are also delimited by the provisions of Section 10 of Republic Act No. 6675, the Generics Act of 1988 which authorized the Department of Health during periods of critical shortage and absolute necessity to import raw materials of which there is a shortage for the use of Filipino-owned or controlled drug establishments to be marketed and sold exclusively under generic nomenclature.

## 1.6 Duration of Protection

(a) *Term of patent*

The term shall begin on the date when the patent is issued as shown on the face thereof and shall expire 17 years thereafter. However, a patent shall cease to be in force and effect if the patentee fails to pay the prescribed annual fees within the prescribed times as laid down or if the patent is cancelled in accordance with the provisions of Republic Act No. 165.<sup>139</sup>

(b) *Annual fees*

The first annual fee on a patent shall be due and payable on the expiration of four years from the date of issue. In a similar manner, annual fees on subsisting patents shall be due and payable on the fifth and each subsequent anniversary of the date of issue. If any annual fee is not paid within the prescribed time, a notice of the nonpayment shall be published in the Official Gazette and the patentee shall have six months from the date of the publication to pay the fee together with the surcharge required for the delayed payment. A notice of the lapsing of a patent for nonpayment of any annual fee shall be published in the Official Gazette.<sup>140</sup>

(c) *Reinstatement of a lapsed patent*

Within two years from the date on which the first unpaid annual fee was due, a patent which has lapsed for nonpayment of any annual fee may be reinstated upon payment of all annual fees then due and the surcharge for reinstatement, and upon proof satisfactory to the Director that such nonpayment was due to fraud, accident, mistake or excusable negligence: provided, however, that such reinstatement shall not prejudice the rights acquired by a third person while the patent was not in force.<sup>141</sup>

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<sup>138</sup> Section 41.

<sup>139</sup> Section 21.

<sup>140</sup> Section 22.

<sup>141</sup> Section 23.

## 1.7 Infringement

### 1.7.1 Actions and Remedies for Infringement

#### (a) Civil action for infringement

Any patentee, or anyone possessing any right, title or interest in and to the patented invention, whose rights have been infringed, may bring a civil action before the proper Regional Trial Court, to recover from the infringer damages sustained by reason of the infringement and to secure an injunction for the protection of his rights.<sup>142</sup>

#### (b) The doctrine of equivalents

In a landmark decision,<sup>143</sup> the Director of Patents traced the origin of the doctrine to *Winans v. Donmead*, 14 L.ed. 717 (1853), and since then has been continuously applied *in misericordiam* to relieve patentees who have failed to express their complete meaning when the proper circumstances for its application arose. *Graver Tank & Mfg. Co v. Lindo Air Products Co.*, 339 U.S. 605, outlined the reason for the doctrine.

“But courts have also recognized that to permit limitation of a patented invention which does not copy every literal detail would be to convert the protection of the patent grant into a hollow and useless thing. Such a limitation would leave room for . . . indeed . . . encourage . . . the unscrupulous copyist to make unimportant and unsubstantial changes and substitutions in the patent which, though adding nothing, would be enough to take the copied matter outside the claim, and hence outside the reach of the law.”

The Director stated that its essence is that one may not practice a fraud on a patent. In the words of Judge Learned J. Hand, it is applied “to temper unsparing logic and prevent an infringer from stealing the benefit of an invention.” The Director cited *Machine Co. v. Murphy*, 97 U.S. 120, which stated the often-quoted definition of the doctrine of equivalents: “if two devices do the same work in substantially the same way and produce substantially the same result they are the same even though they differ in name, form or shape.”

In *GSELL v. Yap-Jue*,<sup>144</sup> the court, applying the doctrine of equivalents for the first time in this jurisdiction, ruled that the manufacture of cane handles for walking sticks and umbrellas by a process identical with plaintiff’s patented process therefor, save only for the substitution of a blast lamp or blowpipes fed by alcohol for a blast lamp or blowpipe fed by petroleum or mineral fuel, in applying heat for the purpose of curving such handles, constituted infringement upon the patented process.

#### (c) Limitation of action for damages

No damages can be recovered for acts of infringement committed more than four years before the institution of the action for infringement.<sup>145</sup>

#### (d) Damages not recoverable for want of notice or marking

Damages cannot be recovered for acts of infringement committed before the infringer had actual notice of the patent, unless the patentee or those exploiting the invention on his behalf or under his authorization have given notice to the public that the machine, device, article or process is patented either by placing thereon the words “Philippines Patent” with

<sup>142</sup> Section 42, first paragraph, *ibid*.

<sup>143</sup> *Samson Jr. v. Tarroza*, Decision No. 222, April 13, 1962.

<sup>144</sup> No. 4720, January 19, 1909, 12 Phil. 519.

<sup>145</sup> Republic Act No. 165, Section 43.

the number of the patent, or when from the nature of the article this cannot reasonably be done, by placing such notice on the package or container in which the device or article is supplied to the public, or in descriptive or advertising matter used in connection with the patented machine, device, article or process.<sup>146</sup>

*(e) Patent found invalid to be cancelled*

If the court finds the patent or any claim thereof invalid, the Director shall, on certification of the final judgment to the Office, issue an order cancelling the patent or the claims found invalid, and shall publish a notice thereof in the Official Gazette.<sup>147</sup>

**1.7.2 Criminal Action for Repetition of Infringement**

If the infringement is repeated by the infringer or by anyone in connivance with him after final judgment of the court against the infringer, the parties liable shall, without prejudice to further civil action, be punished by a fine not exceeding 10,000 pesos and imprisonment in the discretion of the court, in a criminal action instituted for the purpose. The criminal action herein provided shall prescribe in two years.<sup>148</sup>

**1.8 Contributory Infringement**

Republic Act No. 165 does not contain any provision on contributory infringement.

**1.9 Defenses to Infringement and Revocation**

**1.9.1 Cancellation of Patents**

*(a) General grounds for cancellation*

Section 28 of Republic Act No. 165 provides:

“*Sec. 28* General grounds for cancellation.—Any person may on payment of the required fee petition the Director within three years from the date of publication of the issue of the patent in the Official Gazette, to cancel the patent or any claim thereof, on any of the following grounds:

- (a) That the invention is not new or patentable in accordance with Sections 7, 8 and 9, or that the design or utility model is not new or patentable under Section 55 hereof;
- (b) That the specification in the case of an invention does not comply with the requirement of Section 14, Chapter III hereof; or
- (c) That the person to whom the patent was issued was not the true and actual inventor, designer or author of the utility model or did not derive his rights from the true and actual inventor, designer or author of the utility model.”

*(i) The Rules of Practice*

Rule 247 of the Rules of Practice provides:

“*Rule 247.* Any person who has been, is, or will be injured by the grant of letters patent may, on payment of the required fee, and within three years from the date the issue of the patent was published in the Official Gazette, petition the Director of Patents to cancel the said patent or any claim thereof.”

<sup>146</sup> Section 44.

<sup>147</sup> Section 46.

<sup>148</sup> Section 48.



- (ii) That the petition be filed within three years from the date of the publication of the issue of the patent in the Official Gazette

*Publication and filing within the period set by law are jurisdictional requirements.* In *Astraphil v. Sharon*,<sup>149</sup> the petitioner argued that for the Director to take cognizance of the petition, it was not necessary that the letters patent be first published in the Official Gazette as long as legal grounds for cancellation exist. The Director, however, on the basis of the aforementioned provisions of Section 28 and Rule 247 held that it was a jurisdictional requirement.

In *Eternit Corp. v. Cuevas*,<sup>150</sup> the Director ruled:

- (1) The period fixed in a statute of limitations following the decision of the Court in *Abeto v. Rodes*, 82 Phil. 59, is a condition precedent to the existence of the cause of action; thus if the petition is not filed within the period set by law it cannot prosper although the matter is not set up in the answer or motion to dismiss.
- (2) If a statutory remedy provides as a condition precedent that the action to enforce it must be commenced within a prescribed time, such requirement is jurisdictional.
- (3) The argument that the period should be counted from the date of the publication of the extension of the original term of the utility model patent was not valid.
- (4) The intervention of a private party beyond the aforesaid three-year period in a petition for cancellation filed by the Solicitor General under Section 29 of the Patent Law ought not be given due course.<sup>151</sup>

- (iii) That the invention is not new or patentable

Reference is made to the discussion on this matter in section 1.2 (“Conditions of Patentability”) of this chapter.

- (iv) Insufficiency of disclosure

In section 1.4.2(c)(v) and 1.4.2(c)(vi) of this chapter, the requirements on sufficiency of disclosure are discussed.

- (v) That the person to whom the patent was issued was not the true and actual inventor, etc.

The argument that the patentee could not possibly be the actual inventor because he was not a chemist by profession was not meritorious. The Director ruled that it was well-known practice in patent prosecution that an inventor was not required to explain any scientific basis, principles or theories upon which his invention or discovery operate if his technical or educational background did not permit him to do so, provided he explained in detail his invention in such full clear, concise and exact terms as to enable any person skilled in the art or science to which his invention related to make and work out the invention.<sup>152</sup>

- (vi) Allegation that the issuance of the patent caused injury to the petitioner

That there was no allegation that the petitioner will be injured by the grant of the letters patent was declared by the Director of Patents a fatal defect. This allegation is an essential element required under Rule 247, which was intended to avoid vexatious suits and prevent the impairment of the value of patents.<sup>153</sup>

<sup>149</sup> Decision No. 962, April 28, 1977.

<sup>150</sup> Decision No. 196, September 5, 1980, Director of Patents.

<sup>151</sup> *Grefco Inc. et al. v. Evalle*, CA G.R. No. SP-057555, December 22, 1976.

<sup>152</sup> *Philco-Ford v. Philacor*, Decision No. 658, June 27, 1972.

<sup>153</sup> *Ajinomoto v. Chua*, Decision No. 493, August 20, 1968; *Hercules Metal Products v. Ong Kim Siu*, Decision No. 502, October 11, 1968.

(vii) *Prima facie* presumption of validity of the issuance of a patent

The issuance of a patent gives rise to a *prima facie* presumption of the existence of the requisite elements of patentability, that the patentee was the original and first inventor, and of due compliance with all the requirements of the law. Thus, the burden of proving anticipation or lack of novelty, inventiveness, or utility of a method or device, a product or process for which a patent has been granted must be sustained by clear and convincing proof, proof frequently characterized as so sufficiently clear, certain or precise as to satisfy beyond reasonable doubt.<sup>154</sup>

(b) *When patent may be cancelled at any time*

Section 29 of Republic Act No. 165 provides:

“Sec. 29. When a patent may be cancelled at any time.—A petition to cancel a patent on any of the grounds specified in the next preceding section may be filed at any time by the Solicitor General.”

The Court of Appeals agreed with the decision of the Director of Patents that the Solicitor General is not required to prove that public interest is involved every time he files a petition for cancellation under Section 29. It held that public interest is dominant in the patent system. The determination of certain guide posts is not essential on the question of whether a business is clothed or affected with public interest. Once an article is patented, public interest immediately attaches.<sup>155</sup>

(c) *In an action for infringement*

In an action for infringement the defendant, in addition to other defenses available to him, may show the invalidity of the patent or any claim thereof on any of the grounds on which a petition of cancellation can be brought under Section 28, Chapter VII of Republic Act No. 165.<sup>156</sup>

If the court finds the patent or any claim thereof invalid, the Director shall, on certification of the final judgment to the Office, issue an order cancelling the patent or the claims found invalid, and shall publish a notice thereof in the Official Gazette.<sup>157</sup>

## 1.10 Compulsory Licensing

### 1.10.1 *Grounds for Compulsory Licensing*

(a) *The provision of law*

(i) Section 34 of Republic Act No. 165 provides as follows:

“Sec. 34. Grounds for compulsory licensing.—

(1) Any person may apply to the Director for the grant of a license under a particular patent at any time after the expiration of two years from the date of the grant of the patent, under any of the following circumstances:

(a) If the patented invention is not being worked within the Philippines on a commercial scale, although capable of being so worked, without satisfactory reason;

<sup>154</sup> *Fernando et al. v. Carillo*, Decision No. 865, August 28, 1975.

<sup>155</sup> *Dynasty v. Solicitor General et al.*, AC-G.R. No. SP-06726, March 7, 1988.

<sup>156</sup> Republic Act No. 165, Section 45.

<sup>157</sup> Section 46.

- (b) If the demand for the patented article in the Philippines is not being met to an adequate extent and on reasonable terms;
- (c) If, by reason of refusal of the patentee to grant a license or licenses on reasonable terms, or by reason of the conditions attached by the patentee to licensee or to the purchase, lease or use of the patented article or working of the patented process or machine for production, the establishment of any new trade or industry in the Philippines is prevented, or the trade or industry therein is unduly restrained;
- (d) If the working of the invention within the country is being prevented or hindered by the importation of the patented article; or
- (e) If the patented invention or article relates to food or medicine or manufactured products or substances which can be used as food or medicine, or is necessary for public health or public safety.

(2) In any of the above cases, a compulsory license shall be granted to the petitioner provided that he has proved his capability to work the patented product or to make use of the patented product in the manufacture of a useful product, or to employ the patented process.

(3) The term 'worked' or 'working' as used in this section means the manufacture and sale of the patented article of the patented machine, or the application of the patented process for production, in or by means of a definite and substantial establishment or organization in the Philippines and on a scale which is reasonable and adequate under the circumstances. Importation shall not constitute 'working.'"

- (ii) If the patented invention or article relates to food or medicine or manufactured products or substances which can be used as food or medicine, or is necessary for public health or safety

1. *In general.* In the leading case of *Parke Davies v. Doctor's Pharmaceutical*,<sup>158</sup> it was decided that, for the grant of a license under Section 34(e), it was sufficient that the application be made after the expiration of three years (now two years) from the date of the grant of the patent. Paragraph 2 of P.D. No. 1263, which took effect in December 1977, added the requirement that the petitioner had to prove his capability to work the patented product or to make use of the patented product in the manufacture of a useful product, or to employ the patented process.

*Parke Davis* also laid down the following guidelines:

- (1-a) It is sufficient that the invention be related to medicine. It is not required that it be at the same time necessary for public health or safety.
- (1-b) Quoting the explanatory note of Bill No. 1156 which became Republic Act No. 165, the court stated that the provision permitting the grant of a compulsory license is intended not only to give a chance to others to supply the public with the quantity of the patented article but especially to prevent the building up of patent monopolies.
- (1-c) Compulsory licensing of a patent on food or medicine without regard to the other conditions imposed in Section 34 is not an undue deprivation of proprietary interests over a patent right because the law sees to it that even after three years (now two years) of complete monopoly something is awarded to the inventor in the form of a reasonable royalty.
- (1-d) Doctor's Pharmaceuticals had the capability to work the invention, because it was staffed with adequate and competent personnel and technicians; it had several laboratories where medicines are prepared for safety and quality; it was equipped with machines for subdividing antibiotics; and it had capsule-filling machines and adequate personnel and facilities to test the quality of chloramphenicol.

<sup>158</sup> L-2221, August 31, 1965; 14 SCRA 1053.

2. *What constitutes reasonable royalty?* In a majority of cases, the Supreme Court considered the royalty rate of 2.5% of net sales just and reasonable. To justify this conclusion, the court stated in *Price v. United Laboratories*:<sup>159</sup> “Moreover, what UNILAB has obtained with the compulsory license is the bare right to use the patented chemical compound in the manufacture of a special product, without any technical assistance from herein respondent-appellant. Besides, the special product to be manufactured by UNILAB will only be used, and distributed and disposed locally.”

(iii) Products or processes vital to national defense, economy or health

The National Economic Development Authority may, by order, provide that for certain patented products or processes, or for certain categories of such products or processes which are declared in such order to be of vital importance to the country’s defense or economy or to public health, a compulsory license may be granted under the conditions provided in Section 34-B even before the expiration of the period mentioned therein.<sup>160</sup>

(iv) Compulsory license based upon interdependence of patents

If an invention protected by a patent within the country cannot be worked without infringing rights derived from a patent granted on a prior application or benefiting from an earlier priority, a compulsory license may, upon application and without necessity of complying with the requirements of Section 34, be granted under the conditions specified in Section 35 to the registered owner of the latter patent, to the extent necessary for the working of his invention and insofar as such invention serves industrial purposes different from those of the invention forming the subject of the earlier patent, or constitutes noteworthy technical progress in relation to it.<sup>161</sup>

## 1.11 Utility Models

### 1.11.1 Introduction

*The provision of law.* Section 55 of Republic Act No. 165 provides that a new model of implement or tool or of any industrial product, or of part of the same, which does not possess the quality of invention, but which is of practical utility by reason of its form, configuration, construction or composition, may be protected by the author thereof, by a patent for a utility model, in the manner and subject to the same provisions and requirements as relate to patents for inventions, insofar as they are applicable.

A utility model shall not be considered “new” if, before the application for a patent, it has been publicly known or publicly used in this country, or has been described in a printed publication or publications circulated within the country, or if it is substantially similar to any other utility model so known, used or described within the country.

Rule 133 of the Rules of Practice in Patent Cases provides:

“*Rule 133.* Requisites for patentability of utility models; inventiveness not required.—According to the law, in order to be entitled to a patent, a utility model must consist in a new model of implement or tool, or of any industrial product, or of part of the same, which does not possess the quality of invention, but which is of practical utility by reason of its form, configuration, construction, or composition.”

<sup>159</sup> No. 82542, September 29, 1988; 166 SCRA 133.

<sup>160</sup> Republic Act No. 165, Section 34-A.

<sup>161</sup> Section 34-C.

### 1.11.2 *Conditions for Protection*

#### (a) *Novelty*

##### (i) Distinctions between inventions and utility models as regards the novelty requirement

1. Regarding the requirement under the first clause of Section 9, that the invention should not be “known or used by others in the Philippines before the invention thereof by the inventor named in an application for patent for the invention,” Section 55 is silent on this point. This rule should apply to utility models. Under Section 55, utility models are subject to the provisions and requirements as relate to patents for inventions, insofar as applicable.

2. As regards the second clause of Section 9, namely, that the invention shall not be novel “if it was patented or described in any printed publication in the Philippines or any foreign country more than one year before the application for a patent therefor,” the corresponding clause in the third paragraph of Section 55 provides that a utility model shall not be novel if before the application for a patent it has been described in a printed publication or publications circulated within the country. There are two differences. Firstly, that in determining the novelty of an invention, prior art consists of patents or printed publications in the Philippines or any foreign country, which described the invention, while as regards utility models reference is made to printed publications circulated in the Philippines only. Secondly, under Section 9, the inventor is granted a one-year grace period, while Section 55 does not grant any to the maker of the utility model. It should be noted, however, that under the Paris Convention nationals of States members of the Union are entitled to claim the right of priority of at least one year for utility models filed in the Philippines.<sup>162</sup>

3. As regards the third clause of Section 9, that an invention lacks novelty if it had been in public use or on sale in the Philippines for more than one year before the application for a patent therefor, the corresponding clause in Section 55 provides that a utility model would not be novel “if before the application for a patent, it has been publicly known or publicly used in this country.” The only difference is with respect to the grace period. While Section 9 provides for a one-year grace period, Section 55 does not grant any grace period at all.

4. As regards the fourth clause of Section 9, that the invention would not be novel if it is “the subject matter of a validly issued patent in the Philippines granted on an application filed before the filing of the application for patent therefor,” there is no corresponding provision in Section 55. This should apply to utility models following the rule that utility models, insofar as applicable, are subject to the provisions and requirements that relate to inventions.

5. As regards the last clause of the third paragraph of Section 55 that a utility model would not be novel “if it is substantially similar to any other utility model so known, used or described within the country,” substantial similarity is not a standard to determine the novelty of inventions. Theoretically, this standard should apply only to utility models. To understand better the concept of substantial similarity, it is discussed hereafter in relation to the question of the applicability of the doctrine of equivalents to utility models.

##### (ii) Distinctions between utility models and designs as regards the novelty requirements

Section 55 of Republic Act No. 165 provides that “the standard of novelty established by Section 9 hereof for inventions shall apply to ornamental designs”; and Section 56 of the Act states: “The period of one year specified in Section 9, Chapter II, and Section 15, Chapter III, hereof, for inventions shall be six months in the case of designs.” Since the

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<sup>162</sup> Paris Convention, Articles 4A(1) and 4C(1).

requirements of novelty for inventions and designs are the same, with the exception of the “grace period” the distinctions between inventions and utility models relating to the novelty requirement made in the preceding section will also apply to utility models vis-à-vis designs.

(b) *Distinction between inventions and utility models as regards scope of protection*

(i) Applicability of the doctrine of equivalents to utility models

The doctrine of equivalents has been defined in United States jurisprudence thus: “If two devices do the same work in substantially the same way, and accomplish substantially the same result, they are the same although they differ in name, or shape.” This matter is also dealt with in section 1.7.1(b) of this chapter.

To determine the applicability of the doctrine of equivalents to utility models, reference is made to the explanatory notes to House Bill No. 2758 which resulted in Republic Act No. 864—the statute that included utility models in the Patent Law. The notes stated that utility models shall be granted with the requirements of “novelty” and “utility” as distinguished from invention patents which require the elements of “invention,” “novelty” and “utility.”

It further appears that utility models originated from Germany where they are called *Gebrauchsmuster*, which means petty in that they involved only ordinary conception and mechanical skill but which needed and deserved to be protected.

Does the phrase “substantially similar” as it appears in Section 55 of our patent statute mean “equivalent” as the latter is defined when the question of the presence of “invention” is under consideration? To hold that they are exactly the same and thus to enforce to its full force and vigor the doctrine of equivalents would be to render ineffective and nullify the positive provision of the law which states that utility models need not have the element of invention.

On the other hand, to allege that the doctrine should not apply at all to utility models would be obnoxious to the spirit and purpose for which the statute was amended to give limited protection to these devices which cannot be patented under the rigid requirements of long-term patents.

In utility model patents and applications it should apply only as far as a definite special form is concerned.

Thus, the tests of equivalency for utility model patents and applications are:

- (a) substantial identity of a spatially defined technological idea; and
- (b) substantial identity of a definite form or embodiment defining said technological idea.

The foregoing discussion was based on the decision of the Director of Patents in *Samson Jr. v. Tarroza*.<sup>163</sup> The Director’s decision in this case, that petitioner’s “Dumping and Detachable Wheelbarrow” was not substantially similar or the equivalent of respondent’s “Side Tilting-Dumping Wheelbarrow” was upheld by the Supreme Court in *Samson Jr. v. Tarroza*.<sup>164</sup> The latter case is discussed in section 1.11.2(b)(i), as regards the requirement of inventive step in utility models.

<sup>163</sup> *Supra*, footnote 143.

<sup>164</sup> No. L-20354, July 28, 1969; 28 SCRA 792.

(ii) What constitutes substantial similarity

1. *Pessumal Tolaram v. Chi Chuan Ko*.<sup>165</sup> The parties admitted that both models worked on the same principle, which was the utilization of water to be heated as the resistance of the heating elements. Moreover, the construction of the electrodes or steel plates of both models was substantially similar, since both heaters contain five electrodes which can be increased or decreased in number as to the preferred style. However, the novelty claimed by the respondent consisted of the two symmetrically shaped ceramic envelopes which fill up most of the space ordinarily occupied by water in prior water heaters, and through the device of dirt and other foreign matter. By preventing the accumulation of scum the efficiency of the device is improved.

The Director found that both utility models embody the same technological idea, which was primarily the heating of water by utilizing water itself to be heated as the resistance of the heating elements, and the construction of the electrodes or steel plates. Both utility models contained a similar number of electrodes, which number could be increased or decreased according to the preferred styles. The presence of ceramic envelopes used as an insulator for the terminals inside the casing and the screen filter in respondent's water heater were insubstantial changes which did not make the device patentably different from that of the petitioner. Consequently respondent's utility model was cancelled.

2. *Twin Towers Labels v. Kim Law*.<sup>166</sup> Comparing the tapes or price tags covered by U.S. patents Nos. 3,782,279 and 3,265,553 on one hand and UM-3528 on the other, the Director found that all the tapes or price tags have perforations for engagement with the teeth of the gear dispenser. As to the location of the perforations, they were along one edge of the entire length of the tape, while in Philippine patent No. UM-3528 the perforations were located on the center in linear alignment along the length of the tape. In U.S. patent No. 3,265,553, the backing sheet identified as carrier strip was provided with centrally disposed perforations.

All the elements disclosed in the prior art references are also found in the Philippine patent. The only difference between them was the variance in the location of the perforations. As between the tapes there was substantial similarity.

3. *Marcelo Tire and Rubber Corp. v. Sanchez*.<sup>167</sup> In a petition for the cancellation of UM-776 for "Rugs Backing Consisting of a Rubber Foam with a Polypropylene Base," the Director's finding was that the polypropylene base was substituted in place of jute because it was a cheaper material. The Director cancelled the utility model patent in line with "jurisprudence supporting the view that it is not sufficient to support a patent where the changes made from the prior art are mere changes of mechanical construction, or form, or material."

(c) *Inventive Step*

Section 7 of the Patent Law and Rule 34 of the Rules of Practice in Patent Cases clearly require inventiveness as an element of patentability of inventions. On the other hand, Section 55 of the Law defines utility models as any new model of an implement or tool, or of any industrial product, or of part of the same, which does not possess the quality of invention, but which is of practical utility by reason of its form, configuration, construction or composition. Rule 133 states expressly that inventiveness is not one of the requisites for patentability of utility models. The decisions of the court and of the Director of Patents which are discussed in the following section illustrate the application of the no-inventive-step rule in utility models.

<sup>165</sup> Decision No. 262, June 7, 1963.

<sup>166</sup> Decision No. 11, February 10, 1987.

<sup>167</sup> Decision No. 273, September 3, 1981.

### Decisions of the court and of the Director of Patents:

1. *Samson Jr. v. Tarroza*.<sup>168</sup> Petitioner was awarded a utility model for a “Dumping and Detachable Wheelbarrow” that consisted of a wheeled carriage base and an upper pivoted and detachable carrying tray. The carriage base was comprised of a wheel and two equal lengths of continuous pipes bent to provide wheel forks at the front and at the rear to support the back portion of the tray, with the ends of the pipes being adopted as the carrying handles for the wheelbarrow. The two pipes thus bent were joined together by cross braces in the front and at the rear. The tray was removably pivoted at its front end through hook catches at its bottom corners, to the forward cross brace, and its rear end rests solidly over the rear portion of the legs. To dump the load, the user pulled a dumping handle at the back end to cause the tray to pivot upwardly about the front brace to a position of about 45° with the horizontal and with its front end panel being supported by the wheel.

Respondent’s “Side Tilting-Dumping Wheelbarrow,” on the other hand, consisted “of a wheeled carriage made of tubular frames essentially as in petitioner’s. Welded transversely to the parallel frames were two brackets provided with holes designed to complement similar holes on brackets provided on the tray. The brackets on the tray were so placed that with the provision of a bolt through the openings the tray may be tilted approximately 170° to the left or to the right of the wheelbarrow with its axis running longitudinally through the center of the bottom face of the tray.

The court ruled that there is an express recognition under the Patent Law that any new model of an implement or tool or any industrial product even if not possessed of the quality of invention but which is of “practical utility” is entitled to a “patent for a utility model.” From the above description of the side tilting-dumping wheelbarrow, the product of respondent’s ingenuity and industry, it is quite apparent that it has a place in the market and possesses what the statute refers to as “practical utility.”

2. *Mechanical Factor Phil. v. Chua Cham*.<sup>169</sup> The Satake patent (cited as reference to void UM-3988) and UM-3988 showed that both patents cover machines which may be adopted for use as rice-husking or rice-milling machines. The basic components, namely, the housing of accessories, were present in both patents which perform or function with substantially the same objective, dehulling of palay. There were, however, two more components in the basic construction, resulting in an improved rice huller. They were (a) the provision of a vibrating rod to a pulley which in turn was secured to the shaft of the vibrating screen. The function of this screen was to separate and remove oversized foreign particles, such as stones and the like from the palay mass; and (b) the provision of a magnetic separator secured inside all metallic foreign particles, thereby avoiding undue damage to the moving parts of the machine through which the palay being hulled passes.

Although it was obvious to introduce these elements when confronted with the problem of finding a solution to separate foreign particles from the palay being hulled, the Director, however, refused to cancel UM-3988 because it was a utility model in respect of which inventiveness was not considered.

3. *Meaning of practical utility*. The practical utility referred to in Section 55 must be based simply and purely on operability and workability of the device. In other words, if the questions “will the device work?” or “will the device produce the results it is intended to produce?” are answered in the affirmative, then the requirement of utility prescribed by Section 55 of the Patent Law is met.<sup>170</sup>

<sup>168</sup> *Supra*, footnote 143.

<sup>169</sup> Decision No. 87-46, July 30, 1976.

<sup>170</sup> *Bajado v. Director of Patents*, AC-G.R. No. SP-03628, August 5, 1985.



*(d) Disclosure*

Rule 137 of the Rules of Practice in Patent Cases provides:

“*Rule 137.* Special form of the specification required in applications for utility model patent.—The specification of an application for a utility model patent shall contain the following matters, arranged in the order hereinafter shown:

- (a) preamble stating the name and residence of the applicant;
- (b) title of the utility model;
- (c) brief summary of the utility model;
- (d) brief description of the several views of the drawings;
- (e) claim;
- (f) signature of the applicant.”

The claim shall be in formal terms to the form, configuration, construction or composition of the new model of an implement or tool or of the industrial product, or of part of the same, as described, as shown, or as shown and described. More than one claim is neither required nor permitted.<sup>171</sup>

*(e) Patentable subject matter*

The passage in the United States of America of the Semiconductor Chip Protection Act of 1984 and similar *sui generis* legislation on integrated circuits in other industrialized countries and, on May 26, 1989, the adoption of the Treaty on Intellectual Property in Respect of Integrated Circuits underline the importance of this new technology today. These also indicate that existing systems of intellectual property protection—the patent and copyright laws—are deemed inadequate as regards the protection of integrated circuits.

In an article published in the *Journal of the Patent and Trademark Office Society*,<sup>172</sup> Russel T. Wong outlined the reasons why the United States Congress decided to enact *sui generis* legislation. Mr. Wong wrote:

“Patent protection proved to be inappropriate. First, patent protection for chips was thought to be limited. Few chips designs, if any, could meet the high standard of inventiveness required for patents. Secondly, the broad protection given by a patent was undesirable. A patent on a chip design could prevent another manufacturer from independently creating a similar design. Chip manufacturers feared that this could stifle progress in new chip designs. Finally, the examination system was too slow to keep up with the rapid pace of the chip industry.”

The question as to whether or not the integrated circuit or semiconductor chip is copyrightable subject matter was more lengthily considered. Arguably, copyright laws may be “expanded” to include the integrated chip as additional copyrightable subject matter. Traditional copyright rules (which are also found in P.D. No. 49, the Decree on Intellectual Property) were considered ineffective when applied to integrated circuits. This matter was discussed succinctly by Mr. Wong as follows:

“Copyright protection for chips under the current Copyright Act can be approached in two ways. One approach is to protect the imprint on the chip itself. A second approach is to protect the two-dimensional drawing of the chip configuration.

Protection of the chip is unlikely because of the useful article doctrine. The chip is a useful article since it does no more than perform electronic functions. Application of the useful doctrine indicates that the chip has no copyrightable features. The designs imprinted on the chip actually contain the circuit elements. The circuit element cannot

<sup>171</sup> Rules of Practice in Patent Cases, Rule 138.

<sup>172</sup> “The Semiconductor Chip Protection Act: New Law for New Technology,” *Journal of the Patent and Trademark Office Society*, Vol. 67, No. 10, October 1985.

be separated from the design without destroying it. Conceptual separability also fails. The circuit designs have no aesthetic qualities that would give them an independent existence. Moreover, chip designs are not ‘traditionally copyrightable.’

The mask work is not protected for similar reasons. The mask work is a useful article since it is used in the process of manufacturing the chip. None of its features ‘can be identified separately from and are capable of existing independently of the utilitarian aspects of the article.’

Protection of the two-dimensional drawing of the mask work is more problematic. Arguably, the intrinsic function of the drawing is merely to portray the appearance of the [chip] or to convey information concerning it [configuration]. If this view is accepted, the drawing is not subject to the useful article since it is not a useful article. However, protection of the drawing does not extend to the unauthorized duplication of the chip.”

The useful article doctrine is discussed in section 5.2.2(e)(ii)3 of Chapter 5 on Copyright and Neighboring Rights.

In the Philippines there is neither *sui generis* legislation on integrated circuits nor copyright protection. It is believed that the utility model law provides the remedy. This is because the element of inventive step is not required for the grant of a utility model patent, and the doctrine of equivalents when applied to utility models as a rule should not “depart from the liberalism of the utility model claim.”<sup>173</sup>

Based on the standards of industrialized countries, utility model protection for integrated circuits would likely be considered inadequate or inappropriate. On the other hand, the requirements to disclose the claimed circuit, the obligation of the patentee to “work” the patent, the publication of the patent after it has been granted, and the rule that experimental use of the patented article shall not constitute infringement, which apply to utility models, address the fundamental need of developing countries for patents to become important tools for facilitating technology transfer. The existing intellectual property system in the Philippines is fairly comprehensive but undoubtedly it needs to be updated to keep abreast with the development of new technologies. Any amendment that may be considered, however, should not disregard the goal of achieving economic growth for the country.

### 1.11.3 *Formal Requirements for and Examination of Applications for Patents for Utility Models*

According to the law, patents for utility models may be applied for and granted in the same manner and subject to the same provisions and requirements as relate to applications for and the grant of patent for inventions.<sup>174</sup> Thus, the same rules that govern the examination of applications for invention patents govern the examination of applications for utility model patents.<sup>175</sup>

### 1.11.4 *Duration*

Section 58 of Republic Act No. 165 provides:

“Sec. 58. Term and extension thereof.—The term of the design patent and of the patent for a utility model shall be five years from the date of the grant thereof.

Before the expiration of the five-year term, upon payment of the required fee, or within a further time thereafter not to exceed six months upon payment of the surcharge, the owner of the design patent or of a patent for a utility model may apply for an extension for an additional five years. The application for extension must be

<sup>173</sup> *Samson Jr. v. Tarroza, supra*, footnote 141.

<sup>174</sup> Republic Act No. 165, Section 55.

<sup>175</sup> Rules of Practice in Patent Cases, Rule 141.

accompanied by an affidavit showing that the design or the model is in commercial or industrial use in the Philippines or satisfactorily explaining non-use. In a similar manner an extension for a third five-year period may be obtained.”

#### 1.11.5 *Infringement*

Section 60 of Republic Act No. 165 provides:

“*Sec. 60. Infringement.*—Infringement of a design patent or of a patent utility model shall consist in unauthorized copying of the patented design or utility model for the purpose of trade and industry in the article or product and in the making, using, or selling of the article or product copying the patented design or utility model. Identity or substantial identity with the patented design or utility model shall constitute evidence of copying.”

In this regard, reference is made to the discussion in section 1.11.2(b)(i) (“Applicability of the doctrine of equivalents to utility models”).

## **CHAPTER 2**

### **PATENT INFORMATION AND DOCUMENTATION**

#### **SYNOPSIS**

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## 2.1 Range of Patent Documentation

Patent documentation is the full body of documents (or excerpts therefrom), published or unpublished, that contain data on the results of research, design, development and pioneering programs which have been applied for and recognized as discoveries, inventions, utility models and industrial designs, and on protection of the rights of inventors, patent owners and holders of diplomas and certificates of registration of industrial designs and utility models.

Therefore, patent documentation is understood as referring primarily to the official publications of patent offices: specifications to applications for inventions, specifications of inventions and official patent bulletins or gazettes.

Patent documentation is classified into the following distinctive types:

Official patent bulletins (gazettes):

- specifications of applications for inventions (in particular, those which have or have not passed preliminary or formal examination);
- specifications of inventions;
- specifications of utility models;
- specifications of utility certificates (France);
- descriptions of industrial designs;
- official publications on changes in the state of legal protection;
- official patent indexes.

[R.P. Veherashni, "Problems of Technical Information, Types and Structure of Patent Documents," MPIC/82/4.1, paras. 33-34]

The specification of a patent, that is, the document granted, and the patent application which is the basis for the patent, are, in principle, drafted by the applicant. Most laws require that the application contain "claims" and a "description." The claims state in succinct language the essence of the invention, that is, the elements which distinguish it from what is already known. The description explains the invention by indicating the "state of the art," that is, what was already known before the invention was made, describing the step forward in knowledge represented by the invention and giving additional information useful in deciding whether the invention was really new.

It is generally required that the application be sufficiently clear and complete for any person specialized in the field of technology to which the application relates to enable that person, on the basis of that application, to produce the device or to perform the process described in it ("to execute the invention"). Also, patent rights granted on the basis of the patent document must permit a clear, unambiguous definition. This quality of disclosure of technological information, on the one hand, and a definition of patent rights, on the other, gives patent documents a particular language and structure which is initially difficult to understand. Yet understanding how patent documents are structured and the reasons for the way they are written can make this important source of technological information effective and accessible.

[International Bureau of WIPO, "Guidelines for the Planning and Organization of a Patent Information and Documentation Center in a Developing Country," PCPI/GEN/1, 1980, pp. 6-7]

### 2.1.1 *In the Philippines*

The following patent documents are available at the Bureau of Patents, Trademarks and Technology Transfer (BPTTT):

- Philippine patent specifications, in paper form, 1947 onwards, which consist of:
 

Inventions	25,636
Utility models	7,266
Industrial designs	5,129
- United States patent specifications:
  - In paper form, 1969-83
  - In Microreel, 1983 onwards
- United Kingdom specifications in paper form: 1978-85
- BPTTT Official Gazettes: 1988 onwards
- U.S. Official Gazettes: 1969 onwards
- Patent Abstracts of Japan, Unexamined Applications: 1977 onwards
- Republic of Korea Patent Abstracts: 1989 onwards
- Derwent Patent Abstracts:
  - United Kingdom, 1962-68
  - German, 1962-68
  - French, 1962-68
  - Japanese, 1962-68
- *Chemical Abstracts*: 1941 onwards
- *Journal of the Patent Office Society*: 1949 onwards
- *US Patent Quarterly*: 1929 onwards
- *Journal of Organic Chemistry*: 1980 onwards.

These documents are classified numerically but classification of local patents according to the International Patent Classification (IPC) is ongoing.

## 2.2 Content of Patent Documents

### 2.2.1 Introduction

Patent documents generally convey the most recent information. This is so because applicants always try to file their applications as soon as possible. Usually the applicant who, among several applicants applying in respect of similar inventions, was the first to apply will be granted the patent, whereas his hand as an inventor has the maximum legal means at his disposal for fighting against the use of his invention by others against his will. Finally, an inventor having a patent usually can stipulate a higher sales price or royalty for selling or licensing his invention than if he does not, or does not yet, have a patent.

Patent documents have a fairly uniform structure. The claims give the essence of what is new. The description is required to show the background to the invention (what was known before the invention, i.e., the prior art) and to state clearly the difference between the preexistent technology and what the invention contributes, as a new matter, as a step forward, in technology. This means, among other things, and as distinct from scientific or technological articles, that the reader of patent documents does not first have to familiarize himself with, and adjust his mental processes to, the mental processes—different for every author—of the author of an article, in other words, this fairly uniform structure of patent documents makes their reading, once one gets accustomed to it, generally easier.

Patent documents have a fairly uniform presentation with respect to layout and bibliographic data, and frequently have explanatory drawings. The claims show what the essence of the invention is likely to be. Since the description must be such that the specialist

is able to execute the invention on the basis of the patent document, consultation of patent documents allows of such execution, in theory always and in practice frequently.

Patent documents disclose technological information by describing the inventions in accordance with the requirements of the applicable patent law and by indicating the claimed novelty and inventiveness by reference to the existing state of the art. They are thus sources of information not only on what is new (the invention) but also on what is already known (i.e., the state of the art), and in many cases furnish a history, in summary form, of the technological progress in the field to which they relate.

A patent document contains two types of information: bibliographic information and technical information. Some industrial property offices which also publish the patent application after examination, publish additionally the search report as established by the Examiners of those offices; the search reports are generally attached to the corresponding published patent applications.

### 2.2.2 *Bibliographic Information*

This information is presented on the first page of the patent document and includes, mainly:

- (a) dates, names and addresses of the publishing authority and of the persons or companies involved in the patent, such as the inventor, the owner of the patent right, the representative or patent agent;
- (b) classification symbols of the IPC and, in some cases, also the national patent agent;
- (c) title of the invention, abstract of the description and a representative drawing or a chemical formula.

Each of the bibliographic data items on the first page of a patent document is identified by a two-digit numerical code which is universally adopted and which facilitates the understanding of the names, dates, addresses and classification symbols even without any knowledge of the language in which the patent document is published. The two-digit numerical code is generally printed in a small circle or between brackets and placed immediately before the bibliographic data to be coded. The presentation of the bibliographic data and the layout of the first page of most patent documents are made according to standards and guidelines elaborated by WIPO.

### 2.2.3 *Technical Information*

Technical information contained in a patent document usually includes four elements:

- (a) a short description of the state of the art of the technology as known to the inventor;
- (b) the detailed description of the invention in such a manner that a technician skilled in the art is able to work the invention;
- (c) one or more drawings (or chemical formulae) illustrating visually the functioning of the invention;
- (d) the claims, which define the scope of the invention.

The sequence in which these four elements of information is given is not internationally standardized. However, every country maintains the same presentation for all its published patent documents. Generally, the technical content of the patent document is presented on sequentially numbered pages as follows: state of the art, detailed description, claims, drawings. The number of the pages of a patent document varies according to the complexity of the invention and to the technical field. The average length of a patent document is between 10 and 15 pages.

#### 2.2.4 *Search Report*

The search report is established by the patent Examiner in the industrial property office after consultation of the search files available in his office. The search files consist of patent documents and other publications systematically arranged so as to group technical fields together. The search files contain the patent documents published by at least the major industrialized countries since 1920 or even earlier. The search report contains references to the documents which the Examiner considered as describing similar or identical technical solutions as the purported invention. If one of the solutions in the search report is identical to the one described in the application, the invention is then considered as not being new and thus a patent would not be granted.

#### 2.2.5 *Form of Documents*

The industrial property offices publish their patent documents and related data in various forms, using different information carriers. The patent information carriers which are currently available on the international market include, but are not limited to, the following:

- (a) individual copies of patent documents:
  - (i) in paper form,
  - (ii) on aperture cards,
  - (iii) on microfiches;
- (b) sets of patent documents arranged numerically:
  - (i) in bound volumes,
  - (ii) on 16 mm or 35 mm microfilms,
  - (iii) on microfiches;
- (c) bibliographic information presented in list form whereby each list comprises sets of data each relating to one patent document. The same content of each list may be arranged in various ways, and according to one of the important bibliographic data items, e.g., by classification symbol or by name of applicant. The lists can be:
  - (i) in paper form (official gazettes),
  - (ii) on microfiches,
  - (iii) on 16 mm or 35 mm microfilms,
  - (iv) stored in computers which are directly accessible by on-line terminals, telephone or telex.

[International Bureau of WIPO, "The Role of Patent Information and Documentation in the Transfer of Technology," PI. 105, 1983, paras. 10-11, 13-17]

### 2.3 **Patent Documents as a Source of Technological Information**

Because patents serve a variety of legal, technical and economic purposes, the information they contain is important not only for current industrial activities, particularly in research and development, but also in assisting in the identification of potential future areas of technological progress.

In comparison with other sources of technological information, patent documents have some considerable advantages which include the following:

- (i) Current patent documents often convey the most recent information. A patent cannot be granted for a previously disclosed invention, so an intending patentee will keep the invention secret until a patent application has been filed. There are pressures to patent because it is only when the inventor has a patent that there are legal means for contesting unauthorized use. There are a number of well-known cases, such as the Hollerith punch card case, the Baird television case and the Whittle jet engine case, in which important



inventions were disclosed in patent documents several years before their appearance in other forms of literature.

(ii) Patent documents have a fairly uniform structure, making it easy for a reader familiar with that structure to extract certain kinds of information from them. Patent documents as a general rule contain a description of the invention, a summary of the invention, drawings and claims. The claims define the monopoly sought or granted; the description gives the background to the invention and outlines the difference between the preexisting technology and what the invention contributes as a step forward.

(iii) Patent documents cover a great deal of what is new and worth knowing about technological advances, internationally, in patentable areas of technology, whether big or small, relatively simple or sophisticated.

(iv) Patent documents contain information which is often not divulged in any other form of literature. A study by Liebesny *et al.* of the North London School of Librarianship and reported in *Information Scientist* in 1974 shows that only 5.77% of technological solutions disclosed in patent documents were later published in other sources of scientific and technical information. A more recent study by Terapane (8 *Chemtech* 272274 1978) revealed that 84% of all United States patents contain technology that is not disclosed or only partially disclosed in the non-patent literature.

(v) Patent documents in most countries nowadays contain an abstract. An abstract allows a general idea of the contents of a patent document to be formed within a few minutes, without having to read the full text of the document.

(vi) Patent documents bear classification symbols. Patent offices classify patent documents according to the field or fields of technology to which their contents relate. The IPC has been established by an intergovernmental agreement and is now applied to patent documents by at least 50 patent offices. This allows the retrieval of the patent documents belonging to any given branch of technology and makes patent documents one of the most comprehensive accessible sources of technological information available in the world.

(vii) Patent documents mostly indicate the name and address of the applicant, the patentee and the inventor. This information tells a potential licensee whom to contact in order to find out under what conditions the invention may be exploited, for example, by means of licensing. This information can also help to indicate which nations and corporations are active in developing new technologies.

[P.A. Smith, "Patents as Sources of Technology," (1986) 13 *Intellectual Property in Asia and the Pacific*, pp. 63-65]

According to WIPO statistics (1979-82), the number of patent documents published in the world is around one million each year, approximately one third of them being published patent applications. There are some 70 countries and organizations which publish patent documents; in 1982, approximately 80% of the patent documents were published by the following 12:\*

Japan	330,000	Canada	22,000
Soviet Union	91,000	Australia	21,000
Germany	90,000	Netherlands	16,000
United States of America	58,000	Sweden	16,000
France	44,000	Spain	15,000
United Kingdom	42,000	European Patent Office	25,000

[International Bureau of WIPO, "The Role of Patent Information and Documentation in the Transfer of Technology," PI. 105, 1983, para. 231]

\* Some of the countries listed also publish utility model documents, namely, Japan: 270,00; Germany (Fed. Rep. of): 39,000; and Spain 7,000.

## 2.4 Role of Patent Information in the Transfer of Technology

### 2.4.1 Introduction

The successful transfer of technology to a given country is largely dependent on the availability of indigenous technological capacities, and the process of transferring selected imported technology should thus be complementary to national research and development efforts and the development of an indigenous technological capability. The transfer and development process involves a sequence of interlinked activities, such as the identification of technological needs in the light of development objectives; the obtaining of information on packages in order to assess the suitability, costs and conditions of their components; the negotiation of the best possible terms and conditions; the adaptation and absorption of imported technology and stimulation of the development of indigenous technology; and the dissemination of newly available technology to potential users.

The successful evaluation, selection, development, adaptation and application of technology requires indigenous national capacities for research and development (R&D) and the formulation of appropriate national policies in science as well as in technology. In this context, the importance of scientific and technical information, for its long-term relevance to the overall process of national development, should also be properly recognized.

The exchange of technological information is essential for bridging the technological gap between and within countries and for strengthening technological capabilities of developing countries, the latter being the prerequisite for the successful adaptation of foreign technology to local conditions and for the generation of new indigenous technology.

The transfer of technological information, however efficient and selective, must be recognized in itself as being no more than an important link in the chain of the transfer of technology. The receipt of well-selected technological information by users in developing countries is only a first step towards its practical utilization; such information prepares for and supports the taking of well-founded decisions and reinforces the autonomy of those decisions.

Information about alternative technologies and sources of supply, including information about minimum costs, terms and conditions, technological specifications, guarantees, delivery and implementation schedules, resources and manpower requirements, etc., is necessary for the evaluation and selection of development projects.

Information about developments in technology-related areas both in developed and developing countries is necessary to draw up national policies relating to foreign investment, contractual arrangements for the transfer of technology, national research and development, government procurement and the initiation of large-scale public projects and other matters.

One of the main reasons why information on many technologies covered by specialized literature is not fully used by developing countries appears to be the absence of suitable local infrastructures. At the same time, this lack of supporting infrastructure with particular reference to properly trained people may also affect the diffusion of technology developed or adapted, especially by small and medium enterprises in developing countries, which is not evaluated and made known locally and even less brought to the attention of users in other developing countries.

Technological information exists not only in printed form, such as books, journals, documents, reports, directories, patent documents, standards, specifications and catalogs, but also in non-printed form such as audiovisual and machine-readable material as well as in organizational and individual expertise transferred by the interaction of people attending meetings, seminars and training. It may also be embodied in products and services.

Potentially useful technological information may be found in virtually all countries irrespective of their present level of technological development.

[International Bureau of WIPO, "Guidelines for the Planning and Organization of a Patent Information and Documentation Center in a Developing Country," PCPI/GEN/I, 1980, pp. 5, 6]

The information contained in each of the one million patent documents published yearly is accessible to anyone situated anywhere in the world, provided he makes the effort to obtain it. One can use patent information in a passive manner by acquiring copies of a number of selected patent documents related to the technical field he is interested in, to study their content, to choose the patent document presenting the most appropriate solution to his problem and to work the invention without referring to, or negotiating with, any third party. This use of patent information is possible if the granted patent is no longer valid in the country in which the invention is intended to be used.

Institutions to which patent information is directly and particularly useful may be grouped into four categories, namely, government authorities, research and development institutions, universities and industries.

#### 2.4.2 *Use by Government Authorities*

Many different government authorities are potential users of patent information, particularly those authorities involved in:

- (i) encouraging innovative activities;
- (ii) assisting national industries to increase their export potential;
- (iii) elaborating development plans and establishing industrial priorities;
- (iv) generating indigenous technology aiming at increasing employment in rural areas and limiting import of consumer goods;
- (v) negotiating and concluding licensing agreements.

The competent government authority involved in encouraging innovative activities can use patent information as a means of creating an interest in innovation in technical training courses at universities and technical colleges. Moreover, copies of national patent documents and of selected foreign documents, perhaps relating to local industries, can be provided in specialist public libraries.

The government can assist national industries to increase exports to other developing or to industrialized countries by assisting them in obtaining patent rights in those countries and by upgrading the role of its patent office. The government can support the efforts of big national industries to build up their own collections of patent documents and it may facilitate for them the acquisition of these documents.

When elaborating industrial development plans and establishing sectoral priorities, the government could use the statistics published by its patent office, by other patent offices and by WIPO. The study in depth of patent activities in specific technical fields, particularly of foreign patents filed, may give a clear indication of industrial trends and foreign developments.

A review of patent documents concerning an indigenous technology can identify which technology is most appropriate to increase production, which technology uses less energy and which technology is capable of being used in rural areas, thus creating new jobs and reducing the importation of goods.

Developing countries operate generally from a weak position when negotiating for a licensing agreement with technology suppliers from industrially developed countries. The information that patent documents provide not only on a wide range of alternative

technologies but also on alternative sources of technology enables purchasers of technology in developing countries to improve their position considerably in such negotiations. The staff of the authority in charge of technology transfer is not always technically skilled and relies on the research and development institutions to evaluate, select and adapt foreign technology. The role of patent information in furthering the development work of these institutions has therefore a direct impact on the strengthening of capabilities for technology transfer transactions.

#### 2.4.3 *Use by Research and Development Institutions*

Every invention marks an advance in the process of technological development and at the same time the starting point for the search for new technology. The study of technological information in patents, therefore, has the effect of stimulating creative thinking and enhancing the prospects of discovering new technologies that are in advance of present knowledge.

Before embarking on a research activity, it is always beneficial to the research worker to include in the usual "library research," a study of patent information. This study of patent information enables the researcher to make the best decision as to whether to embark on his own research, or to borrow the results of research already conducted in the particular field by obtaining the appropriate licenses, or to enter into joint execution of research with others of similar interest and competence. Patent information thus facilitates the identification of important trends in research and development and also expedites the search for effective and readily applicable technical solutions to development problems.

The searcher in the research and development institution should have easy access to patent information and be well trained in exploiting this information for his research activities. A very convenient means of access would be the computer on-line service of a major data bank or a telex line which he can use in order to obtain without delay the list of patents he is interested in. Copies of these patents could be provided to him by the patent office or via the services of WIPO within its state-of-the-art search program.

#### 2.4.4 *Use by Universities*

Many professors and students at universities believe that patents are always major technological breakthroughs and therefore do not relate directly to their research activities. This wrong approach is gradually disappearing with the realization that patents are also granted for improvements to existing devices or processes and not only for completely new ones. The breakdown of this myth concerning patents should result in the inclusion of patent documentation in the documentary sources of information available at universities. Under the auspices of WIPO, an international association of professors teaching intellectual property was created in 1980, namely, the International Association for the Advancement of Teaching and Research in Intellectual Property (ATRIP).

Universities could include in their scientific libraries collections of patent documents relevant to the activities of their technological faculties. Universities are often called upon by industry to give expert opinions or to perform specific research which requires equipment normally not available in small- and medium-scale industries. The role of patent information in the research done at universities is even greater than it is for research and development institutions due to the fact that students consult patent documents more willingly than the relatively more independent and experienced researcher.

Universities also play an important role in the introduction of the use of patent information at all levels within the country, because they generate the engineers and researchers who will be the future potential beneficiaries of such use. Therefore, educational material at the engineering faculties could include patent information as one of its major components.

### 2.4.5 *Use by Industry*

Industrial enterprises are the most important users of technological information contained in patent documents. Engineers and technical staff in industry are daily confronted with problems related to the improvement of existing products or to the introduction of a new production process. In the industrialized countries, these problems are generally solved by the staff itself, sometimes with the assistance of consultants from outside, whereas in the developing countries the management of industry relies heavily on the manufacturers of the machines to solve their technical problems. The human factor, the know-how and the motivation to create and improve should be considered as a long-term investment in industry.

Industrialists in developing countries should try to solve their technical problems with the help of their own technical staff. Patent information in the form of search reports, copies of given patent documents or bibliographic data on sets of relevant patents, is badly needed by the engineer who is seeking a solution to his technical problems. By using patent documents as sources of solutions to technological problems, engineers working in industry become aware of the importance of their own developments and that some of their results may even be patentable.

Major industrial enterprises should build up a collection of national patents issued in the field of their activities and thus observe international developments as reflected in the patents of their competitors abroad. The activities of Siemens, a leading German firm in the sectors of electrical and electronic engineering, is an illustrative example of the use of patent information. In 1980, out of 340,000 employees in its own plants in 26 countries, 30,000 (almost 9%) were employed in research and development. In the same year, Siemens spent DM 3.1 billion on research and development which corresponds to 9% of the total sales. The Contracts and Patents Division of the company employs 430 people with 24 legal experts and 126 patents lawyers and patent engineers, and uses the latest methods in office automation. The Contracts and Patents Division plays such an important role for the company that it is put directly under the chairman of the managing board.

Such a big international company would apply for patents only after having made a detailed study of the market and having investigated the possibilities of selling its products, or after having found that the competitors are interested in that particular market. Thus, the kind and the number of patent applications filed by the multinational companies can give a hint to the local industrialist about the development possibilities of his own market, and consequently he could adapt or readjust his strategy.

Finally, the needs of industry for patent information when identifying new technology, or before negotiating new technology transfer agreements, are similar to the needs of the government authorities or research and development institutions.

[International Bureau of WIPO, "The Role of Patent Information in the Transfer of Technology," INSPI/82/5, paras. 7-28]

## **CHAPTER 3**

### **TRADEMARKS**

#### **SYNOPSIS**

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  - 3.1.1 Historical Notes**
  - 3.1.2 Act No. 666 vis-à-vis United States Federal Trademark Law**
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### 3.1 Introduction

#### 3.1.1 Historical Notes

In the mid-nineteenth century, there were in Manila many foreign commercial establishments dealing in trade of various merchandise which used trademarks to distinguish their goods from those of others. On October 26, 1888, Queen Ma. Cristina of Spain promulgated a modified trademark law for the Philippines. This was the law being administered when the American occupation forces set foot on Philippine soil in 1898. It is interesting to note that the trademark law of 1888 was based on registration. It provided that when two or more persons solicited the same work, the property right was vested on whoever was the first to register it as determined by the date and time of registration.<sup>1</sup>

The Treaty of Paris, signed on December 10, 1898, which ceded the Philippines to the United States of America, respected the rights secured by copyright, trademarks and patents, acquired by Spaniards in the Philippines. The Philippines was administered by military authorities of the United States of America from December 1888 until September 1, 1900, when the civil administrators took over.

On March 6, 1903, the Philippine Commission passed Act No. 666, known as the Trademark and Trade Name Law of the Philippine Islands. This Law, as amended, was in force until it was repealed by the current law, Republic Act No. 166, which took effect on June 30, 1947.

Act No. 666 abandoned the registration system under the 1888 Spanish law and instead required actual use as the basis of acquiring exclusive rights to trademarks and trade names.<sup>2</sup> This law recognized the right to institute a civil action for damages and injunction against infringers,<sup>3</sup> or in case of the fraudulent use of a trademark or trade name, a criminal action against both the malefactor and those who aided or abetted the commission of the fraud.<sup>4</sup> The Act introduced the common law concept of "passing off" or unfair competition, penalizing such acts with a fine and imprisonment in addition to civil remedies.<sup>5</sup>

Owners of trademarks or trade names domiciled in the Philippines, or the United States of America, or in any foreign country which afforded similar privileges to Filipino and American citizens, may obtain registration of trademarks or trade names in the Philippines,<sup>6</sup> which was only *prima facie* evidence of the exclusive right of the person securing the registration to use the same.<sup>7</sup> But those which consist merely of the name, quality, or description of the merchandise upon which it is to be used, or the geographical place of its production or origin, or which so nearly resembled the trademark or trade name of another as to be likely to cause confusion in the mind of the public were considered not registrable.<sup>8</sup> The registration had a term of 30 years from the date of issue.<sup>9</sup>

#### 3.1.2 Act No. 666 vis-à-vis United States Federal Trademark Law

Act No. 666 was declared by the Supreme Court of the United States as the law which governs the acquisition and protection of rights in marks, and names in local trade within the Philippine Islands. In one case,<sup>10</sup> it ruled that the Federal Trademark Act of February 20,

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<sup>1</sup> Tadle, *The Organization and Management of the Philippine Patent Office*, March 1962, p.70.

<sup>2</sup> Act No. 666, Sections 2 and 5.

<sup>3</sup> Section 3.

<sup>4</sup> Section 6.

<sup>5</sup> Section 7.

<sup>6</sup> Section 11.

<sup>7</sup> Section 15.

<sup>8</sup> Section 13.

<sup>9</sup> Section 16.

<sup>10</sup> *American Trading Co. v. H.E. Heacock Co.*, 76 L.ed 740.



1905, did not displace Act No. 666 but provided with respect to trademarks used in commerce between the United States of America and the Philippine Islands a protection similar to that accorded by the Act to the use of trademarks in interstate commerce. Thus, one whose exclusive importation and sale in the Philippine Islands during a period of years of table flatware stamped with the name ROGERS had given such name a secondary meaning as denoting the wares in which he deals may register the name as a trademark under the Philippine Trademark Act, and invoke the protection of the act against an importer and seller of similar wares stamped WM A. ROGERS, even though the manufacturer of the wares which he sold had, in the United States of America, no exclusive right to the use of the name ROGERS.

On December 7, 1926, Act No. 3332 amended Act No. 666 by way of requiring, as a necessary precondition for the availability of civil and criminal remedies for violation of trademark rights, the registration of the trademark or trade name involved in the appropriate government agency. The court interpreted this amendment as in no way affecting the rights of owners of trademarks or trade names registered in the Patent Office of the United States of America to bring an action in the Philippines to prevent the infringement thereof. The Philippine Legislature did not have the power to enact a law which "openly trenches" upon the Act of Congress (of the United States of America) of February 20, 1905.<sup>11</sup>

### 3.1.3 *Act No. 666 and Republic Act No. 166 Compared*

After the Philippines was granted independence by the United States of America on July 4, 1946, Republic Act No. 166, our current trademark law was passed and took effect on June 20, 1947. It was amended by Republic Act No. 638 a year later. Like Act No. 666, it considers lawful use in commerce as the basis for acquisition of ownership of trademarks, trade names and service marks. The standard of distinctiveness required of trademarks and trade names which give rise to exclusive rights is basically the same as that provided by Act No. 666. Likewise, the elements of infringement and unfair competition in Act No. 666, as amended by Act No. 3332, and those in Republic Act No. 166 were substantially the same. The remedy against unfair competition in the current legal regime, however, is split in two, one being civil which is governed by Republic Act No. 166, and the other criminal, under Article 189 of Act No. 315 of the Revised Penal Code. To avail oneself of the criminal remedy, unfair competition should be proven beyond reasonable doubt.

Consequently, the decisions of the court then, interpreting and applying the provisions of Act No. 666 relating to distinctiveness, use, infringement and unfair competition form part of our discussion on these matters.

### 3.1.4 *Accession of the Philippines to the Paris Convention*

On September 27, 1965, the Philippines adhered to the Lisbon Act of the Paris Convention for the Protection of Industrial Property (Paris Convention). The Philippines' accession to the Paris Convention resulted in the adoption of the national treatment principle as a basis for the protection of foreign marks and trade names in the Philippines. Likewise, the Philippines was bound to extend protection to well-known marks pursuant to the provisions of Article 6bis of the Paris Convention. In perspective, however, the country's accession to the Paris Convention did not effect any substantial change in the level of protection already granted to marks and trade names in the Philippines under Republic Act No. 166.

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<sup>11</sup> *Sapolin Co. Inc. v Balmaceda*, No. 45502, May 2, 1939, 67 Phil. 705.

### 3.2 Scope of Republic Act No. 166, the Philippine Trademark Law

Republic Act No. 166 provides for the protection and registration of trademarks, trade names, service marks and collective marks. The statutory definitions of these terms are as follows:<sup>12</sup>

The term “trademark” includes any word, name symbol, emblem, sign or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured, sold or dealt in by others.

The term “trade name” includes individual names and surnames, firm names, trade names, devices or words used by manufacturers, industrialists, merchants, agriculturists and others to identify their business, vocations or occupations; the names or titles lawfully adopted and used by natural or juridical persons, unions, and any manufacturing, industrial, commercial, agricultural or other organizations engaged in trade or commerce.

The term “service mark” means a mark used in the sale or advertising of services to identify the services of one person and distinguish them from the service of others and includes without limitation the marks, names, symbols, titles, designations, slogans, character names and distinctive features of radio or other advertising.

A “collective mark” or “collective trade name” is a mark or trade name used by the members of a cooperative, an association or other collective group or organization.<sup>13</sup>

#### 3.2.1 Trademark Distinguished from Trade Name

The courts in several cases were faced with the problem of differentiating a trademark from a trade name.

In *Arce Sons & Co. v. Selecta Biscuit Co., Inc.*,<sup>14</sup> since the word SELECTA as used does not function only to point to the place of business or location of its restaurant but also to indicate the goods it offers for sale to the public, the court ruled that it is used not only as a trade name but also as a trademark. Citing American jurisprudence, the court distinguished a trademark from a trade name in this manner:

“A trademark is generally described as a sign, device or mark by which the articles produced or dealt in by a particular person or organization are distinguished or distinguishable from those produced or dealt in by others, and must be affixed to the goods or articles, while a trade name is descriptive of the manufacturer or dealer himself as much as his own name is, and frequently includes the name of the place where the business is located; it involves the individuality of the maker or dealer for protection in trade, and to avoid confusion in business, and to secure the advantages of a good reputation; it is more popularly applied to the goodwill of a business, and need not be affixed to the goods sold. In other words, it is not regarded as a trademark in the strict technical sense.”

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<sup>12</sup> Republic Act No. 166, Section 38.

<sup>13</sup> Section 40.

<sup>14</sup> L-14761, January 28, 1961; 1 SCRA 253.

### 3.3 Criteria of Protectability

#### 3.3.1 *Criteria of Registrability of Trademarks or Trade Names*

##### (a) *On the Principal Register*

Section 4, Republic Act No. 166 provides as follows:

“Sec. 4. Registration of trademarks, trade names and service marks on the Principal Register.—There is hereby established a register of trademarks, trade names and service marks which shall be known as the Principal Register. The owner of a trademark, trade name or service mark used to distinguish his goods, business or services from the goods, business or services of others shall have the right to register the same on the Principal Register, unless it:

- (a) Consists of or comprises immoral, deceptive or scandalous matter, or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute;
- (b) Consists of or comprises the flag or coat of arms or other insignia of the Philippines or any of its political subdivisions, or of any foreign nation, or any simulation thereof;
- (c) Consists of or comprises a name, portrait or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the Philippines, during the life of his widow, if any, except by the written consent of the widow;
- (d) Consists of or comprises a mark or trade name which so resembles a mark or trade name registered in the Philippines or a mark or trade name previously used in the Philippines by another and not abandoned, as to be likely, when applied to or used in connection with the goods, business or services of the applicant, to cause confusion or mistake or to deceive purchasers; or
- (e) Consists of a mark or trade name which, when applied to or used in connection with the goods, business or services of the applicant is merely descriptive or deceptively misdescriptive of them, or when applied to or used in connection with the goods, business or services of the applicant is primarily geographically descriptive or deceptively misdescriptive of them, or is primarily merely a surname;
- (f) Except as expressly excluded in paragraphs (a), (b), (c) and (d) of this section, nothing herein shall prevent the registration of a mark of trade name used by the applicant which has become distinctive of the applicant’s goods, business or services. The Director may accept as *prima facie* evidence that the mark or trade name has become distinctive, as applied to or used in connection with the applicant’s goods, business or services, proof of substantially exclusive and continuous use thereof as a mark or trade name by the applicant in connection with the sale of goods, business or services for the five years next preceding the date of the filing of the application for its registration.”

##### (b) *On the Supplemental Register*

As to the registrability of trademarks and trade names on the Supplemental Register, the pertinent provisions of Section 19-A of Republic Act No. 166 state:

“Sec. 19-A. In addition to the Principal Register, the Director shall keep another register to be called the Supplemental Register. All marks and trade names capable of distinguishing applicant’s goods or services and not registrable on the Principal Register herein provided, except those declared to be unregistrable under paragraphs (a), (b), (c), and (d) of Section 4 of this Act, which have been in lawful use in commerce by the proprietor thereof, upon or in connection with any goods, business

or services for the year preceding the filing of the application, may be registered on the Supplemental Register.

....

For the purposes of registration on the Supplemental Register, a mark or a trade name may consist of any trademark, symbol, label, package, configuration of goods, name, word, slogan, phrase, surname, geographical name, numeral, or device or any combination of any of the foregoing, but such mark or trade name must be capable of distinguishing the applicant's goods, business, or services."

Trademarks or trade names that are not registrable on the Principal Register because either they are descriptive of the goods, service or business with which they are used, or primarily geographically descriptive, or primarily merely a surname, may be registered on the Supplemental Register provided they are capable of distinguishing the goods, business or services and have been in use for at least one year before the date of the filing of the application.

### 3.3.2 *Requirements of Distinctiveness*

#### (a) *Inherently distinctive*

The word "Adagio," which is a musical term meaning slowly or an easy manner, when applied to brassieres is used in an arbitrary sense, not being a common descriptive name of a particular style of brassiere. The use of a different word for every type or style of a product, such as the use of "Adagio" for a type or style of brassiere, does not affect the validity of a word as a trademark.<sup>15</sup>

*Ang Tibay* is an exclamation denoting admiration of strength or durability. For instance, one who tries hard to break a thing exclaims: *Ang tibay!* (how strong) therefore ANG TIBAY is not a description within the meaning of trademark law but a coined fanciful name which may properly and legally be appropriated as a trademark or trade name.<sup>16</sup>

In adopting the word WIGAN to indicate the brand of Khaki, the plaintiff did not use the word WIGAN either in its geographical sense or in the trade sense of a material for stiffening. WIGAN is therefore arbitrary and artificial, in that it departs from any previously accepted sense.<sup>17</sup>

While the symbol of a demijohn, by itself, being a well-known and generally used receptacle for alcoholic users and universally used by the distilling trade may not be the subject of an exclusive trademark, the same in combination with the other discriminating elements found in the trademark may fairly be made the subject of such a trademark.<sup>18</sup>

"Tussin" is merely descriptive; it is generic; it furnishes to the buyer no indication of the origin of the goods; it is open for appropriation by anyone. It is accordingly barred from registration as a trademark. But while "Tussin" by itself cannot thus be used exclusively to identify one's goods, it may properly become the subject of a trademark by combination with another word or phrase.<sup>19</sup>

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<sup>15</sup> *Andres Romero v. Maiden Form Brassiere*, L-18289, March 31, 1964; 10 SCRA 556.

<sup>16</sup> *Ang v. Teodoro*, No. 48226, December 14, 1942, 74 Phil. 50.

<sup>17</sup> *E. Spinner & Co. v. Neuss Hesslein Corp.*, No. 31380, January 31, 1930, 54 Phil. 224.

<sup>18</sup> *Inchausti & Co. v. Song Fo & Co.*, No. 6623, January 26, 1912, 21 Phil. 278.

<sup>19</sup> *Etepha v. Director of Patents et al.*, L-20635, March 31, 1966; 16 SCRA 495.

(b) *Acquisition of distinctiveness through use*

A word or phrase originally incapable of exclusive appropriation with reference to an article on the market, because geographically or otherwise descriptive, might nevertheless have been used for so long and so exclusively by one producer with reference to his article that, in that trade and to that branch of the purchasing public, the word or phrase has come to mean that the article was his property. This is the rule as to secondary meaning. Thus, the word "Selecta" may be an ordinary or common word in the sense that it may be used or employed by anyone in promoting his business or enterprise, but once adopted as an emblem sign or device to characterize its products, or as a badge of authenticity, it may acquire a secondary meaning as to be exclusively associated with the user's products and business.<sup>20</sup>

In another case, the court, applying the doctrine of secondary meaning ruled that while PLANTERS is an ordinary word, because of its use by Standard Brands for its canned salted peanuts since 1938 in the Philippines, it has become a distinctive mark or symbol insofar as salted peanuts are concerned, and by priority of use, Standard Brands has acquired a preferential right to its adoption as its trademark warranting protection against its appropriation by another.<sup>21</sup>

On the other hand, the words "Nylon" and "Shirt Factory" are merely descriptive or general terms, *juris publici*, incapable of appropriation by any single individual to the exclusion of others. Neither may the applicant acquire any right under the doctrine of secondary meaning because, in the public mind, the name applied has not yet become distinctive of the goods.<sup>22</sup>

There can be no secondary meaning, however, with respect to the trade name "Isabellas," since the trade name represented the geographical place of production of the goods, in this case, cigarettes, to which the trade name referred.<sup>23</sup>

It should be noted that the doctrine of secondary meaning has been codified. Section 4(f) states that descriptive or geographical marks, or surnames, which have become distinctive of the applicant's goods, business or services through substantially exclusive and continuous use may be registered on the Principal Register. It is implied that marks considered unregistrable on the Principal Register for being contrary to morality or public order, or which have a misleading character, or which are generic, cannot acquire a secondary meaning.

(c) *Marks which lack distinctiveness*

The use of the word "Chorittos" for cigarettes will not give rise to any exclusive right where it is evident that the word "Chorittos" has come to be a local name given to a special kind of cigarette, the tobacco of which is rolled in sweetened black paper. Like the words "Corona," "Especiales," "Perfectos," etc., which are used by common local cigar manufacturers to designate the different shapes or forms of cigars manufactured by them, for cigarettes there could be "Layebana," "Alhambra Chorittos," "Chorittos Degamu," etc.<sup>24</sup>

Common geometric shapes such as diamonds generally are not regarded as indices of origin for goods to which the marks are applied where they have not acquired a secondary meaning with respect thereto.<sup>25</sup>

<sup>20</sup> *Arce Sons & Co. v. Selecta Biscuit Co, Inc.*, *supra*, footnote 14.

<sup>21</sup> *Philippine Nut Industry, Inc. v. Standard Brands, Inc.*, L-23035, July 31, 1975; 65 SCRA 575.

<sup>22</sup> *Ong Ai Gui v. Director of Patents*, 96 Phil. 673.

<sup>23</sup> *Compania General de Tabacos v. Alhambra Cigar & Cigarette Mfg. Co.*, No. 10251, February 10, 1916, 33 Phil. 485.

<sup>24</sup> *Layebana v. Alhambra Cigar & Cigarette Mfg. Co., et al.*, September 12, 1931, 56 Phil. 106.

<sup>25</sup> *Victorias Milling Co. Inc. v. Ong Su*, No. L-28499, September 30, 1977; 79 SCRA 207.

Since “Verbena” is descriptive of a whole genus of garden plants with fragrant flowers, its use in connection with cosmetic products, wherein fragrance is of substantial impact, evokes the idea that the products are perfumed with the extract of verbena flowers. The use of the term cannot be denied to other traders using such extract of oils in their own products.<sup>26</sup>

### 3.3.3 *Requirement of Absence of Misleading Character and of Absence of Violation of Public Order or Morality*

The marks or names classified under Section 4(d) and (e) of Republic Act No. 166 hereunder quoted include those that are considered as having misleading character:

- “(d) Consists of or comprises a mark or trade name which so resembles a mark or trade name registered in the Philippines or a mark or trade name previously used in the Philippines by another and not abandoned, as to be likely, when applied to or used in connection with the goods, business or services of the applicant, to cause confusion or mistake or to deceive purchasers; or
- (e) Consists of a mark or trade name which, when applied to or used in connection with the goods, business or services of the applicant is merely descriptive or deceptively misdescriptive of them, or when applied to or used in connection with the goods, business or services of the applicant is primarily geographically deceptive or deceptively misdescriptive of them, or is primarily merely a surname.”

Those falling under Section 4(a) and (b) of Republic Act No. 166 are considered unregistrable because they violate public order or morality, viz:

- “(a) Consists of or comprises immoral, deceptive or scandalous matter, or matter which may disparage or falsely suggest a connection with the persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute;
- (b) Consists of or comprises the flag or coat of arms or other insignia of the Philippines of any of its political subdivisions, or of any foreign nation, or any simulation thereof.”

### 3.3.4 *Special Cases*

#### (a) *Can a family name serve as a trademark?*

The law considers as unregistrable both on the Principal or Supplemental Register marks, trade names, or service marks which consist of or comprise a name identifying a particular living individual except by his written consent, or the name, signature or portrait of a deceased President of the Philippines, during the life of his widow, if any, except with the written consent of the widow.<sup>27</sup>

Use of the names of deceased wives of Presidents as trade names or trademarks is not included in the prohibition under Section 4(c) of Republic Act No. 166.<sup>28</sup>

If it is a name of a deceased person other than the President of the Philippines it may be registered as a trademark or trade name on the Principal Register provided it has acquired distinctiveness.<sup>29</sup> If it is “primarily merely a surname” then it may be registered on the

<sup>26</sup> *East Pacific Merchandising Corp. v. Director of Patents et al.*, L-14377, December 29, 1960.

<sup>27</sup> Republic Act No. 166, Section 4(c).

<sup>28</sup> *De la Rama Steamship Co., Inc. v. National Development Co.*, L-26966, October 30, 1970; 35 SCRA 567.

<sup>29</sup> Republic Act No. 166, Section 4(f).

Supplemental Register.<sup>30</sup> Thus, one whose exclusive use in the Philippine Islands during a period of years of table flatware stamped with the name ROGERS has given such name a secondary meaning as denoting the wares in which he deals may register the name as a trademark under the Philippine Trademark Law.<sup>31</sup>

(b) *Can a geographical indication serve as a trademark?*

Mere geographical names are ordinarily regarded as common property, and it is a general rule that the same cannot be appropriated as the subject of an exclusive trademark or trade name.<sup>32</sup>

The use of “Isabella” on cigarettes, a name of a province in the Philippines which grows a class of tobacco not grown in other provinces, and which is known commercially as Isabella tobacco, was not considered a valid or legal basis to exclude others from the use thereof either through an action of infringement or unfair competition.<sup>33</sup>

A geographical indication, however, can serve as a trademark once it becomes distinctive through substantial, exclusive, and continuous use<sup>34</sup> or when used in an arbitrary and artificial sense, as in the case where “Wigan” although a name of a town, was not used upon plaintiff’s Khaki to indicate the geographical place of production of the merchandise; therefore the improper appropriation of the same term by another may be enjoined as an invasion of trademark right.<sup>35</sup>

If a geographical indication is “primarily geographically descriptive” it may be registrable on the Supplemental Register provided that it is capable of distinguishing one’s goods. The Director of Patents in one case<sup>36</sup> held that “Cafe de Lipa” lacked that element because the word “Cafe” is a term widely used and known in the Philippines for the bean-like seed of a coffee tree which is descriptive of the beverage which everybody drinks or is familiar with throughout the archipelago, while the word “Lipa” is the name of a city in Batangas which is noted for the production and manufacture of ground coffee (Barako). Therefore, the coffee beans or ground coffee produced and manufactured in Lipa City and its environs may be labeled by every farmer or coffee grower in that locality and for that matter any manufacturer of ground coffee from coffee farms located in Lipa City, as “Cafe de Lipa.” Simply put, “Cafe de Lipa” cannot distinguish one such farmer’s product from that of another farmer or producer similarly situated.

The provision proscribing the registration of geographically descriptive marks or trade names shall not be applicable, in appropriate cases, to collective trademarks or trade names.<sup>37</sup>

(c) *Can a slogan serve as a trademark?*

Section 19-A of Republic Act No. 166 provides that “For the purposes of registration on the Supplemental Register, a mark or a trade name may consist of any trademark, symbol, label, package, configuration of goods, name, word, slogan, phrase, surname, geographical name, numeral, or device or any combination of any of the foregoing, but such mark or trade name must be capable of distinguishing the applicant’s goods, business, or services.”

<sup>30</sup> Section 19-A.

<sup>31</sup> *American Trading Co. v. H.E. Heacock Co.*, *supra*, footnote 10.

<sup>32</sup> *Ang Si Heng v. Wellington Dept. Store Inc. et al.*, L-4531, January 10, 1953, 92 Phil. 448.

<sup>33</sup> *Compania General de Tabacos v. Alhambra Cigar & Cigarette Mfg. Co.*, *supra*, footnote 23.

<sup>34</sup> Republic Act No. 166, Section 4(f).

<sup>35</sup> *E. Spinner & Co. v. Neuss Hesslein Corp.*, *supra*, footnote 17.

<sup>36</sup> Decision No. 88-30 (TM), June 1, 1988.

<sup>37</sup> Republic Act No. 166, Section 40.

Slogans may also be registered on the Principal Register if they are so ingeniously worded or easily recalled that they can claim as much distinctiveness as a mark or a trade name, in which case they may be registered on the Principal Register. An example is Mercury Drug's *Nakasisiguro gamot ay laging bago* (You can be sure our drugs are always new) in connection with the business of selling drugs and medicine<sup>38</sup> and *Subok na matibay, subok na matatag* (Proven strong and stable) in connection with banking.<sup>39</sup>

(d) *Can letters or numbers serve as a trademark?*

Indeed they can. Both the Principal and Supplemental Registers contain entries of letters or numbers as trademarks, viz: 7 Eleven & Design in connection with a retail grocery store service,<sup>40</sup> 757 for aircraft and aircraft parts,<sup>41</sup> YKK for bags and baggage,<sup>42</sup> etc.

(e) *Can the shape of a product or the shape of a container serve as a trademark?*

Acquisition of trademark rights with respect to the shape of containers of beverages or of other products would depend on whether the shape or configuration meets the requirements of distinctiveness discussed earlier. Basically containers which manifest a unique shape or form, as in bottles of perfume and cosmetic products, are entitled to the same protection as trademarks. In a majority of cases though, they are considered registrable only on the Supplemental Register.

There is a law<sup>43</sup> that provides for the protection of containers per se used by a manufacturer, bottler or seller of soda water, mineral or aerated waters, cider, milk, cream or other lawful beverages which are registered with the Bureau of Patents, Trademarks, and Technology Transfer. The registrant has the right to prohibit the use of such container except with his written consent, or when he has transferred the container by way of absolute sale, or when the container is used for "sisi," "bagoong," "patis" and similar native products. To make the use of the registered containers illegal, it is not essential that they be used by other persons with the distinctive name, mark or design engraved thereon.<sup>44</sup>

(f) *Can a color or a combination of colors serve as a trademark?*

It is fundamental in trademark jurisprudence that color alone, unless displayed in a distinct or arbitrary design, does not function as a trademark.<sup>45</sup> This is the import of the rule<sup>46</sup> that requires that the colors, employed as a material feature of a mark or trade name may be illustrated in drawings following the color chart of draftsmen.

### 3.4 Acquisition of Trademark Rights

#### 3.4.1 Acquisition of Rights Through Use

The Trademark Law provides that "anyone who lawfully produces or deals in merchandise of any kind or who engages in lawful business, or who renders any lawful service in commerce, by actual use thereof in manufacture or trade, in business, and in the service rendered, may appropriate to his exclusive use a trademark, a trade name, or a service

<sup>38</sup> Reg. No. 41296, issued on October 17, 1988.

<sup>39</sup> Reg. No. SR-6658, issued on October 30, 1984.

<sup>40</sup> Reg. No. 30620, issued on February 15, 1982.

<sup>41</sup> Reg. No. 39283, issued on June 13, 1983.

<sup>42</sup> Reg. No. 35597, issued on May 7, 1986.

<sup>43</sup> Republic Act No. 623.

<sup>44</sup> *Disteleria Ayala Inc. v. Tan Tay & Co.*, 74 Phil. 301.

<sup>45</sup> *Victorias Milling Co., Inc. v. Ong Su*, *supra*, footnote 25.

<sup>46</sup> Rules of Practice in Trademark Cases, Rule 76.



mark not so appropriated by another, to distinguish his merchandise, business or service mark from the merchandise, business or service of others.”<sup>47</sup>

Use as a basis for acquiring ownership of trademarks, trade names or service marks must be lawful, in commerce, and in the Philippines.

(a) *Lawful use*

The court granted the opposition of a Japanese corporation to the registration of the trademark “Race” for use on shirts or undershirts on the basis of opposer’s prior importation and sale in the Philippines as early as the year 1949 of shirts and undershirts with the trademark “Race.” Prior to the trade agreement between occupied Japan and the Philippines in 1951, the entry of goods from Japan into the Philippines was legal because Japan had been occupied by the United States of America since 1945 and the Philippines had commercial relations with the United States of America. The lawful entry into the Philippines of goods bearing a trademark registered in Japan entitles the owner of the trademark to the right to use the same to the exclusion of others.<sup>48</sup>

(b) *Use in commerce*

Adoption alone of a trademark would not give exclusive right thereto. Such right grows out of actual use. Adoption is not use. One may make advertisements, issue circulars, give out price lists on certain goods, but these would not give exclusive right of use, for a trademark is a creation of use. The underlying reason is that the mark serves to indicate the origin of the wares. Flowing from this is the trader’s right to protection in the trade he has built up and the goodwill he has accumulated from the use of the mark. Registration of a trademark is an administrative act declaratory of a preexisting right. Registration does not, however, perfect a trademark right.<sup>49</sup>

The invoices submitted showed that the zippers sent to the Philippines were to be used as “samples” and of “no commercial value.” Samples are not for sale and therefore the fact of exporting them to the Philippines cannot be considered to be equivalent to the use contemplated by the law.<sup>50</sup>

Sales of 12 to 20 pairs a month of rubber shoes cannot be considered insignificant, considering that they appear to be of expensive quality, which not too many basketball players can afford to buy. Any sale made by a legitimate trader in his store is a commercial act establishing trademark rights since such sales are made in due course of business to the general public and not limited to a special class of customer. Sales invoices provide the best proof that there were actual sales of the products in the country. It is a matter of public knowledge that all brands of goods filter into the market, indiscriminately sold by jobbers, dealers and merchants not necessarily with the knowledge or consent of the manufacturer. Such actual sale of goods in the local market establishes trademark use which serves as the basis for any action aimed at trademark preemption. The court in effect disagreed with the reasoning of the Director of Patents in denying the opposition, that the opposer did not have any direct or indirect hand in the sale of the shoes in the Philippines.<sup>51</sup>

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<sup>47</sup> Republic Act No. 166, Section 2-A.

<sup>48</sup> *Asari Yoko Ltd. v. Keeboc*, L-14086, January 20, 1961; 1 SCRA 1.

<sup>49</sup> *Sterling Products International, Inc. v. Farbenfabrieken Bayer AG*, No. L-19906, April 30, 1969; 21 SCRA 1214.

<sup>50</sup> *Pagasa Industrial Corp. v. Court of Appeals*, No. L-54158, November 19, 1982; 118 SCRA 526.

<sup>51</sup> *Converse Rubber Corporation v. Universal Rubber Products, Inc.*, L-27906, January 8, 1987; 147 SCRA 154.

(c) *Use in the Philippines*

(i) The doctrine of nationality or territoriality

The 1927 registration in the United States of America of BAYER for a trademark for insecticides would not of itself afford plaintiff any legal basis to obtain the cancellation of the registration of the same trademark in the Philippines for use in connection with the same goods. The United States of America is not the Philippines. Registration in the United States of America is not registration in the Philippines. The law of trademarks rests on the doctrine of nationality or territoriality.<sup>52</sup>

(ii) Article 6bis of the Paris Convention

Article 6bis of the Paris Convention adheres to the principle of territoriality not in the strict sense, in that use in the country where protection is sought is not required; it suffices that such marks are considered by the competent authority of the country where protection is sought to be well known in that country as being already the mark of a person entitled to the benefits of the Convention and used for identical or similar goods.

To implement Article 6bis, Minister of Trade Luis Villafuerte issued on November 20, 1980, a Memorandum Circular (Villafuerte Memorandum) which was addressed to the Director of Patents directing the latter

“ . . . to reject all pending applications for Philippine registration of signatures and other world famous trademarks by applicants other than its original owners or users.

The conflicting claims over internationally known trademarks involve such name brands as Lacoste, Jordache, Gloria Vanderbilt, Sassoon, Fila, Pierre Cardin, Gucci, Christian Dior, Oscar de la Renta, Calvin Klein, Givenchy, Ralph Lauren, Geoffrey Beene, Lanvin and Ted Lapidus.

It is further directed that, in cases where warranted, Philippine registrants of such trademarks should be asked to surrender their certificates of registration, if any, to avoid suits for damages and other legal action by the trademark's foreign or local owners or original users.”

Subsequently, Minister of Trade Roberto Ongpin, pursuant to his rule-making authority under Executive Order 913,<sup>53</sup> issued a Memorandum (Ongpin Memorandum) setting the criteria to be applied in resolving the question as to whether or not a trademark is entitled to protection under Article 6bis of the Paris Convention as a well-known mark. The memorandum provides:

“1. That the trademark under consideration is well known in the Philippines or is a mark already belonging to a person entitled to the benefits of the Convention, should be established pursuant to Philippine Patent Office procedures in *inter-partes* and *ex-parte* cases, according to any of the following criteria or any combination thereof:

- (a) a declaration by the Minister of Trade and Industry that the trademark being considered is already well known in the Philippines such that permission for its use by other than its original owner will constitute a reproduction, imitation, translation or other infringement;
- (b) that the trademark is used in commerce internationally, supported by proof that goods bearing the trademark are sold on an international scale, advertisements, the establishment of factories, sales offices, distributorships and the like, in different countries, including volume or other measure of international trade and commerce;

<sup>52</sup> *Sterling Products International, Inc. v. Farbenfabrieken Bayer AG*, *supra*, footnote 49.

<sup>53</sup> Issued by the President of the Philippines on October 13, 1983, to strengthen the rule-making and adjudicatory powers of the Minister of Trade and Industry in order to protect consumers.

- (c) that the trademark is duly registered in the industrial property office(s) of another country or countries, taking into consideration the dates of such registration;
- (d) that the trademark has been long established and obtained goodwill and general international consumer recognition as belonging to one owner or source;
- (e) that the trademark actually belongs to a party claiming ownership and has the right to registration under the provisions of the aforesaid Paris Convention.”

It is noted that use in commerce internationally rather than use in the Philippines is one of the criteria in determining whether a trademark is well known.

The Director of Patents had applied these principles in adjudicating several *inter-partes* cases. In *Bridgestone Tire Co., Ltd. v. Ramcar Inc.*,<sup>54</sup> the Director gave due course to the opposition to the application for registration of the mark “Bridgestone” for automotive batteries on the ground that it violates the rights acquired by the opposer in the mark “Bridgestone” for automobile tires.

In support of his decision, the Director took into consideration the evidence of the opposer indicating that it obtained registration of Bridgestone for automobile tires in 112 countries, including the Philippines, and that it had used the mark, albeit with tires, in the Philippines since 1952. He ruled that Bridgestone “is well known throughout the world including the Philippines. Opposer, therefore, also deserves protection under Article 6bis of the Paris Convention.” The decision of the Supreme Court in *Hickock Manufacturing Co., Inc. v. Court of Appeals*<sup>55</sup> that “shoes” on the one hand, and “leather wallets, key cases, money folds made of leather, belts, men’s briefs, neckties and men’s socks” on the other, were not related, therefore prior use of “Hickock” in connection with the latter was not deemed a legal barrier to the registration and use of “Hickock” for the former, was ruled by the Director as not applicable because “there was no finding that ‘Hickock’ is a world-famous mark.”

(iii) *La Chemise Lacoste v. Fernandez*

In *La Chemise Lacoste v. Fernandez*,<sup>56</sup> a landmark in the field of intellectual property law, the court begins with a classic preamble, to wit:

“It is among the court’s concerns that the Philippines should not acquire an unbecoming reputation among the manufacturing and trading centers of the world as a haven for intellectual pirates imitating and illegally profiting from trademarks and trade names which have established themselves in international or foreign trade.”

The court upheld the legal capacity of the trademark owner La Chemise Lacoste, a French corporation (*Sociedad Anonima*) to bring a criminal complaint for unfair competition in the Philippines on the strength of the country’s commitment as a State party to the Paris Convention to protect the industrial property of nationals of member States against unfair competition in the Philippines. The Villafuerte Memorandum, which directed the Director of Patents to reject or refuse applications involving Lacoste and several other so-called signature marks considered as well-known marks, must be obeyed because “it is a clear manifestation of our avowed adherence to a policy of cooperation and amity with all nations.” In an obiter, it cited with approval the Intermediate Appellate Court’s ruling in *La Chemise Lacoste v. Sadhwani*<sup>57</sup> in sustaining the power of the Minister of Trade, as the “competent authority of the country of registration” under Article 6bis of the Paris

<sup>54</sup> *Inter-partes Case 1318*, Decision No. 88-107, October 13, 1988.

<sup>55</sup> No. L-44707, August 31, 1982; 116 SCRA 387.

<sup>56</sup> L-63796-97, May 21, 1984; 129 SCRA 373.

<sup>57</sup> AC-G.R. No. SP-13356, June 17, 1983.

Convention to issue the Memorandum. The Villafuerte Memorandum made no reference to use in the Philippines as a condition for its implementation.

To emphasize that a national of a State party to the Convention should be given the same protection enjoyed by Philippine nationals, the court cited *Vanity Fair Mills, Inc. v. T. Eaton Co.*<sup>58</sup> One of the portions quoted reads as follows:

“The Convention is not premised upon the idea that the trademark and related laws of each member nation shall be given extra-territorial application, but on exactly the converse principle that each nation’s law shall have only territorial application. Thus a foreign national of a member nation using his trademark in commerce in the United States of America is accorded extensive protection here against infringement and other types of unfair competition by virtue of United States of America membership in the Convention. But that protection has its source in, and is subject to the limitations of American law, not the law of the foreign national’s own country.”

This quotation strikes a discordant note since the United States of America court premised the enjoyment of the benefits under the national treatment principle of the Paris Convention on the principle of territoriality. An argument can thus be validly framed that use in the Philippines should after all be required of well-known marks. That the French mark LACOSTE was in actual use in the Philippines long before the respondent adopted it as his mark would reinforce this view.

The court, however, in *Hemandas Sujanani v. Ongpin et al.*<sup>59</sup> promulgated on the same day as *Lacoste v. Fernandez*, found as patently without merit the petition to set aside, as null and void, the Ongpin Memorandum and to prohibit its enforcement. This Memorandum, by clear implication, excludes use in the Philippines as a factor in determining whether a mark is well known.

The *Lacoste* decision ended much in the same way as it started—with a strong pronouncement against intellectual piracy and counterfeiting. The court stated:

“Judges all over the country are well advised to remember that court processes should not be used as instruments to, unwittingly or otherwise, aid counterfeiters and intellectual pirates, tie the hands of the law as it seeks to protect the Filipino consuming public and frustrate executive and administrative implementation of solemn commitments pursuant to international conventions and treaties.”

*La Chemise Lacoste v. Fernandez* does not leave any doubt about the court’s stand against piracy and counterfeiting. It would be inconsistent with this posture to read in the decision any inference that availability of protection of well-known marks in the Philippines is conditioned on actual use there.

The Court of Appeals, however, held a different view. In a recent case it ruled that *Lacoste v. Fernandez* and the Villafuerte and Ongpin circulars would apply only to fake users of famous trademarks, and not to famous trademarks which are validly owned by the original registrants through adoption and actual use. In this case, the court ruled that the appellee is not a fake user of the trademark “Bally” for socks but a legitimate owner thereof. This is because the appellant, a German corporation had obtained a registration of “Bally” only for shoes in the Philippines and never owned “Bally” for socks as it never adopted or used it there.<sup>60</sup>

<sup>58</sup> 234 F2d 633.

<sup>59</sup> G.R. No. 65659, May 21, 1984; 129 SCRA 400.

<sup>60</sup> *Bally Schuhfabrieken A.G. v. Mil-Oro Mfg. Corp.*, CA-G.R. No. SP 10265, January 26, 1988.

### 3.4.2 *Acquisition of Rights Through Registration*

#### (a) *Who is entitled to acquire rights through registration?*

Applications that are based on foreign applications or registrations are governed by Section 37 of Republic Act No. 166.

This section provides that persons who are nationals of, domiciled in, or have a *bona fide* or effective business or commercial establishment in any foreign country, which is a party to any international convention or treaty relating to marks or trade names or the repression of unfair competition to which the Philippines may be a party, shall be entitled to the benefits to the extent and under the conditions essential to give effect to any such convention and treaties.

However, no registration of a mark or trade name in the Philippines by a person described in the preceding paragraph shall be granted until such mark or trade name has been registered in the country of origin of the applicant, unless the applicant alleges use in commerce.

The country of origin of the applicant is the country in which he has a *bona fide* and effective industrial or commercial establishment, or if he has no such establishment in the country in which he is domiciled, or if he has not a domicile in any of the countries described in the first paragraph of Section 37, the country of which he is a national.

Citizens or residents of the Philippines shall have the same benefits as granted by this Section to foreign registrants.

#### (b) *Rights accorded under Section 37*

- (i) Right to claim as filing date in the Philippines the date of the application that was first filed in the country of origin

An application for registration of a mark or trade name under Section 37 filed by a person referred to in 3.4.2(a) who has previously duly filed an application for registration of the same mark or trade name in one of the countries described in the said paragraph shall be accorded the same force and effect as would be accorded to the same application if filed in the Philippines on the same date on which the application was first filed in such foreign country.

The application in the Philippines should be filed within six months from the date on which the application was first filed in the foreign country, and within three months from the date of filing or within such time as the Director shall in his discretion grant, submit the application for or registration in the country of origin of the applicant, together with a translation thereof into English, if not in the English language.

- (ii) Right to register on the Principal or Supplemental Register

.. A mark duly registered in the country of origin of the foreign applicant may be registered on the Principal Register if eligible, otherwise on the Supplemental Register. The application thereof shall be accompanied by a certified copy of the application for a registration in the country of origin of the applicant.

- (iii) As to trade names

Trade names of persons described in 3.4.2(a) shall be protected without the obligation of filing or registration whether or not they form part of marks.

(iv) Protection against unfair competition

Any such person shall be entitled to effective protection against unfair competition, and the remedies provided in Section 37 for infringement of marks and trade names shall be available so far as they are appropriate in repressing acts of unfair competition.

(c) *Limitations or conditions on a Section 37 registration*

- (i) The rights acquired by third parties before the date of the filing of the first application in the foreign country shall in no way be affected by a registration obtained on an application filed under Section 37.
- (ii) The owner of a registration granted under this section shall not be entitled to sue for acts committed prior to the date on which his mark or trade name was registered in this country unless the registration is based on use in commerce.
- (iii) The registration of a mark under the provisions of Section 37 shall be independent of the registration in the country of origin and the duration, validity or transfer in the Philippines of such registration shall be governed by the provisions of Republic Act No. 166.

(d) *Registration is not based on use but use is required for it to remain in force*

It is clear that a national of a country which is party to the Paris Convention, or party to a treaty relating to marks or trade names or the repression of unfair competition to which the Philippines may be a party, may obtain registration of his trademark or trade name in the Philippines under Section 37 on the basis solely of the registration thereof in the country of origin. Use either in the Philippines<sup>61</sup> or in the country of origin is not required. However, applications based on foreign registrations filed under Section 37 are subject to the other substantive and formal registration requirements of Philippine law and regulations.

Thus the duration, validity or transfer in the Philippines of the registration under this section shall be governed by the other provisions of Republic Act No. 166. For example, its term of 20 years will be cancelled unless the registrant files an affidavit of use within one year from the fifth, tenth and fifteenth anniversaries of the date of issue of the registration, or an affidavit of non-use, stating the special circumstances justifying non-use.<sup>62</sup>

### 3.5 Removal of Trademarks from the Register for Non-Use

The pertinent provisions of Section 12 of Republic Act No. 166 provide as follows:

*“Sec. 12. Duration.—Each certificate of registration shall remain in force for 20 years: provided, that registrations under the provisions of this Act shall be cancelled by the Director, unless within one year following the fifth, tenth and fifteenth anniversaries of the date of issue of the certificate of registration, the registrant shall file in the Patent Office an affidavit showing that the mark or trade name is still in use or showing that its non-use is due to special circumstances which excuse such non-use and is not due to any intention to abandon the same, and pay the required fee.”*

On August 2, 1988, the Director of Patents issued Memorandum Circular 886 defining what shall be considered special circumstances to excuse non-use. The relevant portions of the Memorandum state:

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<sup>61</sup> *Andres Romero v. Maiden Form Brassiere Co., Inc.*, *supra*, footnote 15.

<sup>62</sup> Republic Act No. 166, Section 12.

“As to the fourth issue, in order to carry out the objective of removing from the register registrations that have become ‘deadwood,’ the special circumstances to excuse non-use cited in affidavits of non-use shall not be accepted unless they are totally beyond the control of registrant such as the prohibition of sale imposed by government regulation. If the Bureau holds that the facts set forth in the affidavit do not show an excusable situation, supplementary evidence may be filed either before or after the end of the statutory period for filing the affidavit.

In this regard, it is incumbent for registrant or assignee to cite in the affidavit the reason for non-use, the length of time the mark has not been in use, what steps are being taken to put the mark back in use in commerce, when use in commerce may be expected to be resumed, and other pertinent facts. As a rule, non-use of the mark for a continuous period of two years shall be deemed as proof of the intention of the registrant or assignee to abandon the registration.”

The Director of Patents also indicated<sup>63</sup> that, in the event of non-filing of the affidavit of use, or non-use, that the registration shall be deemed cancelled as of the end of the sixth, eleventh and sixteenth years, as the case may be.

### 3.6 Abandonment of Trademarks for Non-Use

The non-use of the trademark BATA for more than 35 years since the liberation of Manila from the Japanese troops constituted abandonment of the BATA trademark. Thus, it had not acquired Philippine goodwill that could have been damaged by the registration of the mark in favor of another.<sup>64</sup>

While it was conceded that *Farbenfabrieken Bayer Aktiengesellschaft's* (FBA) predecessors first introduced medical products with the BAYER trademarks in the Philippine market, it was equally true that after World War I, no definite evidence was presented that defendants or their predecessors traded in the Philippines in medicines with the BAYER trademarks thereafter. FBA did use the marks but it was much later, i.e., in 1958—and on chemicals and insecticides, not on medicines. The remedy of cancellation was not given due course because FBA's claim is stale; it suffers from the defect of non-use.<sup>65</sup>

On the other hand, the imposition by the authorities of restriction on importation of respondent's brassiere bearing the trademark does not affect the right of the trademark owner. To work an abandonment, the disuse must be permanent and not ephemeral, it should be intentional and voluntary, and not involuntary or not even compulsory. There must be a thorough ongoing discontinuance of any trademark use of the mark in question.<sup>66</sup>

If a mark or trade name has not been substantially used continuously for five years it shall be presumed to have been abandoned.<sup>67</sup>

### 3.7 Conflict with Prior Rights

It has been explained that trademark rights are acquired through the use of the trademark in commerce. Prior use constitutes a legal basis to controvert a claim of legal appropriation by subsequent users.

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<sup>63</sup> Memorandum Circular ISS/89-2, June 15, 1989.

<sup>64</sup> *Bata Industries v. Court of Appeals*, No. L-53672, May 31, 1982; 114 SCRA 319.

<sup>65</sup> *Sterling Products International Inc. v. Farbenfabrieken Bayer AG*, *supra*, footnote 49.

<sup>66</sup> *Andres Romero v. Maiden Form Brassiere Co.*, *supra*, footnote 15; *Philippine Nut Industry, Inc. v. Standard Brands, Inc.*, *supra*, footnote 21.

<sup>67</sup> Rules of Practice in Trademark Cases, Rule 192(b).

The more important questions involve (a) conflict of trademarks which are not identical, (b) conflict of trademarks which do not relate exactly to the same products, (c) conflict between a trademark and a trade name, and (d) conflict between trademarks and copyrights.

In resolving these questions, reference is made to jurisprudence on infringement, interference opposition, cancellation, and unfair competition cases.

### 3.7.1 *Conflict of Trademarks Which Are Not Identical*

The courts consider the trademark, the purchaser and the goods to determine whether the mark sought to be registered is in conflict with the prior-used mark.

(a) *As to the trademark itself, the following factors are material considerations*

(i) Similarity in sound and appearance

Applying this test, LIONPAS and SALONPAS,<sup>68</sup> SAPOLIN and LANOLIN,<sup>69</sup> AMBISCO and NABISCO, CELDURA and CELDUARA,<sup>70</sup> and LA NUEVA FUNERARIA PAZ and LA FUNERARIA PAZ<sup>71</sup> were held to be confusingly similar.

VICTORIAS and VALENTINE, however, do not have similarity in spelling and sound.<sup>72</sup>

(ii) Similarity between the dominant features

The ordinary customer does not scrutinize the details of the label; he forgets or overlooks these, but retains a general impression, or a central figure, or a dominant characteristic.

The question of infringement should be determined by the test of dominancy. The dissimilarity in size, form and color of the label and the place where applied are not conclusive. If the competing label contains the trademark of another and confusion or deception is likely to result, infringement takes place, regardless of the fact that the accessories are dissimilar. Duplication or exact imitation is not necessary, nor is it necessary that the infringing label should suggest an effort to imitate.<sup>73</sup>

Where the word PLANTERS printed across the upper portion of the label in bold letters easily attracts and catches the eye of the ordinary consumer and it is that word and none other that sticks in the mind when he thinks of salted peanuts, its appropriation by another constitutes infringement.<sup>74</sup>

FREEDOM was held to infringe on the trademark FREEMAN because, firstly, the former conveys a similar idea to the latter and, secondly, the style of the capital "F" being the dominant feature in both marks, the dissimilarity in size, form and color of the label and place where applied are not conclusive.<sup>75</sup>

By merely pronouncing FRUIT OF THE LOOM and FRUIT FOR EVE, it could hardly be said that it will provoke confusion and lead the purchaser to mistake one for the other. The court disagreed with the contention that the dominant feature of both trademarks

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<sup>68</sup> *Marvex Commercial Co., Inc. v. Petra Haw Pia*, L-19297, December 22, 1966; 18 SCRA 1178.

<sup>69</sup> *Sapolin Co. Inc. v. Balmaceda*, *supra*, footnote 11.

<sup>70</sup> *Operators Inc. v. Director of Patents*, L-17901, October 29, 1965; SCRA 147.

<sup>71</sup> *Del Rosario v. Quiogue*, 15 Phil. 345.

<sup>72</sup> L-28499, September 30, 1977; 79 SCRA 207.

<sup>73</sup> *Co Tiong Sa v. Director of Patents*, L-17901, October 29, 1965, 95 Phil. 1; 15 SCRA 150.

<sup>74</sup> *Philippine Nut Industry, Inc. v. Standard Brands, Inc.*, *supra*, footnote 21.

<sup>75</sup> *Co Tiong Sa v. Director of Patents*, *supra*, footnote 73.



is the word "Fruit" for, even in the printing of the trademark in both hang tags, the word "Fruit" is not at all made dominant over the other words. The similarities of the trademarks are lost in the substantial differences in the design and general appearance of their respective hang tags.<sup>76</sup>

Where the conflicting marks are combination marks, i.e., a part consists of a word and the other consists of a device, the word portion is controlling in determining the issue of likelihood of confusion since it is most likely to be impressed upon the purchasers' memory and to serve as indicium of origin, and since it is the portion of the mark purchasers refer to, to order goods.<sup>77</sup> In one case,<sup>78</sup> the Court of Appeals ruled that the words RAWHIDE and JORDACHE, which are printed boldly on the trademarks, more easily attract and catch the eye of the consuming public, and it is those words which would stick in their minds, and not the horsehead design, when the public thinks of buying clothes. When buying clothes, the customer would be more likely to say that he wants to buy RAWHIDE or JORDACHE pants, instead of saying that he wants the pair of jeans with a horsehead design. Each trademark, if seen as a whole, would show that the word RAWHIDE in one and JORDACHE in the other are the dominant features which draw the attention of the buyer, and not the horsehead design and, therefore, would lead the buyer to the conclusion that he has bought the right pair of jeans or clothes. In short, it is the words not the image, the name rather than the figure of a horsehead, which catches the attention of the public and which is etched in the mind's eye when thinking of a particular product.

- (iii) The trademarks must be considered in their entirety as they appear in their respective labels

Despite the similarities in spelling, appearance and sound, the difference in the sizes of the containers of the goods, their respective colors, the size and color of the letters of the marks, the court, applying this rule, held that one cannot be confused with the other.<sup>79</sup>

In one case it was held that PERTUSSIN is not confusingly similar to ATUSSIN since their respective labels are entirely different in colors, contents, arrangement of words thereon, sizes, shapes and general appearance. The horizontal plain, block letters of ATUSSIN and the diagonally and artistically upward placement of PERTUSSIN in its label leave distinct visual impressions.<sup>80</sup> This test was also applied by the court in disregarding the similarity in sound between BUFFERIN and BIOFERIN,<sup>81</sup> SULMET and SULMETINE.<sup>82</sup>

*(b) As to the factors relating to the purchaser*

- (i) Familiarity with the goods

In a number of cases, "purchasers" and "public" have been held as referring to the ordinary purchaser, exercising ordinary care, and are not limited to a class of purchaser who, with special knowledge not possessed by the ordinary purchaser, could avoid a mistake by the exercise of this special knowledge.<sup>83</sup> In another case, it was held that it makes no difference that dealers in the article are informed by the manufacturer as to the exact origin

<sup>76</sup> *Fruit of the Loom v. Court of Appeals*, L-32747, November 29, 1984; 133 SCRA 405.

<sup>77</sup> *Texwood Ltd. v. Andres T. Lim*, Decision No. 88-44, July 11, 1988.

<sup>78</sup> *Jordache Enterprises v. Davila*, CA-G.R. SP Nos. 10997 and 10998, February 14, 1989. (Affirmed by the Supreme Court in G.R. No. L-87993-94, July 24, 1989.)

<sup>79</sup> *Mead Johnson & Co. v. N.V. J. Van Dorp Ltd.*, L-17501, April 27, 1963; 7 SCRA 768.

<sup>80</sup> *Etepha v. Director of Patents*, *supra*, footnote 19.

<sup>81</sup> *Bristol Myers v. Director of Patents*, L-21587, May 19, 1966; 17 SCRA 128.

<sup>82</sup> *American Cyanamid Co. v. Director of Patents*, L-23954, April 29, 1977; 76 SCRA 568.

<sup>83</sup> *U.S. v. Manuel*, 7 Phil. 221; *Song Fo & Co. v. Tiu Ca Biong*, 13 Phil. 143; *Inchausti & Co. v. Song Fo*, 21 Phil. 278; *Baxter v. Fueza*, 5 Phil. 160; *Nelle v. Baer, Senior & Co.*, 5 Phil. 608; *Rueda Hermanos & Co. v. Paglinawan*, 33 Phil. 197; *Alhambra Cigar & Cigarette Mfg. Co. v. Compania General de Tabacos*, 35 Phil. 62.

and quality of the goods bearing false labels. The law concerns itself with the casual purchaser and ultimate consumer who knows the commodity only by its name and is likely to be deceived as to the quality of goods purchased by him.<sup>84</sup>

On the other hand, in *Dy Buncio v. Tan Tiao Bok*,<sup>85</sup> it was ruled that the test of fraudulent simulation is to be found in the likelihood of the deception of persons in some measure acquainted with an established design and desirous of purchasing the commodity with which that design has been associated and not in the possibility of deception of the person who knows nothing about the design that has been counterfeited and who must be indifferent between that and the other. In another case, it was held that "it does not defy common sense to assert that a purchaser would be cognizant of the product he is buying. There is quite a difference between soy sauce and edible oil. One is not likely to purchase the latter just because of the trademark LOTUS."<sup>86</sup>

- (ii) The age, training and education of the purchasers and the circumstances attendant to the acquisition of the goods

The sounder rule is that, in the solution of a trademark infringement problem, regard should also be given to the class of persons who buy the particular product and the circumstances ordinarily attendant to its acquisition.

Food seasoning is generally purchased by cooks and household help, who are sometimes illiterate. Hence, the two roosters appearing in the trademark of the applicant and the hen appearing in the trademark of the opposer although of different sexes belong to the same family of chicken known as *manol* or *marka manok*. This will be uppermost in their mind when they buy the product. Regardless of whether the picture is a hen or a rooster, to a cook or household help they are all *manok*, and consequently there lies the confusion, even deception.<sup>87</sup>

The medicinal preparations marked either with ATUSSIN or PERTUSSIN, are unlike articles of everyday use such as candies, ice cream, milk, soft drinks and the like which may be freely obtained by anyone, at anytime, and anywhere. ATUSSIN and PERTUSSIN products are to be dispensed only upon medical prescription. The registration of ATUSSIN was therefore given due course over the objection of the owners of PERTUSSIN.<sup>88</sup>

In a similar case, the court refused to cancel the registration of SULMETINE on the basis of the claim that it is confusingly similar with SULMET a prior-registered trademark. The court held that the products on which the trademark is used are for medicinal veterinary use and consequently the purchaser will be more wary when he is buying the product.<sup>89</sup>

Unlike commodities ordinarily picked up by the purchaser himself from the grocery store, electric wires are purchased not by appearance but by the size (voltage) and length and, most importantly, by brand. Except for big constructions, the task of purchasing electrical materials is delegated to one who is not a technical man, not necessarily the designing architect or engineer who will undertake the work of the building. Unlike the pharmacists or druggists, the dispensers of hardware or electrical supplies are not likely to pay more concern to the brand of articles asked for by the customer. Thus DURAFLEX and DYNAFLEX are considered confusingly similar in relation to electric wires or with which they are used as trademarks.<sup>90</sup>

<sup>84</sup> *E. Spinner & Co. v. Neuss Hesslein Corp.*, *supra*, footnote 17.

<sup>85</sup> No. 16397, October 3, 1921, 2 Phil. 190.

<sup>86</sup> *Acoje Mining Co. v. Director of Patents*, L-28744, April 29, 1971; 38 SCRA 4801.

<sup>87</sup> *Lim Hoa v. Director of Patents*, L-8072, October 31, 1956, 100 Phil. 214.

<sup>88</sup> *Etapha v. Director of Patents*, *supra*, footnote 19.

<sup>89</sup> *American Cyanamid Co. v. Director of Patents*, *supra*, footnote 82.

<sup>90</sup> *American Wire & Cable Co. v. Director of Patents*, L-26557, February 18, 1970; 31 SCRA 544.

The age, training and education of the usual purchaser, the nature and cost of the article, whether the article is bought for immediate consumption and also the conditions under which it is usually purchased should be taken into consideration. Expensive and valuable items are normally bought only after deliberate comparative and analytical investigation. But mass products, low-priced articles in wide use, and matters of everyday purchase requiring frequent replacement, such as catsup on which the conflicting DEL MONTE trademark and SUNSHINE label are used, are bought by the casual consumer without great care.<sup>91</sup>

(c) *As to the factors relating to the goods*

- (i) The nature and cost of the article and the conditions under which it is usually purchased

This has been dealt with in the discussion in 3.7.1(b) involving the factors relating to the purchaser.

- (ii) The trade channels through which the goods flow

In one case, the court ruled that the trademark that is used by a corporation for its various petroleum products can be used by another as a trademark for cigarettes as the two classes of products flow through different trade channels. Petroleum products are distributed principally through gasoline service and lubrication stations, automotive shops and hardware stores. Cigarettes are sold in sari-sari stores, grocery stores and other small distributor outlets.<sup>92</sup>

Yoshida Kogyo KK filed a petition to cancel International Textiles' registration for YFF for use on sewing threads on the basis of its own earlier registration of trademark YKK for zippers. The Court of Appeals gave due course to the petition citing, as one of the factors, the sale of the goods next to each other.<sup>93</sup>

- (iii) Whether the goods are related

This matter will be discussed lengthily in 3.7.2, below, in relation to the question on the conflict of trademarks that do not relate to the same products or services.

### 3.7.2 *Conflict of Trademarks Which Do Not Relate to the Same Products or Services*

Several criteria may be gleaned from court decisions:

- (a) *The goods described or specified in the certificate of registration*

The BAYER trademarks registered in the Philippines in the name of Sterling Products are those which cover medicine only. It was on the said goods that the BAYER trademarks were actually used by Sterling in the Philippines. No reference was made to chemicals and insecticides in Sterling's certificates of registration. The court refused to cancel the registration of Farbenfabrieken Bayer of the trademark BAYER for chemicals and insecticides. While it respected the general principle that prescribed unfairness, and the injunction of equity that no one should reap where he has not sown, which was the basis of the decision in *Ang v. Teodoro* to enjoin the subsequent use by another of ANG TIBAY for pants and shirts because it violated the rights of the prior user of ANG TIBAY for shoes,

<sup>91</sup> *Del Monte Corp. et al. v. Court of Appeals & Sunshine Sauce Mfg. Ind.*, G.R. No. 78325, January 25, 1990.

<sup>92</sup> *Esso Standard Eastern, Inc. v. Court of Appeals*, L-29971, August 31, 1982; 116 SCRA 336.

<sup>93</sup> *International Textile Mills v. Yoshida Kogyo KK*, CA-G.R. SP No. 05360, November 23, 1987.

the court stressed that the factual setting in this case presented a unique problem. It was Farbenfabrieken Bayer's predecessor that introduced the medical products in the Philippine market with the BAYER trademark half a century ago and it was this that had built up the BAYER mark, and Sterling Products having itself encouraged the belief among the common people in the Philippines that BAYER medicines come from Germany, even after it had acquired the BAYER mark in the United States of America in 1918.<sup>94</sup>

(b) *The goods although not the same are related*

The scope of protection afforded to a registered trademark should not be limited to the goods specified in the registration certificate but should include related goods.

Goods are related when they belong to the same class or have the same descriptive properties, when they possess the same physical attributes or essential characteristics with reference to their form, composition, texture or quality. They may also be related because they serve the same purpose or are sold in grocery stores. Thus, biscuits were held related to milk because they are both food products. Soap and perfume, lipstick and nail polish are similarly related because they are common household items nowadays. The trademark ANG TIBAY for shoes and slippers and pants was disallowed to be used for shirts and pants because they belong to the same general class of goods. Soap and pomade, although non-competitive, were held to be similar or to belong to the same class, since both are toilet articles. But no confusion or deception can possibly result or arise when the name WELLINGTON which is the trademark for shirts, pants, drawers and other articles of wear for men, women and children is used as a name of a department store. The trademark ESSO which the petitioner uses for its various petroleum products may also be used as a trademark for cigarettes by another, the two products not being related and the public cannot be deceived as to which product they are buying.<sup>95</sup>

The Supreme Court, however, has not consistently applied these criteria in subsequent cases:

- In *Philippine Refining Company Inc. v. Ng Sam*,<sup>96</sup> the Supreme Court held that lard and ham were unrelated goods, although they are both food products.
- In *Hickock Manufacturing Co., Inc. v. Court of Appeals*,<sup>97</sup> wallets, belts and men's briefs, on the one hand, and shoes, on the other hand, were held to be unrelated goods, although they are both articles of clothing.
- In *Acoje Mining Co., Inc. v. Director of Patents*,<sup>98</sup> the Supreme Court held that soy sauce and edible oil were unrelated goods, although they are both food ingredients.

(c) *The goods although not the same are related in that one is within the zone of potential or natural or logical expansion of the other*

The business of manufacturing and selling cigarettes is beyond the zone of potential expansion of the manufacturer and dealer of petroleum products.<sup>99</sup>

The court, in finding that the trademarks T.M. X-7 and X-7 are confusingly similar notwithstanding the fact that their respective goods fall under different categories, reasoned that the making of laundry soap<sup>100</sup> is but a natural expansion of the business dealing in

<sup>94</sup> *Sterling Products International, Inc. v. Farbenfabrieken Bayer AG*, *supra*, footnote 49.

<sup>95</sup> *Esso Standard Eastern, Inc. v. Court of Appeals*, *supra*, footnote 92.

<sup>96</sup> L-26676, July 30, 1982; 115 SCRA 472.

<sup>97</sup> *Supra*, footnote 56.

<sup>98</sup> *Supra*, footnote 86.

<sup>99</sup> *Esso Standard Eastern, Inc. v. Court of Appeals*, *supra*, footnote 92.

<sup>100</sup> *Chua Che v. Philippine Patent Office*, L-18337, January 30, 1965; 13 SCRA 67.

perfume, lipstick and nail polish. The same ruling was made by the court with respect to shoes and slippers vis-à-vis pants and shirts<sup>101</sup> and between haberdashery and shoe making.<sup>102</sup> The Director of Patents also had occasion to apply this principle in giving due course to the opposition to the application to register the trademark SANSUI for use on rice cookers, electric fans and electric stoves. The opposer which had been using its registered trademark SANSUI on speakers, transformers, encoders, tapes, disks and record players claimed that it would incur damage by the registration of respondent's mark. The Director of Patents ruled that the goods on which the respondent used SANSUI were within the rational and logical expansion of the opposer's trade. Such expansion should not be prevented by the registration of the mark for use on respondent's goods.<sup>103</sup>

(d) *The goods although non-competing are related in that the concurrent use of the trademarks thereon would likely suggest that the subsequent trademark proprietor is affiliated with or under the sponsorship of the original trademark owner*

Known as the sponsorship theory, this rule is closely associated with the principle that protection of a trademark should extend to the zone of potential or natural or logical expansion, thus the cited cases in which this principle was applied, likewise referred to the sponsorship theory in justifying the grant of protection to the original trademark owner. Where the goods in respect of which the contending marks are used are so related that the courts would find that a false association is suggested, invariably it would also find that "confusion of origin" or "confusion of reputation" occurs and therefore the trademark owner is entitled to protection.

In *Ang v. Teodoro*<sup>104</sup> it was held:

"The courts have come to realize that there can be unfair trading that can cause injury or damage to the first user of a given trademark first, by prevention of the natural expansion of his business and second, by having his business reputation confused with and out at the mercy of the second user. When the non-competing products are sold under the same mark, the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark created by the first user inevitably results.

Experience has demonstrated that when a well-known trademark is adopted by another even for a totally different class of goods, it is done to get the benefit of the reputation and advertisement of the originator of the said mark, to convey to the public a false impression of some supposed connection between the manufacturer of the article sold under the same or similar mark."

### 3.7.3 *Conflict of a Trademark and a Trade Name and Vice Versa*

In another case,<sup>105</sup> it was ruled that no confusion or deception can possibly result between the trademark WELLINGTON and the trade name "Wellington Dept. Store." The name "Wellington" is the trademark on shirts, pants, drawers and other articles of wear for men, women and children, whereas the name used by the defendant indicates not these manufactured articles or any similar merchandise, but a department store. Neither can the public be deceived that the goods being sold in defendant's store originate from the plaintiff's, because the evidence shows that defendant's store does not sell shirts or wearing apparel bearing the trademark WELLINGTON but other trademarks.

<sup>101</sup> *Ang v. Teodoro, supra*, footnote 16.

<sup>102</sup> *Sta. Ana v. Maliwat*, L-23023, August 31, 1968; 24 SCRA 1018.

<sup>103</sup> Decision No. 89-52, July 20, 1989.

<sup>104</sup> *Supra*, footnote 16.

<sup>105</sup> *Ang Si Heng v. Wellington Dept. Store, supra*, footnote 32.

In *Converse Rubber Corporation v. Universal Rubber Products, Inc.*,<sup>106</sup> the court gave due course to the opposition of Converse Rubber Corporation, a foreign corporation, against the application for registration by another of “Converse” as a trademark for rubber shoes and slippers notwithstanding the fact that it uses only CHUCK TAYLOR and ALL STAR AND DEVICE as the trademarks of the rubber shoes it manufactures. The court found that “Converse,” the dominant part of the corporate name, has grown to be identified with petitioners’ products and has acquired a “second meaning” because of the business reputation and goodwill it had developed in the country. The court also stated that this ruling is in consonance with Article 8 of the Paris Convention.

But even assuming that the trademark sought to be registered by respondent is distinctively dissimilar from those of the petitioner, the likelihood of confusion would still subsist, not on the purchaser’s perception of the goods but on the origins thereof. By appropriating the word CONVERSE, respondent’s products are likely to be mistaken as having been produced by petitioner. The risk of damage is not limited to a possible confusion of goods but also includes confusion of reputation if the public could reasonably assume that the goods of the parties originated from the same source.<sup>107</sup>

Where the defendant used “Goodrich” as a trade name for its realty business, may it validly claim that its use did not amount to an infringement of petitioner’s trademark GOODRICH used on tires and other products on the theory that consumer confusion is unlikely in this situation? The Court of Appeals said that there was infringement of trademark in this case, explaining that if the owner of the trade name or trademark had used the same for a long period of time, such that it had acquired goodwill of considerable value and its articles and products have won a well-known reputation, confusion will result from the use by the defendant of the disputed name even as a business name.<sup>108</sup>

#### 3.7.4 Conflict with Copyright

On the basis of a copyright on Cookie Monster, one of the muppets in the television series “Sesame Street,” the court gave due course to the petition for cancellation of a registration of the trademark KOOKIE MONSTER and MONSTER DESIGN for bakery products. Not disputing that the use of KOOKIE MONSTER on bakery products is not likely to mislead the public as to the origin or ownership of the respondents goods because the petitioner and the respondents’ goods are unrelated and the marks are different, the court nevertheless ruled that the exclusive right granted by the law to the copyright holder to “make use or disposition of the work consistent with the laws of any land” precludes the registration of the respondent’s mark.<sup>109</sup> This decision was reiterated in *United Features Syndicate Inc. v. Munsingwear Creation Mfg. Co.*<sup>110</sup> In this case, the court gave due course to a petition to cancel the registration of the mark CHARLIE BROWN for T-shirts instituted by the copyright owner of the cartoon character Charlie Brown. As to whether or not this is a correct doctrine, reference is made to the discussion in section 5.2.2(e)(v)2 of Chapter 5 on Copyright and Neighboring Rights.

### 3.8 Registration Procedure

#### 3.8.1 Application for Registration

An application for the registration of a trademark, trade name or service mark shall be made to the Director of Patents containing a specific request for registration either on the

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<sup>106</sup> *Supra*, footnote 51.

<sup>107</sup> *Ibid.*

<sup>108</sup> *B.F. Goodrich Philippines v. Goodrich Realty Corp.*, No. 53903-R, January 27, 1976.

<sup>109</sup> *Children's Television Workshop v. Touch of Class, Inc.*, AC-G.R. SP No. 03423, May 15, 1985.

<sup>110</sup> G.R. No. 78193, November 20, 1989.

Principal Register or the Supplemental Register. Applications for registration of trademarks are to be filed with the Bureau of Patents, Trademarks and Technology Transfer.

(a) *Requirement as regards the applicant*

The name, citizenship, domicile and post office address of the party applying shall be stated in the statement for an application; if the applicant is a juridical person, the country under the laws of which it was organized and registered; and, if the applicant is a partnership, the names of the partners.<sup>111</sup>

Only the owner of a trademark, trade name or service mark may apply for its registration.<sup>112</sup> The term "owner" does not include the importer of the goods bearing the trademark unless such importer is actually the owner thereof in the country from which the goods are imported.<sup>113</sup>

The application must be signed by the owner of the mark or trade name in person. It cannot be signed by the attorney or agent appointed to prosecute the application, nor by a person holding a personal power of attorney from the owner.<sup>114</sup>

Furthermore the owner of a trademark, trade name, service mark or collective mark, who is not a citizen of the Philippines and who has no legal residence therein, may apply for registration of the same, provided the country of which he is a citizen grants by law similar privileges to citizens of the Philippines and such fact is officially certified, with a certified copy of the foreign law translated into the English language, by the government of the foreign country to the Government of the Philippines.<sup>115</sup>

If the application is filed under Section 37 of Republic Act No. 166, whether based on use in the Philippines or on foreign applications or registrations, the Director of Patents takes judicial notice of the fact that the country of origin of the applicant has adhered to the Paris Convention or other treaty. This practice conforms with jurisprudence.<sup>116</sup>

(b) *Requirement as regards the reproduction of a trademark, trade name or service mark*

The Rules require the submission of the drawing of the trademark, service mark or trade name which shall be a substantially exact representation thereof as actually used on or in connection with the goods, business or service of the applicant.<sup>117</sup>

The drawing of a service mark may be dispensed with in the case of a mark not capable of representation by a drawing, but in any such case the written application must contain an adequate description of such mark.<sup>118</sup>

Where color is a material feature of a mark or trade name as used, the color or colors employed may be illustrated in the drawing by means of the conventional lines as in the color chart for draftsmen.<sup>119</sup>

<sup>111</sup> Rules of Practice in Trademark Cases, Rule 61(a).

<sup>112</sup> Rule 34.

<sup>113</sup> Rule 37; *Umno Commercial, Inc. v. General Milling Corp.*, L-28854, February 28, 1983; 120 SCRA 804.

<sup>114</sup> Rules of Practice in Trademark Cases, Rule 46.

<sup>115</sup> Republic Act No. 166, Section 2.

<sup>116</sup> See *Puma Sportschuhfabrieken Rudolph Dassler, K-6 v. Intermediate Appellate Court*, L-75067, February 26, 1988; 158 SCRA 233.

<sup>117</sup> Rules of Practice in Trademark Cases, Rule 68.

<sup>118</sup> Rule 69.

<sup>119</sup> Rule 76.

The labels submitted must show the mark or trade name as the same as has been actually used in trade in the Philippines upon the goods, service or business specified in the application.

A description of the trademark, service mark or trade name may be included, but only if required by the Principal Examiner, and such description must be of a character which meets his approval.<sup>120</sup> Thus the mark as indicated in the drawing and as shown in the labels should be considered as that which is registered. Clearly no longer binding is the decision of the court in *Nelle v. Baer, Senior & Co.*<sup>121</sup> that because the cigar-ring was not described in the statement, notwithstanding the submission of a facsimile thereof, the ring was not duly registered as a trademark under Act No. 666.

*(c) Requirement as regards the list of products or services*

A mark or trade name may be applied for in a single application for any or all goods, business or service comprised in a single class of merchandise, business or service in accordance with the International Classification of Goods and Services, provided the particular, as distinguished from the generic, description of the goods, business or service are stated, and provided, further, that the mark or trade name has been actually used upon all of the goods, business or service specified.<sup>122</sup> A mark or trade name may also, at the option of the applicant, be applied for on a single application for more than one class of merchandise, business or service provided that the particular description of goods, business or service in each class and the date the mark or trade name was first used on each class in the Philippines is stated.<sup>123</sup>

The class to which such goods or service or business belong, according to the Patent Office Classification of Goods and Services (which conforms with the International Classification of Goods and Services) shall be stated in the application.<sup>124</sup>

*(d) Requirement as to the fee*

An application cannot be considered complete without payment of the required fee.<sup>125</sup> If more than one class of goods is included in a single application, a fee is collected for each additional class so included in excess of one.<sup>126</sup>

*(e) Requirement as to the language of the application*

The application must be in the English language. If written in Spanish or in Filipino or in any other language, it must be accompanied by a verified English translation.<sup>127</sup>

*(f) Requirement as to the statement of use of the mark, service mark or trade name sought to be registered*

The statement for the application shall indicate the date of the non-resident foreign applicant's first use, in his home country, of the trademark or service mark or trade name desired to be registered,<sup>128</sup> and likewise the date of the applicant's first use, in the Philippines, on the goods, business or service specified in the application, of the trademark, service mark

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<sup>120</sup> Rule 62.

<sup>121</sup> No. 2357, February 13, 1906, 5 Phil. 608.

<sup>122</sup> Rules of Practice in Trademark Cases, Rule 58.

<sup>123</sup> Rule 59.

<sup>124</sup> Rule 61(e).

<sup>125</sup> Rule 47.

<sup>126</sup> Rule 15.

<sup>127</sup> Rule 48.

<sup>128</sup> Rule 61(b).



or trade name sought to be registered; and if the application covers several classes of goods, service or business, the date on which the trademark, service mark or trade name sought to be registered was first used in the Philippines in each class.<sup>129</sup>

The mode and manner in which the trademark or service mark or trade name desired to be registered is used on, or in connection with, such goods, service or business shall also be included in the statement.<sup>130</sup>

It was ruled, however, that an applicant for registration is not bound by the date of first use as stated by him in his application, but is entitled to carry back the date of first use to a prior date by proper evidence; but in order to show an earlier date of use, he is then under a heavy burden, and his proof must be clear and convincing.<sup>131</sup>

*(g) Requirement as regards an application with a claim of distinctiveness or secondary meaning under Section 4(f), Republic Act No. 166*

That registration is sought under Section 4(f) must be specifically stated.<sup>132</sup> If the claim of distinctiveness made in the statement for the application is based on substantially exclusive and continuous use of the mark or trade name by the applicant for the period of five years next preceding the filing of the application, the application shall be accompanied, separately, by evidence of such use. If it is based on other facts or circumstances, proof thereof must also be submitted separately.<sup>133</sup>

*(h) Special requirement in the case of an application for registration of a collective mark or trade name*

In addition to the foregoing requirements, an application for registration of a collective mark or trade name shall specify the business of the applicant and the class of persons entitled to use the collective mark or trade name, indicating their relationship to the owner of the mark or trade name, and the nature of the owner's control over the use of the trademark or trade name. Moreover, for applications for registration of trade names, all applicants shall be required to submit a Certificate of Registration of Business Name with the Bureau of Domestic Trade (now the Bureau of Trade Regulation and Consumer Protection) or registration issued by the Securities and Exchange Commission to prove the existence, legal personality, kind of business and the names of the applicants doing business in the Philippines except those applications filed by foreign registrants under Section 37 of Republic Act No. 166, as amended, whose applications are based on home registration.<sup>134</sup>

*(i) The declaration or oath of an application for registration on the Principal Register*

The applicant must assert under oath that the facts stated in the application are true, to the best of his knowledge; that he believes himself, or the partnership or corporation on whose behalf he makes the verification, to be the owner of the trademark or service mark or trade name sought to be registered; that the trademark or service mark or trade name has been in actual use in commerce or business in the Philippines for not less than two months prior to the filing of the application; that to the best of his knowledge no other person has the right to use such mark or trade name in commerce in the Philippines, either in the identical form thereof or in such resemblance thereto as might be calculated to deceive; that the description

<sup>129</sup> Rule 61(c).

<sup>130</sup> Rule 61(f).

<sup>131</sup> *Anchor Trading Co., Inc. v. Director of Patents et al.*, L-8004, May 30, 1956; *Chung Te v. Ng Kian Giab et al.*, L-23791, November 23, 1966; *Sta. Ana v. Muliwat et al.*, L-23023, August 31, 1968.

<sup>132</sup> Rules of Practice in Trademark Cases, Rule 60.

<sup>133</sup> Rule 63.

<sup>134</sup> Rule 64.

of the mark or trade name, and the drawing truly represent the mark or trade name sought to be registered; and that the labels submitted show the mark or trade name as the same as has been actually used in trade in the Philippines upon the goods, service or business specified in the application.<sup>135</sup>

### 3.8.2 *Examination as to Form*

This is the first stage of the examination process. The application is scrutinized to determine completeness of the application. Rule 47 of the Rules of Practice in Trademark Cases states what constitutes a complete application, viz:

“**Rule 47.** What constitutes a complete application.—A complete application comprises:

- (a) The required filing fee.
- (b) The petition or request for registration.
- (c) The statement containing the particulars required by law or by the Rules to be stated regarding the trademark or trade name desired to be registered.
- (d) The declaration or oath of the applicant.
- (e) The drawing of the trademark, service mark or trade name or collective trademark or trade name sought to be registered.
- (f) Ten small facsimiles of the drawing.
- (g) Five labels containing and showing the trademark, service mark or trade name or collective trademark or trade name sought to be registered, these labels to be of those which the applicant has been actually using in the market in connection with his goods, business or service for at least two months before the date on which he filed the application for registration.
- (h) Power of attorney, if the applicant is to be represented before the Patent Office by an attorney or agent or other authorized person.
- (i) Appointment of a Philippine resident agent or representative, if the applicant is not domiciled in the Philippines.”

The application filed under Section 37 of Republic Act No. 166, based on foreign registration, should comply with Rule 47 except the requirements relating to the statement of the date of first use indicated in paragraph (c) and the submission of five labels containing the mark referred to in paragraph (g); instead, a certified copy of the foreign registration or application should be submitted, and a verified English translation thereof, if not in English.

An application for registration will not be accepted and placed upon the files for examination until the application is deemed complete.<sup>136</sup>

The applicant is given 60 days from the mailing date of the Bureau's letter acknowledging receipt of the incomplete application within which to supply the missing facts or documents, or remedy any formal defect or, otherwise, to complete the application for it to proceed to examination. A second and last extension of 30 days may be granted upon good cause shown by the applicant.<sup>137</sup>

Complete applications are numbered in regular order, and the applicant will be informed of the serial number and filing date of the application by a letter acknowledging receipt of the application. The filing date of the application is the date on which the complete application is received by the Patent Office, or the date on which the last part completing such application is received.<sup>138</sup>

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<sup>135</sup> Rule 65.

<sup>136</sup> Rule 47.

<sup>137</sup> Memorandum Circular ISS/88-10, August 15, 1988.

<sup>138</sup> Rules of Practice in Trademark Cases, Rule 50.

### 3.8.3 *Examination as to Substance*

After the application is deemed completed, it is given a serial number and forwarded to the trademark examination division.

The examination of applications as to substance deals with the following issues, viz:

- (a) the applicant's claim of ownership of the mark;
- (b) its distinctiveness;
- (c) whether it is not misleading or contrary to public order or morality; and
- (d) whether the trademark is in conflict with prior rights.

Reference is made to the discussion of these issues in sections 3.3 ("Criteria of Protectability"), 3.4 ("Acquisition of Trademark Rights") and 3.7 ("Conflict with Prior Rights"). In carrying out the examination of the application, the Examiner "is charged with the protection of the interests of the public and hence must be vigilant to see that no registration issues for a mark or trade name which is reserved for the general use of the public, or which is so similar to another existing mark or trade name that it is likely to cause confusion and deceive the public."<sup>139</sup>

### 3.8.4 *Registration on the Principal Register*

Applications are examined in the order of the serial number assigned to them by the Office. No application bearing a serial number higher than those of others shall be examined in advance of the latter, except upon order of the Director or upon good and sufficient cause shown in writing and under oath by the applicant concerned, which is considered by the Director of Patents to be justifiable.<sup>140</sup>

Requests for priority examination are, as a rule, refused unless there is compelling proof to justify a favorable action.<sup>141</sup>

The several Principal Examiners shall have original jurisdiction over the examination of all applications for registration on the Principal Register and over their allowance for publication in the Official Gazette for purposes of opposition. Their decisions, when final, shall be subject to petition and appeal to the Director of Patents.<sup>142</sup>

The applicant has 40 days from the date of mailing of the Examiner's action and is allowed two extensions of 30 days each time within which to file his response.<sup>143</sup> If the applicant fails to respond or respond completely, the application shall be deemed abandoned; he may, however, request its revival within three months from date of abandonment if the delay is shown to have been unavoidable.<sup>144</sup> The Director of Patents may suspend the taking of any action in the event the issue of ownership of the mark is pending litigation, or in case registration is sought under Section 37, Republic Act No. 166 and the application is allowable in all respects but for the registration of the mark in the country of origin, in which case the action may be suspended for a period of 12 months, extendable by six months.<sup>145</sup>

<sup>139</sup> Rule 85.

<sup>140</sup> Rule 88.

<sup>141</sup> Memorandum Circular ISS/89-3, June 15, 1989.

<sup>142</sup> Rules of Practice in Trademark Cases, Rule 89.

<sup>143</sup> Memorandum Circular ISS/88-9, August 15, 1988.

<sup>144</sup> Rules of Practice in Trademark Cases, Rule 98.

<sup>145</sup> Memorandum Circular ISS/88-9 as amended, August 10, 1988.

After the response of the applicant, the Examiner conducts a reexamination of the application and if the registration is again refused or formal requirements insisted upon, but not stated to be final, the applicant may respond again.<sup>146</sup>

On the first or any subsequent reexamination or reconsideration, the refusal of the registration or the insistence upon a requirement may be stated to be final by the Principal Examiner, whereupon the applicant's response is limited to an appeal to the Director<sup>147</sup> or to compliance with any requirement made by the Principal Examiner.<sup>148</sup>

The applicant may petition the Director to question the correctness of the action of an Examiner on a matter not subject to appeal but its filing shall not stay the period for replying to the action of the Examiner.<sup>149</sup> Upon the final refusal of the Examiner to allow the registration the applicant may appeal the matter to the Director of Patents.<sup>150</sup>

### 3.8.5 *Interference*

#### (a) *Definition*

An interference is a proceeding instituted for the purpose of determining the question of priority of adoption and use of a trademark, trade name or service mark between two or more parties claiming ownership of the same or substantially similar trademark, trade name, or service mark.<sup>151</sup>

#### (b) *When declared*

Whenever application is made for the registration of a trademark, trade name or service mark which so resembles a mark or trade name previously registered by another, or for the registration of which another had previously made application, as to be likely when applied to the goods or when used in connection with the business or services of the applicant to cause confusion or mistake or to deceive purchasers, the Director may declare that an interference exists.<sup>152</sup>

An interference will not be declared between two applications or between an application and a registration unless the junior party alleges in his application a date of use prior to the filing date of the senior party. No interference shall be declared with respect to registrations or applications to register in the Supplemental Register.<sup>153</sup> The Director of Patents also required that the junior applicant establish by substantial evidence his allegation of the date of first use and stressed that an affidavit or a sworn statement alone would not suffice, otherwise no declaration of interference will be made.<sup>154</sup>

#### (c) *Burden of proof*

In interference proceedings, the party whose application for registration involved in the interference has the latest filing date is the junior party and will be regarded as having the burden of proof.<sup>155</sup>

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<sup>146</sup> Rules of Practice in Trademark Cases, Rule 95.

<sup>147</sup> See Rules 198 to 205.

<sup>148</sup> Rule 96.

<sup>149</sup> Rule 199.

<sup>150</sup> Rule 200.

<sup>151</sup> Republic Act No. 166, Section 10-A.

<sup>152</sup> *Ibid.*

<sup>153</sup> Rules of Practice in Trademark Cases, Rule 180.

<sup>154</sup> Memorandum Circular ISS/90-5, April 20, 1990.

<sup>155</sup> Rules of Practice in Trademark Cases, Rule 184.

Motions to shift the burden of proof shall be made within 40 days from the receipt of the notices of interference and will be determined by the Director.

The allegations in the application cannot be used as evidence to establish the date of first use, on behalf of the party making the same. In case no testimony or other evidence is taken as to the date of the use, the filing date of the application shall be considered as the date of first use.<sup>156</sup>

In order to show an earlier date of use than the date stated in the application, the applicant is under heavy burden and his proof must be clear and convincing.<sup>157</sup>

The question as to who is the first or prior user of the mark or trade name is a question of fact, and the finding of the Director of Patents on this issue is conclusive upon the courts, in the absence of a showing that he gravely abused his discretion or he overlooked some matter of substance in evaluating the evidence.<sup>158</sup>

*(d) Authority of the Director of Patents to cancel a registration in interference proceedings*

In one case, the court did not agree with the argument that the Director of Patents has no authority to cancel a trademark registration in interference proceedings and the question of whether or not a certificate of registration should be cancelled needs to be raised in cancellation proceedings. It was held that under Rule 178 of the Rules of Practice of the Patent Office in Trademark Cases, the Director of Patents is expressly authorized to order the cancellation of a registered trademark or trade name in an *inter-partes* case, such as interference proceedings.<sup>159</sup>

### 3.8.6 Opposition

*(a) Publication for opposition*

If, after examination of the application for registration on the Principal Register, no interference has been declared, it would appear that the applicant is entitled to have his mark or trade name registered, the mark or trade name will be published in the Bureau of Patents' Official Gazette for opposition.<sup>160</sup>

*(b) Who may file an opposition?*

*(i) In general*

Any person who would be damaged by the registration of a mark or trade name may file with the Director an opposition to the application.<sup>161</sup> As a rule, the owner of a mark registered or used in the Philippines may file an opposition on the ground that the applicant's mark is unregistrable because it so resembles his own mark as to be likely, when used in connection with the applicant's goods, to cause confusion or mistake or to deceive purchasers.<sup>162</sup>

<sup>156</sup> Rule 173.

<sup>157</sup> *Sta. Ana v. Maliwat, supra*, footnote 102.

<sup>158</sup> *Anchor Trading Co. v. Director of Patents et al.*, HL-8004, May 30.

<sup>159</sup> *Umno Commercial, Inc. v. General Milling Corp. supra*, footnote 113.

<sup>160</sup> Rules of Practice in Trademark Cases, Rule 107.

<sup>161</sup> Republic Act No. 166, Section 8.

<sup>162</sup> Section 4(d).

## (ii) Specific categories of persons qualified to oppose

1. *Owner of a previously registered mark in the Philippines.* This should refer to a holder of a registration on the Principal Register whether based on use in the Philippines or on home registration in the country of origin, which enjoys a presumption of the validity of the registration, the registrant's ownership of the mark and his exclusive right to use the same.<sup>163</sup> A holder of a certificate of registration on the Supplemental Register, since it constitutes a mere notice that the registrant is using the mark,<sup>164</sup> and does not enjoy any presumption of ownership, validity and exclusive right to use the mark, may not rely solely on his registration in order to prosecute his opposition.

2. *Owner of a previously used mark in the Philippines.* This is a corollary to the rule that ownership of a mark or trade name in the Philippines is acquired through actual use in commerce in the Philippines.<sup>165</sup>

3. *Copyright owner.* The courts recently established a unique, legal precedent in giving due course to the cancellation of a trademark registration for KOOKIE MONSTER because it violated the copyright on Cookie Monster, one of the muppets in the television series "Sesame Street."<sup>166</sup> Applying the same principle, the court in a later case also cancelled the trademark registration for CHARLIE BROWN.<sup>167</sup> The legal basis for the cancellation of a trademark or trade name registration in these cases undoubtedly applies to an opposition to an application to a trademark registration. Reference, however, is made to the discussion questioning the correctness of this decision in section 5.2.2(v)(2) of Chapter 5 on Copyrights and Neighboring Rights.

4. *Owner of well-known marks.* In the earlier discussion on the principle of nationality or territoriality, it was indicated that as a basis of acquiring ownership of a trademark or trade name, "use" does not have to take place within the territory of the State where protection is sought. This conclusion is derived from the circulars issued by administrative authorities and the ruling in *Lacoste v. Fernandez*.<sup>168</sup> This matter is discussed lengthily in section 3.4.1 ("Use in the Philippines"). The owner of a well-known mark may therefore file an opposition to an application for registration in the Philippines notwithstanding absence of use in commerce in the Philippines. On the other hand, because jurisprudence has yet to declare categorically and expressly that this is the rule a few Court of Appeals' decisions have deviated from it.<sup>169</sup> *Lacoste v. Fernandez* is not unambiguous on this issue because the LACOSTE trademark was actually used in commerce in the Philippines by the plaintiff-foreign corporation before it brought the complaint for unfair competition against the subsequent user of the mark.

(c) *Period within which to file opposition*

The Director of Patents issued a Memorandum Circular<sup>170</sup> which states as follows:

"A notarized but unauthenticated notice of opposition executed by a non-resident opposer, or an unverified notice of opposition, which must state the ultimate facts on which the opposer relies for his claim, may be filed by the opposer or his duly authorized attorney, within the first 30 days after the issue of the BPTTT Gazette in which the mark, trade name or other mark of ownership is published was released for

<sup>163</sup> Section 20.

<sup>164</sup> *La Chemise Lacoste v. Fernandez supra*, footnote 56.

<sup>165</sup> Republic Act No. 166, Section 2-A; see section 3.4.1 ("Acquisition of Trademark Rights Through Use").

<sup>166</sup> *Children's Television Workshop v. Touch of Class, Inc., supra*, footnote 109.

<sup>167</sup> *United Features Syndicate Inc. v. Munsingwear Creatin Mfg. Co., supra*, footnote 110.

<sup>168</sup> *Supra*, footnote 56.

<sup>169</sup> E.g., *Bally Schuhfabrieken AG v. Mil-Oro Mfg. Corp., supra*, footnote 60.

<sup>170</sup> ISS/88-8-A, March 22, 1991.

circulation by the Bureau, or the additional 30 days that may be granted on motion of the opposer.

The opposition will be dismissed *motu proprio* upon failure of the opposer to file an authenticated opposition, or to verify, in person or by any person on his behalf who knows the facts, the notice of opposition within 60 days from date of filing of the unauthenticated or unverified opposition.

This period may be extended by 30 days upon showing that the delay is beyond the control of the opposer. In no case shall the period within which to file the authenticated or verified opposition exceed 120 days from the aforesaid date of release of the BPTTT Official Gazette.

It is understood that if the last day for filing of the opposition falls on a Saturday, Sunday or holiday, the same shall be moved to the immediately following working day.

The filing of an opposition in a form other than the original such as a fax or photocopy shall not be considered substantial compliance with any of the foregoing rules.”

The unverified or unauthenticated opposition may be filed within 30 days, extendable by 30 days from the date of release of the issue of the Bureau’s Official Gazette which published the mark or trade name subject of the opposition.

The period of time within which the opposer may file the verified or authenticated opposition would depend on how soon he filed his unverified or unauthenticated application. This is because the Memorandum Circular set two time frames to file the verified or authenticated opposition, the first being 60 days from the date of filing of the unverified or unauthenticated copy, extendable by 30 days, and the second, that this should occur within 120 days from the date of release of the Bureau Gazette publishing the mark subject of the opposition.

To obtain an extension of the period for the filing or submission a notice of opposition, the submission of a power of attorney is not a jurisdictional matter. A cable authorization is deemed sufficient.<sup>171</sup>

*(d) Contents of notice of opposition*

The notice of opposition must state the name and address of the opposer and of the applicant; the mark or trade name or name or other mark of ownership opposed; the particular goods, business or services or containers upon which the same is used; the serial number and filing date of the application for registration; the volume, number and page of the Official Gazette in which the opposed mark, trade name or name or other mark of ownership was published; the ultimate facts constituting the opposer’s cause or causes of action; and the relief sought. The notice of opposition must be filed in triplicate, accompanied by four labels showing the mark or trade name or name or other mark of ownership as actually used by the opposer, and upon which he predicates his opposition.<sup>172</sup>

*(e) Answer; hearing; decision*

Upon the filing of an opposition, in proper form, the Director shall forthwith cause a copy of the same to be served upon the applicant, requiring him to file his answer thereto. After the issues have been joined, the Director will cause a date to be set for hearing the case, which date shall be communicated to both the applicant and the opposer.<sup>173</sup>

<sup>171</sup> *Cudahy Packing v. Director of Patents*, 40 SCRA 132.

<sup>172</sup> Rules of Practice in Trademark Cases, Rule 188.

<sup>173</sup> Rule 189.

If, after the hearing, it shall appear that a case for the opposition has been made, the mark or trade name or name or other mark of ownership subject of the opposition will be refused registration, otherwise the same shall proceed to registration.<sup>174</sup>

Although the issue of ownership was not raised in the opposition or in the memorandum of the opposer, the court ruled that the Director of Patents may take it up because it is incumbent on the applicant to prove that it had a right to register the trademark and comply with the legal requisites including its ownership of the mark. An application for registration is not an ordinary litigious controversy between private parties. Public interest is involved and all questions as to whether or not the law is satisfied may be considered by the Patent Office or by the court even though not specifically raised by either of the parties.<sup>175</sup>

### 3.9 Certificate of Registration

#### 3.9.1 Contents

Certificates of registration shall be issued in the name of the Republic of the Philippines under the seal of the Patent Office, and shall be signed by the Director, and a record thereof together with a copy of the specimen or facsimile and the statement of the applicant shall be kept in books for that purpose. The certificate shall reproduce the specimen or facsimile of the mark or trade name, contain the statement of the applicant and state that the mark or trade name is registered under Republic Act No. 166, the date of the first use in commerce or business, the particular goods or services for which it is registered, the number and date on which the application for registration was received in the Patent Office, a statement of the requirements that, in order to maintain the registration, periodical affidavits of use within the specified times provided for in Section 12, shall be filed, and such other data as the rules and regulations may from time to time prescribe.<sup>176</sup>

#### 3.9.2 Duration

Each certificate of registration shall remain in force for 20 years: provided, that registrations under the provisions of this Act shall be cancelled by the Director, unless within one year following the fifth, tenth and fifteenth anniversaries of the date of issue of the certificate of registration, the registrant shall file in the Patent Office an affidavit showing that the mark or trade name is still in use or showing that its non-use is due to special circumstances which excuse such non-use and is not due to any intention to abandon the same, and pay the required fee.<sup>177</sup>

#### 3.9.3 Legal Effect of a Registration of a Mark or Trade Name on the Principal Register

A certificate of a mark or trade name shall be *prima facie* evidence of the validity of the registration, the registrant's ownership of the mark or trade name, and of the registrant's exclusive right to use the same in connection with the goods, business or services specified in the certificate, subject to any conditions and limitations stated therein.<sup>178</sup>

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<sup>174</sup> Rule 190.

<sup>175</sup> *Operators Inc. v. Director of Patents*, No. L-17901, October 29, 1965; 15 SCRA 147.

<sup>176</sup> Republic Act No. 166, Section 11.

<sup>177</sup> Section 12.

<sup>178</sup> Section 20.



### 3.9.4 *Notice of Registration*

The registrant of a trademark, heretofore registered or registered under the provisions of the Act, shall give notice that his mark is registered by displaying with the same as used the words “Registered in the Philippines Patent Office” or “Reg. Phil. Pat. Off.”; and in any suit for infringement under the Act by a registrant failing so to mark the goods bearing the registered trademark, no damages shall be recovered under the provisions of the Act, unless the defendant has actual notice of the registration.<sup>179</sup>

## 3.10 Registration on the Supplemental Register

### 3.10.1 *What May Be Registered*

Section 19-A of Republic Act No. 166 provides:

“*Sec. 19-A.* In addition to the Principal Register, the Director shall keep another register to be called the Supplemental Register. All marks and trade names capable of distinguishing applicant’s goods or services and not registrable on the Principal Register herein provided, except those declared to be unregistrable under paragraphs (a), (b), (c), and (d) of Section 4 of the Act, which have been in lawful use in commerce by the proprietor thereof, upon or in connection with any goods, business or services for the year preceding the filing of the application, may be registered on the Supplemental Register.

....

For the purposes of registration on the Supplemental Register, a mark or trade name may consists of any trademark, symbol, label, package, configuration of goods, name, word, slogan, phrase, surname, geographical name, numeral, or device or any combination of any of the foregoing, but such mark or trade name must be capable of distinguishing the applicant’s goods, business, or services.”

The Bureau of Patents, Trademarks and Technology Transfer is currently strictly enforcing the rule that only marks or trade names not registrable on the Principal Register are eligible for registration on the Supplemental Register. This is intended to put a stop to the practice of obtaining a registration for a distinctive word mark summarily on the Supplemental Register, while awaiting registration on the Principal Register of the same mark the application for which has been pending for a much longer period. This is because the registration on the Supplemental Register can be misrepresented as a registration on the Principal Register to the unwary public who are not expected to know the difference between the two kinds of registrations.

### 3.10.2 *Are Deceptively Descriptive and Geographically Deceptive Marks Registrable on the Supplemental Register?*

Whether or not deceptively misdescriptive marks or geographical indications which are deceptively misdescriptive of the goods are registrable on the Supplemental Register is open to question. Section 19-A of Republic Act No. 166 is silent on this matter. The use, however, of deceptively misdescriptive marks of trade names is punishable under Section 30 of Republic Act No. 166, which forbids the use of words or symbols that would indicate a false designation of origin or any false description or representation of the goods or services in connection with which they are used.

<sup>179</sup> Section 21.

### 3.10.3 *Prior Use Requirement*

The mark or trade name sought to be registered on the Supplemental Register must have been in actual use by the applicant for not less than one year preceding the filing of the application. However, upon a proper showing by the applicant that he has begun the lawful use of his mark or trade name in foreign commerce and that he requires domestic registration as a basis for foreign protection of his mark or trade name, the Director of Patents may waive the requirement of a full year's use and may grant registration forthwith.<sup>180</sup>

### 3.10.4 *Who May Apply for Registration on the Supplemental Register? Manner of Preparing the Application, Examination Procedure*

These matters are, in general, governed by the same rules that apply to applications for registration on the Principal Register.<sup>181</sup> Applications for registration on the Supplemental Register, however, are not subject either to interference or to opposition proceedings. After the issuance of the certificate of registration, it is published in the Official Gazette. Any person who believes that he is or will be damaged by the registration of a mark or trade name in the Supplemental Register may at any time file with the Director of Patents a petition for cancellation of such registration. The petition may be based on the ground that (a) the applicant was not entitled to register the mark or trade name at the time of his application for registration thereof, or (b) that it was not used, has not been used or has been abandoned.

### 3.10.5 *Duration of Certificate*

A registration of a mark or trade name on the Supplemental Register remains in force for 20 years from the date of registration so long as the required affidavit showing that the mark or trade name is still in use or showing that its non-use is due to special circumstances which excuse such non-use and is not due to any intention of the registrant to abandon it is filed, along with the required fee, within one year following the fifth, tenth and fifteenth anniversaries of the effective date of the registration.<sup>182</sup>

### 3.10.6 *Effect of Registration*

The legal effects of certificates of registration on the Supplemental Register differ from certificates of registration on the Principal Register. A certificate of registration on the Supplemental Register, unlike that in the Principal Register, is not *prima facie* evidence of the validity of registration, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the mark. Nor may such certificate of registration, unlike that on the Principal Register, be filed, with effect, with the Bureau of Customs in order to exclude from the Philippines foreign goods bearing infringing marks or trade names.<sup>183</sup>

Registration on the Supplemental Register merely serves as notice that the registrant is using or has appropriated the trademark. The very fact that the trademark cannot as yet be entered on the Principal Register should put all who deal with it on guard that there are certain defects, some obstacles which the user must still overcome before he can claim legal ownership of the mark or ask the courts to vindicate his claims of exclusive right to the use of the same. It would be deceptive for a party with nothing more than a registration on the Supplemental Register to postulate before courts of justice as if the registration is in the Principal Register.<sup>184</sup>

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<sup>180</sup> Section 19-A.

<sup>181</sup> *Ibid.*; Rules of Practice in Trademark Cases, Rules 118, 119 and 120.

<sup>182</sup> Rule 123.

<sup>183</sup> Republic Act No. 166, Section 19-A.

<sup>184</sup> *La Chemise Lacoste v. Fernandez*, *supra*, footnote 56.

### 3.11 Renewal of Registration

Each certificate of registration may be renewed for periods of 20 years from the end of the expiring period upon the filing of an application therefor and the payment of the required fee. Such application for renewal shall include a sworn statement of the applicant's domicile and citizenship, the specific goods, business or services in connection with which the mark or trade name is still in use, the period of any non-use in reference to the specific goods, business or services covered by original or renewed certificates of registration and any rights granted third parties for the use of the mark or trade name, any additional goods, business or services to which the mark or trade name has been extended during the period of original or renewed certificates of registration, and any material variation in the manner of display of the mark or trade name from that shown in the original or renewed certificate of registration. The applicant shall file the application within six months before the expiration of the period for which the certificate of registration was issued or renewed, or it may be made within three months after such expiration for good cause shown and upon payment of the required surcharge.<sup>185</sup>

The non-use of a mark or trade name may bar the grant of a renewal registration, except when the applicant can show excusable non-use. Accordingly, a certificate of renewal registration, may be issued, notwithstanding non-use, provided that the applicant for renewal can show under oath "special circumstances" that would not be acceptable unless they are totally beyond his control, such as prohibition of sale by government regulation. As a rule, non-use of the mark or trade name for an uninterrupted period of two years would be deemed as proof of the intention of the applicant to abandon the registration.<sup>186</sup>

In the event that the applicant for renewal registration is not domiciled in the Philippines, he shall appoint a Philippine resident agent, which may be incorporated in the application itself.<sup>187</sup>

Mere failure to renew any registration shall not affect the right of the registrant to apply for and obtain a new registration under the provisions of the Act, nor shall such failure entitle any other person to register a mark or trade name unless he is entitled thereto in accordance with the provisions of the Act.<sup>188</sup>

### 3.12 Termination

At any time, upon application of the registrant and payment of the required fee, the Director may permit any registration to be surrendered, cancelled or, for good cause shown, to be amended, and he may permit any registered mark or trade name to be disclaimed in whole or in part.<sup>189</sup>

In interference, opposition or cancellation proceedings, a registrant may also apply to surrender or cancel his registration.<sup>190</sup>

Notice of the cancellation or surrender or cancellation, amendment, disclaimer, and correction shall be published in the Official Gazette.<sup>191</sup>

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<sup>185</sup> Republic Act No. 166, Section 15.

<sup>186</sup> Memorandum Circular ISS/88-7, August 2, 1988.

<sup>187</sup> Republic Act No. 166, Section 15.

<sup>188</sup> Section 16.

<sup>189</sup> Section 14.

<sup>190</sup> Rules of Practice in Trademark Cases, Rule 176.

<sup>191</sup> Rule 140.

### 3.13 Cancellation

#### 3.13.1 *The Provision of Law*

Section 17 of Republic Act No. 166 provides:

“*Sec. 17. Grounds for cancellation.*—Any person, who believes that he is or will be damaged by the registration of a mark or trade name, may, upon payment of the prescribed fee, apply to cancel said registration upon any of the following grounds:

- (a) That the registered mark or trade name becomes the common descriptive name of an article or substance on which the patent has expired;
- (b) That it has been abandoned;
- (c) That the registration was obtained fraudulently or contrary to the provisions of Section 4, Chapter II hereof;
- (d) That the registered mark or trade name has been assigned, and is being used, by, or with the permission of, the assignee so as to misrepresent the source of the goods, business or services in connection with which the mark or trade name is used; or
- (e) That cancellation is authorized by other provisions of this Act.”

#### 3.13.2 *Who May File a Petition for Cancellation?*

Reference is made to the discussion in section 3.8.6(b) (“Who may file an opposition”), which is likewise applicable to cancellation of marks or trade names.

Additionally, the petitioner must show that he will be damaged by the continuance of the mark. In *La Estrella v. Director of Patents*,<sup>192</sup> it was argued that the issue as to similarity of the marks not having been raised by the parties, the only issues to be decided were:

- (1) whether or not the label trademark consisted a valid trademark; and
- (2) whether or not the registration of the mark was obtained through fraud and false representation.

It was held that these two issues were not important. Even if proved, these two facts were not sufficient to warrant the cancellation of the respondent’s trademark. In order that these two facts might produce cancellation, it was necessary that they be coupled with a showing that the maintenance of respondent’s label trademark on the register would damage the petitioner. The continuance of respondent’s mark on the register would damage the petitioner only if the respondent’s and petitioner’s marks were similar. The court therefore pursued its inquiry as to whether or not such similarity existed.

#### 3.13.3 *Grounds for Cancellation*

- (a) *That the registered mark or trade name has become the common descriptive name of an article or substance on which the patent thereon has expired*

Through use, an originally distinctive mark which could point to the source or origin of the goods may lose that characteristic and become generic. When that occurs, the registration of the mark may be cancelled under Section 17 of Republic Act No. 166 after notice and hearing.

<sup>192</sup> L-11818, July 31, 1959, 105 Phil. 1213.

(b) *That it has been abandoned*

If a mark or trade name has not been substantially used for five years next preceding the filing of the petition for cancellation, it shall be presumed to have been abandoned.<sup>193</sup>

(c) *That the registration was obtained fraudulently or contrary to the provision of Section 4 of Republic Act No. 166, as amended*

The marks that are considered unregistrable under Section 4 of Republic Act No. 166 consist of those that violate public order or morality or have a misleading character, or which are not distinctive or capable of distinguishing different products.

The question as to whether or not the registration of a trademark had been obtained through false representation becomes necessary and important only when there is a finding of similarity between the contesting trademarks, and in order that proof of fraud might produce cancellation, it is necessary that it be coupled with a showing that the label trademarks of the parties are similar and that the maintenance of one trademark would work to the detriment of the other.<sup>194</sup>

(d) *That the registered mark or trade name has been assigned, and is being used by, or with the permission of the assignee so as to misrepresent the source of the goods, business or services in connection with which the mark or trade name or other mark of ownership is used*

Such misrepresentation constitutes false designation of origin, which violates Section 30 of the Trademark Law.

(e) *That the cancellation is authorized by other provisions of the law*

Examples of these laws are Article 6bis of the Paris Convention and Section 5(d) of P.D. No. 49, the Decree on Intellectual Property. Reference is made to section 3.8.6(b) (“Who may file an opposition?”) in relation to section 3.13.2 (“Who May File a Petition for Cancellation?”).

### 3.13.4 *Period Within Which to File Petition*

It may be filed at any time during the lifetime of the certificate of registration.<sup>195</sup> This may be delimited in cases where the equitable principle of laches, estoppel and acquiescence may apply.<sup>196</sup> A party who obtained the registration of a trademark, knowing that it belonged to another which uses it as an acronym of its corporate name, may not invoke the defense that the trademark owner is guilty of laches for having slept on his rights, because he who comes into equity must come with clean hands.<sup>197</sup>

### 3.13.5 *Hearing; Decision*

Upon the filing of a petition for cancellation in proper form, the Director shall cause a copy of such petition to be served on the party or parties respondent, requiring such party or parties to answer the petition. After the issues have been joined, the Director will cause a date to be set for the hearing of the case, which will be communicated to both parties.<sup>198</sup>

<sup>193</sup> Rules of Practice in Trademark Cases, Rule 192(b).

<sup>194</sup> *American Cyanamid Co. v. Director of Patents*, *supra*, footnote 82.

<sup>195</sup> Rules of Practice in Trademark Cases, Rule 192(b).

<sup>196</sup> Republic Act No. 166, Section 9-A.

<sup>197</sup> *Pagasa Industrial Corporation v. Court of Appeals*, L-54158, August 31, 1984; 131 SCRA 565.

<sup>198</sup> Rules of Practice in Trademark Cases, Rule 196.

If, after such hearing, it shall appear that a case for the petitioner has been made, the registration sought to be cancelled shall be ordered cancelled by the Director; otherwise the petition shall be dismissed. The order for cancellation, if issued, shall be published in the Official Gazette, after the order has become final and executory.<sup>199</sup>

### 3.13.6 *Cancellation of Registration on Supplemental Register; Who May File Petition? Time for Filing Petition; Grounds for Cancelling*

Any person who believes that he is or will be damaged by the registration of a mark or trade name on the Supplemental Register, may, at any time, upon payment of the required filing and publication fees, file a petition with the Director of Patents for the cancellation of such registration. The petition may be based on any of the following grounds:

- that the registrant was not entitled to register the mark or trade name at the time of his application for registration thereof;
- that the mark or trade name was not used or has not been used by the registrant or has been abandoned.<sup>200</sup>

### 3.13.7 *Cancellation Under Other Provisions of Law*

In *inter-partes* proceedings, the Director may cancel or restrict the registration of a mark or trade name.<sup>201</sup> Thus it was ruled that the Director in an interference proceedings has the authority to order the cancellation of a registration of a trademark or trade name.<sup>202</sup>

In any action involving a registered mark or trade name, the court may determine the right of registration, order the cancellation of registrations, in whole or in part, restore cancelled registration, and otherwise rectify the register with respect to the registration of any party to the action.<sup>203</sup> The actions referred to by the statute involve infringement and unfair competition.

## 3.14 **Scope of Protection**

### 3.14.1 *Territorial*

#### (a) *On the basis of use*

The law requires as a basis of acquiring ownership of a mark or trade name actual use in commerce in the Philippines.<sup>204</sup> There is no jurisprudence indicating that the protection of a mark or trade name would be limited to only that part of the country where the goods bearing the mark are actually marketed.

#### (b) *On the basis of registration*

Protection derived from the registration of the trademark or trade name is enjoyed within the territory of the country where the mark is registered.<sup>205</sup>

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<sup>199</sup> Rule 197.

<sup>200</sup> Republic Act No. 166, Section 19-A; Rules of Practice in Trademark Cases, Rule 193.

<sup>201</sup> Rule 178.

<sup>202</sup> *Umno Commercial, Inc. v. General Milling Corp*, *supra*, footnote 113.

<sup>203</sup> Republic Act No. 166, Section 25.

<sup>204</sup> Section 2.

<sup>205</sup> *Sterling Products International, Inc. v. Farbenfabrieken Bayer AG*, *supra*, footnote 49.

### 3.14.2 *Temporal*

The protection of a trademark or trade name in the Philippines based on use will last until abandonment of such use. That of marks or trade names based on registration under Section 37 of Republic Act No. 166 is 20 years, unless earlier cancelled for non-filing of affidavit of use or non-use. This may be renewed for periods of 20 years provided it is still in use in the Philippines.<sup>206</sup> It is stressed that failure to renew any registration shall neither affect the right of the registrant to apply for and obtain a new registration, nor shall such failure entitle any other person to register a mark or trade name unless he is entitled thereto under the law.<sup>207</sup>

## 3.15 **Protected Acts**

### 3.15.1 *Use of the Mark*

The Trademark Law grants to the trademark owner the right to exclude others from the use of his mark or trade name.

Thus, the use by others in connection with the sale, offering for sale or advertising of goods, or to reproduce, counterfeit, copy or colorably imitate the mark or trade name and apply them to labels, signs, prints, wrappers, packages or advertisements intended to be used upon goods, business or services constitutes infringement of the mark or trade name, if registered, and unfair competition, if not.

Philippine law does not indicate as constituting infringement or unfair competition preparatory acts, such as the mere stocking of products for sale.

Use of the mark on similar products or services and restraining the use of similar marks are matters dealt with extensively in section 3.7 (“Conflict with Prior Rights”).

### 3.15.2 *Registration of the Mark*

Only the owner of the mark may apply for and obtain registration of a mark or trade name.<sup>208</sup> Consequently, an application for registration of a mark or trade name is subject to interference or opposition proceedings and, in the event a registration was issued in violation of the law, to cancellation.<sup>209</sup>

## 3.16 **Parallel Importation**

This matter is neither expressly provided for under the Trademark Law, nor in jurisprudence. It should be pointed out, however, that Sections 35 and 36 of Republic Act No. 166 do not include articles manufactured in another country which bear a trademark under license from the trademark owner in the enumeration of articles that shall not be admitted entry at any custom house of the Philippines.

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<sup>206</sup> Republic Act No. 166, Section 15.

<sup>207</sup> Section 16.

<sup>208</sup> Section 4 and Rules of Practice in Trademark Cases, Rule 34.

<sup>209</sup> Reference is made to the discussion on these matters in sections 3.8.5 (“Interference”), 3.8.6 (“Opposition”) and 3.13 (“Cancellation”) of this chapter.

### 3.17 Product Piracy and Counterfeiting

#### 3.17.1 Remedies and Enforcement

##### (a) Civil action for infringement

The Trademark Law provides that any person entitled to the exclusive use of a registered trademark or trade name may recover damages in a civil action from any person who infringes his rights. The complaining party, upon proper showing, may also be granted injunction.<sup>210</sup>

Any person who uses, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or trade name in connection with the sale, offering for sale or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services, or identity of such business; or reproduce, counterfeit, copy or colorably imitate any such mark or trade name and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services, shall be liable to a civil action by the registrant for any or all of the remedies provided by Republic Act No. 166.<sup>211</sup> The registration referred to is on the Principal Register. A registration on the Supplemental Register, because it does not enjoy any presumption of validity or the registrant's ownership of the mark, may not be the basis of an action for infringement of a trademark.<sup>212</sup>

##### (i) Jurisdiction

An action for infringement under the Trademark Law is cognizable by the Regional Trial Court.<sup>213</sup>

##### (ii) Colorable imitation

As to what constitutes a colorable imitation of a registered trademark has been dealt with in the discussion in section 3.7 ("Conflict with Prior Rights"), particularly in subsections 3.7.1 ("Conflict of Trademarks Which Are Not Identical") and 3.7.2 ("Conflict of Trademarks Which Do Not Relate to the Same Products or Services").

##### (iii) Powers of the court

In any action in which a violation of any right of the registrant has been established, the court may order that 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, and all plates, moulds, matrices and other means of making the same, shall be delivered up and destroyed.

The court may determine the right to registration, order the cancellation of the registration, in whole or in part, restore cancelled registration, and otherwise rectify the register with respect to the registration of any party to the action.<sup>214</sup>

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<sup>210</sup> Republic Act No. 166, Section 23.

<sup>211</sup> Section 22.

<sup>212</sup> *Del Monte Corp. et al. v. Court of Appeals & Sunshine Sauce Mfg. Ind.*, *supra*, footnote 91.

<sup>213</sup> Republic Act No. 166, Section 27.

<sup>214</sup> Section 25.



(b) *Criminal actions for infringement*

(i) The provision of law

Article 188 of the Revised Penal Code penalizes the substituting and altering of trademarks, trade names or service marks. The acts punishable are:

1. any person who substitutes the trade name or trademark of some other manufacturer or dealer or a colorable imitation thereof, for the trade name or trademark of the real manufacturer or dealer upon any article of commerce and sells the same;
2. any person who sells such articles of commerce or offers the same for sale, knowing that the trade name or trademark has been fraudulently used in such goods as described in the preceding subdivision;
3. any person who, in the sale or advertising of his services, uses or substitutes the service mark of some other person, or a colorable imitation of such mark; or
4. any person who, knowing the purposes for which the trade name, or trademark or service mark of a person is to be used, prints, lithographs or in any way reproduces such trade name, trademark or service mark, or a colorable imitation thereof, for another person, to enable that other person to fraudulently use such trade name, trademark or service mark on his own goods or in connection with the sale or advertising of his services.

(ii) Registration, a condition precedent

Under Section 4 of Act No. 666, as amended by Act No. 3332, or before the Revised Penal Code took effect, a penal action for infringement of a trademark or trade name could not be maintained unless the trademark or trade name is registered in the Bureau of Commerce and Industry. Registration shows that the trademark or trade name is owned by the person registering it. Since Section 4 of Act No. 666 was not repealed by the Revised Penal Code, the same rule obtains under the Revised Penal Code, that is, the registration of the trademark or trade name is a condition precedent for the bringing of a criminal action under Article 188 of the Penal Code. Where the accused infringed the APO trademark of the Cebu Portland Cement Co. but it was not shown that the said trademark was registered, the accused is not criminally liable under Article 188.<sup>215</sup>

(c) *Civil action for unfair competition*

(i) The provision of law

Section 29 of Republic Act No. 166 provides:

“Sec. 29. Unfair competition, rights and remedies.—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 mark or trade name 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. . . .

Any person who shall employ deception or any other means contrary to good faith by which he shall pass off the goods manufactured by him or in which he deals, or his business, or services for those of the one having established such goodwill, or who shall commit any acts calculated to produce said result, shall be guilty of unfair competition, and shall be subject to an action therefor.

In particular, and without in any way limiting the scope of unfair competition, the following shall be deemed guilty of unfair competition:

<sup>215</sup> Aquino, *The Revised Penal Code*, VI. 2, 1987 ed., citing *People v. Go Yee Bio*, CA 36 O.G. 1089.

- (a) Any person who, in selling his goods, shall give 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 . . . with a like purpose;
- (b) Any person who by any artifice, or device, or who employs any other means calculated to induce the false belief that such person is offering the services of another who has identified such services in the mind of the public; or
- (c) Any person who shall make any false statement in the course of trade or who shall commit any other act contrary to good faith of a nature calculated to discredit the goods, business or services of another.”

(ii) Infringement and unfair competition compared

1. *The rule under Act No. 666.* It should be noted that Section 7 of Act No. 666 provided that unfair competition occurs in cases where the deceitful appearance of the goods, misleading as to origin or ownership, is effected not by means of technical trademarks, emblems, signs or services, but by the general appearance of the package containing the goods, or by the devices or words thereon, even though such packages, devices or words are not by law capable of appropriation as a trademark. Thus the courts, in applying these provisions of Act No. 666, were confronted with cases wherein it had to determine whether the plaintiff's cause of action, on the basis of the averments of the complaint constitutes infringement of trademark, or instead, unfair competition.

No little difficulty seems to have been encountered by the courts in determining the degree of similarity between an alleged infringing trademark and the original which should be required to sustain a claim of technical infringement, though it is generally recognized that exact similitude is not required to constitute an infringement or to entitle the complaining party to protection under the law on unfair competition. But in cases wherein it could hardly be said that there was any colorable imitation of the form and arrangement of the original trademark, although the presence of some predominant feature in both designs was likely to create confusion or uncertainty, the remedy for the wrong is to be found in the application of the modern doctrine of unfair competition, without the necessity for the straining of established principles controlling technical infringements of trademarks.<sup>216</sup>

In *Compania General de Tabacos v. Alhambra Cigar & Cigarette Mfg. Co.*,<sup>217</sup> the court made this distinction between infringement and unfair competition:

“Act No. 666 confers a right of action in three cases: (1) for the violation of a trademark, (2) a trade name, and (3) to restrain unfair competition. The statute founds the cause of action in the first two cases exclusively on the invasion of the right of property which the statute gives in the trademark or trade name. These actions are not based on fraud nor is the right given on the theory of unfair competition. It is founded solely in the property which the statute creates in the trademark or trade name. . . . As a necessary consequence, an action for a violation or infringement of a trademark or trade name does not proceed primarily on the theory that either the plaintiff or the public has been or will be defrauded, although that may be, in effect, the result; but on the hypothesis that plaintiff's right in the mark or the name has been invaded and that he is entitled to the damages resulting from the invasion. In either case an action may be maintained without proof of anything more than the right to the exclusive use

<sup>216</sup> *Clarke v. Manila v. Manila Candy Co.*, No. 10487, January 23, 1917, 36 Phil. pp. 113 and 114.

<sup>217</sup> *Supra*, footnote 23.

of the mark or name and that the defendant has violated it. No allegation or proof of fraud or intent to defraud is necessary. On the other hand, the action to prevent unfair competition is based exclusively on fraud. . . . No right of property in the appearance which plaintiff gives to his goods is required, if the word 'property' may be used in such a connection, and none needs to be alleged or proved."

2. *The rule under Republic Act No. 166.* Section 29 of Republic Act No. 166 did not effect any substantial change in the concept of unfair competition as stated in Act No. 666. It expresses plainly and directly the essence of unfair competition, which, as stated in *Alhambra Cigar v. Mojica*,<sup>218</sup> consists in passing off or attempting to pass off upon the public the goods or business of one person as and for the goods or businesses of another and that relief against unfair competition is properly afforded upon the ground that one who has built up goodwill and a reputation for his goods or business is entitled to all the benefits therefrom. Such goodwill is property and, like other property, is protected against invasion.

Republic Act No. 166, however, modified Act No. 666 in that it broadened the scope of unfair competition by way of including cases of deception effected by means of technical trademarks, emblems and signs.

Thus the use of the trademark of the defendant, although registered prior to that of the plaintiff, constitutes unfair competition in that such trademark, when affixed to the packages containing the imitation drug, would likely deceive purchasers and defraud the plaintiff of its long-established trade. The intent to defraud may be inferred from the similarity in contents and appearance of the goods as packed or offered for sale to those of the complaining party.<sup>219</sup>

That the labels objected to have been registered as trademarks is not a defense in an action for unfair competition. The registration might in some way minimize damages against the seller as showing good faith *prima facie*.<sup>220</sup>

Under Section 22 of Republic Act No. 166, registration of the mark or trade name on the Principal Register<sup>221</sup> is a condition for the enjoyment of the remedies against infringement, but not unfair competition. No formality is required for the availability of remedies against unfair competition.

### (iii) Goodwill, how established

1. *In general.* In *Ang Si Heng v. Wellington Dept. Store, Inc.*,<sup>222</sup> the court citing *Ang v. Teodoro*,<sup>223</sup> stated that goodwill should be established in the same manner as a mark or name which was originally incapable of exclusive appropriation with reference to an article on the market, because geographically or otherwise descriptive, may, by long and exclusive use by a business with reference thereto or to its products, acquire a proprietary connotation, such that the name or phrase to the purchasing public becomes associated with the business or the products and entitled to protection against unfair competition.

2. *Passing off need not be committed in an actual competitive situation.* In *Converse Rubber Corp. v. Jacinto Rubber*,<sup>224</sup> the court held that the argument that a case of unfair competition had not been established inasmuch as the Converse Chuck Taylor shoes were not sold in the local markets from 1949 to 1967, no competition, fair or unfair, could have been offered to it by Custombuilt Challenger during that period was not valid. The law

<sup>218</sup> No. 8937, March 21, 1914, 27 Phil. 266.

<sup>219</sup> *Parke Davis & Co. v. Kiu Foo & Co. Ltd.*, L-41405, November 21, 1934, 60 Phil. 928.

<sup>220</sup> *R.F. & Alexander & Co. Ltd et al. v. Ang et al.*, L-6707, May 31, 1955, 97 Phil. 157.

<sup>221</sup> *Del Monte Corp. et al. v. Court of Appeals et al.*, *supra*, footnote 91.

<sup>222</sup> *Supra*, footnote 32.

<sup>223</sup> *Supra*, footnote 16.

<sup>224</sup> *Converse Rubber Corp. v. Jacinto Rubber & Plastics*, Nos. L-27425 and L-30505, April 28, 1980; 97 SCRA 158.

does not require that the “passing off” be committed in an actual competitive situation. The court quoted *Ang v. Teodoro* with approval, viz:

“As trade has developed and commercial changes have come about, the law of unfair competition has expanded to keep pace with the times and the element of strict competition in itself has ceased to be the determining factor.”

(iv) What constitutes unfair competition

In *Alhambra Cigar v. Mojica*,<sup>225</sup> the court stated the following rules:

“It may be stated broadly that any conduct the end and probable effect of which is to deceive the public or pass off the goods or business of one person as and for that of another, constitutes actionable unfair competition. . . .

It is sufficient to show that such deception will be the natural and probable result of defendant’s acts. Either actual or probable deception and confusion must be shown, for if there is no probability of deception there is no unfair competition. . . .

No inflexible rule can be laid down as to what will constitute unfair competition. Each case is, in a measure, a law unto itself. Unfair competition is always a question of fact. The question to be determined in every case is whether or not, as a matter of fact, the name or mark used by the defendant has previously come to indicate and designate plaintiff’s goods, or, to state it in another way, whether defendant, as a matter of fact, is, by his conduct, passing off defendant’s goods as plaintiff’s goods or his business as plaintiff’s business. The universal test question is whether the public is likely to be deceived. . . .

Actual fraudulent intent to pass off defendant’s goods or business and for that of plaintiff is not necessary to constitute unfair competition, where the necessary and probable tendency of defendant’s conduct is to deceive the public and pass off his goods or business as and for that of another. Even if the resemblance is accidental and not intentional, plaintiff is entitled to protection against its injurious results to his trade.”

The resemblance spoken of in the law of unfair competition is a resemblance in the general appearance of the goods, in the wrapping of the packages, or in the devices or words thereon, or in any other feature of their appearance which would be likely to deceive purchasers. It is not enough for the plaintiff’s cause that in certain details there may be discovered something of similarity, provided that in the general appearance there is a decided dissimilarity. Nor is it enough to save the defendant that experts, on examination, can point to differences in details of the component parts of the markings or wrappings. Details may present differences and yet the whole may be very much alike and very deceptive to the ordinary purchaser using ordinary care. An inspection of the cigars in question will afford the best test of their likeness in general appearance.<sup>226</sup>

(v) Circumstances considered to determine unfair competition

1. *In general.* In order to determine whether defendants are liable for unfair competition and have deceived the public into believing that the goods they sell are plaintiffs’ goods, all the surrounding circumstances must be taken into account, especially the identity or similarity of names, the identity or similarity of their business, how far the names are a true description of the kind and quality of the articles manufactured or the business carried on, the extent of the confusion which may be created or produced, the distance between the place of business of one and the other party, etc.<sup>227</sup>

<sup>225</sup> *Supra*, footnote 219.

<sup>226</sup> *Alhambra Cigar & Cigarette Mfg. Co. v. Compania General de Tabacos*, No. 11490, October 14, 1916, 35 Phil. 62.

<sup>227</sup> *Ang Si Heng v. Wellington Dept. Store, Inc.*, *supra*, footnote 32.

2. *As to the features of the articles offered for sale.* In determining whether or not the defendant is guilty of unfair competition in using the bands, consideration must be made of all of the other features of the articles offered for sale to ascertain whether, when taken together with the imitated band, there is likelihood that the public may be deceived as to the article it is purchasing. It is clear that the cigars having substantially the same appearance and color, the same size, the same shape and the same style and color of band, deception is not only possible but is very probable. The cigar put out by the defendant, taken as a whole, disarms and deceives the purchaser who is desirous of purchasing plaintiff's cigars.<sup>228</sup>

The similarity must be such that the ordinary purchaser will be deceived into the belief that the goods are those of another. It must be a "similarity in the general appearance," or in the goods "taken as a whole." It frequently happens that goods of a particular class are labeled by all manufacturers in a common manner. In cases of that sort, no manufacturer may appropriate to himself the method of labeling or packaging his merchandise and then enjoin other merchants from using it. Instances of such articles are spools of thread, soap, cigars, etc. Thread, for example, is commonly put on wooden spools of substantially the same size. That is a result of business demands. Soap is commonly sold in a similar sort of wrapper. Cigars, as a rule, have the same general shape and are usually labeled with bands of somewhat similar color. They are generally put in packages or boxes of like shape, size and form. A manufacturer of any one of these articles may put his particular brand of goods in the common form, without running the risk of being enjoined by another manufacturer. He will, however, be enjoined if it clearly appears that there is a studied attempt to imitate or simulate certain distinctive features, adopted by one manufacturer, for the purpose of identifying or distinguishing his goods from others of the same general class and appearance.<sup>229</sup>

3. *As to the purchaser.* Reference is made to the detailed discussion on this matter in section 3.7.1(b) ("As to the factors relating to the purchaser").

4. *When the products or services are not identical.* Reference is likewise made to the discussion in section 3.7.2 ("Conflict of Trademarks Which Do Not Relate to the Same Products or Services").

(vi) Cases involving the use of another's containers

In *Shell Co. v. Insular Petroleum*,<sup>230</sup> the court ruled:

- (1) that not just because a manufacturer used a container still bearing a competitor's marking in the sale of one's products can there be a conclusion that the buying public has been misled;
- (2) that to hold a defendant guilty of unfair competition, no less than satisfactory and convincing evidence is essential;
- (3) that in the single transaction between defendant's agent and plaintiff's dealer, it clearly appears that defendant did not cause actual or probable deception and confusion in the general public, because, before marketing to the public its low-grade oil in containers, the brands or marks of the different companies stenciled on the containers are totally obliterated and erased;
- (4) the court considered significant the fact that the drum in question did not reach the buying public. It was merely a Shell dealer or an operator of a Shell station who purchased the drum, not to be resold to the public but to be sold to Shell Company, with a view to obtaining evidence against someone who might have been committing unfair business practices.

<sup>228</sup> *Alhambra Cigar & Cigarette Mfg. Co. v. Mojica*, *supra*, footnote 218.

<sup>229</sup> *Alhambra Cigar & Cigarette Mfg. Co. v. Compania General de Tabacos*, *supra*, footnote 226.

<sup>230</sup> L-19441, June 30, 1964; 11 SCRA 43.

In *Del Monte Corp. et al. v. Court of Appeals et al.*,<sup>231</sup> the court held that despite the many choices available to it and notwithstanding that the caution “Del Monte Corporation. Not to be Refilled” was embossed on the bottle, respondent Sunshine still opted to use petitioner Del Monte’s bottle to market its products. On the argument that no unfair competition was committed, the court held that the *Shell Co. v. Insular Petroleum* does not apply because:

- (1) in *Shell*, respondent erased the brands/mark of the different companies stenciled on the containers thereof, except for a single isolated transaction. The respondent in the present case made no similar effort;
- (2) in *Shell*, the product of respondent was sold to dealers, not to ultimate consumers.

(vii) Jurisdiction

In *Victoria Milling Co., Inc. v. Ong Su*,<sup>232</sup> petitioner sought to cancel the registration issued by the Philippine Patent Office on June 20, 1961, in favor of respondent Ong Su for the trademark VALENTINE and design and used in refined sugar, claiming that it caused damage to its business, by reason of mistake, confusion or deception among the purchasers, because it is similar to its trademark VICTORIAS and diamond design which had become distinctive of its sugar long before the respondent used its trademark. The Director of Patents denied the petition for a number of reasons, one of which was that he regarded “the printing sequences or arrangement of such legends as weight, contents, and manufacturer or packer,” as merely a matter pertaining to “the dress of goods,” hence a matter involving unfair competition over which the Patent Office has no jurisdiction. The Supreme Court upheld the Director of Patents since under Section 27 of Republic Act No. 166, an action for unfair competition shall be brought before the proper court.

(d) *Criminal action for unfair competition*

Article 189 of the Revised Penal Code provides as follows:

- (1) Any person who, in unfair competition and for the purpose of deceiving or defrauding another of his legitimate trade or the public in general, shall sell his goods giving 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 device or words thereon, or in any other feature of their appearance which would be likely to induce the public to believe that the goods offered are those of a manufacturer or dealer other than the actual manufacturer or dealer, or shall give other persons a chance or opportunity to do the same with a like purpose.
- (2) Any person who shall affix, apply, annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, and shall sell such goods or services.
- (3) Any person who, by means of false or fraudulent representations or declarations, orally or in writing, or by other fraudulent means shall procure from the patent office or from any other office which may hereafter be established by law for the purposes, the registration of a trade name, trademark, or service mark, or an entry respecting a trade name, trademark or service mark.

(e) *False designation of origin and false description*

Section 30 of Republic Act No. 166 provides that “any person who shall affix, apply, annex or use in connection with any goods or services, or any container or containers for

<sup>231</sup> *Supra*, footnote 91.

<sup>232</sup> *Supra*, footnote 45.

goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to enter into commerce, shall be liable to a civil action for damages and injunction” in the same manner and extent as those liable for infringement and unfair competition.

Section 30 further states that any person doing business in the locality falsely indicated as the place of origin or in the region in which the said locality is situated, or any person who believes he is or likely to be damaged by the use of any such false description or representation may bring the action.

*(f) Prohibited importation*

Section 35 of Republic Act No. 166 provides that no article of imported merchandise which shall copy or simulate the name of any domestic product, or manufacturer, or dealer located in any foreign country which, by treaty, convention or law affords similar privileges to citizens of the Philippines, or which shall copy or simulate a mark or trade name registered in accordance with the provisions of this Act, or shall bear a mark or trade name calculated to induce the public to believe that the article is manufactured in the Philippines, or that it is manufactured in any foreign country or locality other than the country or locality where it is in fact manufactured, shall be admitted to entry at any customhouse of the Philippines.

A certificate of registration on the Supplemental Register cannot be filed, with effect, with the Bureau of Customs in order to exclude from the Philippines foreign goods bearing infringing marks or trade names.<sup>233</sup>

Section 36 of Republic Act No. 166 also provides that any goods marked or labeled with a false designation of origin or false description shall not be imported into the Philippines or admitted to entry at any customhouse in the Philippines.

*(g) Unlawful use of containers*

*(i) Who is protected?*

Under Section 1 of Republic Act No. 623 they are:

- (1) persons engaged or licensed to engage in the manufacture, bottling or selling of soda water, mineral or aerated waters, cider, milk, cream, or other lawful beverages in bottles, boxes, casks, kegs, or barrels, and other similar containers, and
- (2) in the manufacture, compressing or selling of gases such as oxygen, acetylene, nitrogen, carbon dioxide, ammonia, hydrogen, chloride, helium, sulphur dioxide, butane, propane, freon, methyl chloride or similar gases contained in steel cylinders, tanks, flasks, accumulators or similar containers with their names or the names of their principals or products, or other marks or ownership stamped or marked thereon; who have stamped or marked on the containers their names or the names of their principals or products, or other marks of ownership; and have registered them with the Bureau of Patents, Trademarks and Technology Transfer.

*(ii) What acts are prohibited?*

Under Section 2 of Republic Act No. 623, it shall be unlawful for any person without the written consent of the manufacturer, bottler or seller who has successfully registered the marks or ownership with the Bureau of Patents Trademarks and Technology Transfer:

<sup>233</sup> Republic Act No. 166, Section 19-A; Rules of Practice in Trademark Cases, Rule 124.

- (1) to fill such bottles, boxes, kegs, barrels, steel cylinders, tanks, flasks, accumulators, or other similar containers so marked or stamped, for the purpose of sale; or
- (2) to sell, dispose of, buy or traffic in, or wantonly destroy the same; or
- (3) whether filled or not to use the same for drinking vessels or glasses or drain pipes, foundation pipes, for any other purpose than that registered by the manufacturer, bottler or seller.

To make the use of such containers illegal, it is not essential that they be used by other persons with the distinctive name, mark or design engraved thereon. If the containers originally conformed to the description contained in the certificate of registration and it appears that they are the same containers being used by the other persons, the use is illegal regardless of whether or not their distinctive name, mark or design is partly or entirely erased therefrom. If the illegality of the use may be removed by erasing or obliterating from the containers their distinctive name, mark or design, the protection of the law would become useless. In other words, it is the use of containers themselves, not merely the use of the trademark engraved thereon, that is prohibited by law.<sup>234</sup>

(iii) Exempted use

Exempted from the foregoing prohibition is the use of bottles as containers for “sisi,” “bagoong,” “patis,” and similar native products.<sup>235</sup>

(h) *Administrative remedies*

Executive Order 913 (EO 913) was issued on October 7, 1983, to strengthen the rule-making and adjudicatory powers of the Minister of Trade and Industry in order to further protect consumers.

The Executive Order empowers the Minister of Trade and Industry, in cases involving the violation of trade and industry laws, one of which is Republic Act No. 166, the Trademark Law, to *motu proprio* charge the violator, and thereafter proceed with a formal investigation independent of the corresponding criminal or civil action for the said violation.<sup>236</sup>

As soon as a formal charge is instituted, and even prior to the commencement of the formal investigation, for the purpose of preventing the disposition or tampering of evidence, the continuance of the acts complained of and the flight of the respondent, the Minister may order the seizure of the respondent’s goods, the paraphernalia used in their manufacture and sale, the padlocking of establishments where the goods or paraphernalia are stored; the holding in port of any vessel or aircraft ferrying the goods; the prevention of respondent’s departure from the country; and any other preventive measures which he deems necessary to achieve the purposes of the law.<sup>237</sup>

After formal investigation, the Minister may impose one or more of the following administrative penalties: <sup>238</sup>

- (a) the issuance of a cease and desist order;
- (b) the acceptance of a voluntary assurance of compliance or discontinuance under such terms and conditions as may be imposed;
- (c) the condemnation or seizure of products which are the subject of the offense;

<sup>234</sup> *Distileria Ayala Inc. v. Tan Tay*, No. 48793, August 6, 1943, 74 Phil. 301.

<sup>235</sup> Republic Act No. 623, Section 6.

<sup>236</sup> EO 913, Section 5.

<sup>237</sup> Section 11.

<sup>238</sup> Section 6.



- (d) the forfeiture of the paraphernalia and all properties, real or personal, which have been used in the commission of the offense;
- (e) the imposition of administrative fines in such amount as deemed reasonable by the Minister, which shall in no case be less than 500 pesos and not more than 150,000 pesos plus not more than 1,000 pesos for each day of continuing violation. The fine imposed under Section 6 shall be regardless of the limits of the criminal fine fixed in the "trade and industry law" violated;
- (f) the cancellation of any permit, license, authority, or registration which may have been granted by the Ministry or the suspension of the validity thereof for such period of time as the Minister may deem reasonable which shall not, however, exceed one year;
- (g) the withholding of any permit, license, authority, or registration which is being secured by the respondent from the Ministry;
- (h) the assessment of damages;
- (i) censure;
- (j) other analogous penalties or sanctions.

### 3.17.2 *The Right of Foreign Corporations to Sue in Trademark Enforcement Actions*

#### (a) *The requirement of a license to maintain suit in the Philippines*

##### (i) The provision of law

Section 21-A of Republic Act No. 166 provides:

*"Sec. 21-A.* Any foreign corporation or juristic person to which a mark or trade name has been registered or assigned under this Act may bring an action hereinunder for infringement, for unfair competition, or false designation of origin and false description, whether or not it has been licensed to do business in the Philippines under Act No. 1459, as amended, otherwise known as the Corporation Law, at the time it brings complaint: provided, that the country of which the said foreign corporation or juristic person is a citizen, or in which it is domiciled, by treaty, convention or law, grants a similar privilege to corporate or juristic persons of the Philippines."

This provision was introduced as an amendment of Republic Act No. 166 in 1951.

Act No. 1459, otherwise known as the Corporation Law, was repealed on May 1, 1980, by Batas Blg. 68, the Corporation Code of the Philippines.

Section 133 of the Corporation Code provides:

*"Sec. 133.* Doing business without a license.—No foreign corporation transacting business in the Philippines without a license, or its successors or assigns, shall be permitted to maintain or intervene in any action, suit or proceeding in any court or administrative agency of the Philippines; but such corporation may be sued or proceeded against before Philippine courts or administrative tribunals on any valid cause of action recognized under Philippine laws."

Thus the exemption granted to foreign corporations by Section 21-A of the Trademark Law from obtaining a license to do business in order to maintain suit for infringement, unfair competition, or false description in the Philippines was placed in doubt. As a practical matter, it is better to take the view that the requirement of Section 133 of the Corporation Code that no foreign corporation transacting business in the Philippines without a license shall be permitted to maintain or intervene in any action, suit, or proceeding in any court or administrative agency shall apply to trademark enforcement actions. A discussion of the jurisprudence relating to Sections 68 and 69 of Act No. 1459, which imposed the same requirement on foreign corporations, would tend to support this view.

- (ii) To maintain suit, license is not a condition unless plaintiff does business in the Philippines

In *Marshall Wells Co. v. Henry Elser*,<sup>239</sup> it was held that the requirement to obtain the license prescribed in Section 68 of Act No. 1459 is not a condition precedent to the maintaining of any kind of action in Philippine courts by a foreign corporation. The law simply means that no foreign corporation shall be permitted to “transact business in the Philippine Islands,” as this phrase is known in corporation law, unless it shall have the license required by law, and, until it complies with the law, shall not be permitted to maintain any suit in the local courts. The object of the statute was to subject the foreign corporation doing business in the Philippines to the jurisdiction of its courts. It was never the purpose of the legislature to exclude a foreign corporation which happens to obtain an isolated order for business from the Philippines from securing redress in Philippine courts.

In *Western Equipment v. Reyes*,<sup>240</sup> it was ruled that a foreign corporation which has never done any business in the Philippine Islands and which is unlicensed and unregistered to do business here, but is widely and favorably known in the Islands through the use therein of its products bearing its corporate and trade name, has legal right to maintain an action in the Islands to restrain the residents and inhabitants thereof from organizing a corporation therein bearing the same name as the foreign corporation, when it appears that they have personal knowledge of the existence of such a foreign corporation, and it is apparent that the purpose of the proposed domestic corporation is to deal and trade in the same goods as those of the foreign corporation.

The court stated that *Western Equipment* was not seeking to enforce any legal or contract rights arising from, or growing out of, any business which it has transacted in the Philippines. The purpose of the action is to protect its reputation, its corporate name, its goodwill, whenever the reputation, corporate name or goodwill have, through the natural development of its trade, established themselves. The court, however, stressed that “if it had been stipulated that the plaintiff had been doing business in the Philippine Islands without first obtaining a license, another and very difficult question would be presented.”

- (iii) Meaning of “doing business”

*Marshall Wells* and *Western Equipment* laid down the rule that an unlicensed foreign corporation may bring an action in Philippine courts to enforce a right not arising from, or growing out of, any business which it has transacted in the Philippines.

What constitutes “transacting” or “doing business”?

In *Mentholatum Co., Inc. et al. v. Mangaliman*,<sup>241</sup> the court found that the sale by *Mentholatum Co.* of its products in the Philippines through an exclusive distributing agent for a number years constituted doing business in the Philippines and being a foreign corporation doing business without the required license it may not prosecute an action for violation of trademark and unfair competition. The court held:

“No general rule or governing principle can be laid down as to what constitutes ‘doing’ or ‘engaging in’ or ‘transacting’ business. Indeed, each case must be judged in the light of its peculiar environmental circumstances. The true test, however, seems to be whether the foreign corporation is continuing the body or substance of the business or enterprise for which it was organized or whether it has substantially retired from it and turned it over to another. The term implies a continuity of commercial dealings and arrangements, and contemplates, to that extent, the performance of acts or works or the exercise of some of the functions normally incidental to, and in progressive prosecution of, the purpose and object of its organization.”

<sup>239</sup> No. 22015, September 1, 1924, 46 Phil. 70.

<sup>240</sup> No. 27897, December 2, 1927, 51 Phil. 115.

<sup>241</sup> No. 47701, June 27, 1941, 72 Phil. 524.

In *Lacoste v. Fernandez*, however, the court laid down a different rule. It held that the marketing of the products of the petitioner, a foreign corporation, through an exclusive distributor, an independent entity which buys and then markets not only products of the petitioner but many other products bearing equally known and established trademarks, in other words, not a mere agent or conduit of the petitioner, does not constitute doing business in the Philippines. The court relied on the rules and regulations promulgated by the Board of Investments, an administrative agency under the Department of Trade and Industry, which define "doing business" to include, *inter alia*, viz:

- (1) A foreign firm which does business through middlemen acting in their own names, such as indentors, commercial brokers or commission merchants, shall not be deemed doing business in the Philippines. But such indentors, commercial brokers or commission merchants shall be the ones deemed to be doing business in the Philippines.
- (2) Appointing a representative or distributor who is domiciled in the Philippines, unless said representative or distributor has an independent status, i.e., it transacts business in its name and for its account, and not in the name or for the account of a principal. Thus, where a foreign firm is represented by a person or local company which does not act in its name but in the name of the foreign firm, the latter is doing business in the Philippines."

The court clarified that the rule laid down in *Mentholatum Co., Inc. v. Mangaliman*, was not applicable because its local distributor was admittedly selling the products of its principal in the latter's name or for the latter's account. Petitioner was found to have the legal capacity to file a criminal complaint for unfair competition under Article 189 of the Revised Penal Code.

(b) *The national treatment requirement under the Paris Convention*

In *Lacoste v. Fernandez*, the court stated that in upholding the right of a foreign corporation to maintain suit in Philippine courts for unfair competition or infringement of a trademark it is recognizing the duties of the Philippines and the rights of foreign States under the Paris Convention, to which the Philippines and France are party. The court stated that it was simply interpreting and enforcing a solemn international commitment of the Philippines embodied in a multilateral treaty. Particular reference was made to Articles 1, 2, 6*bis*, 8, 10*bis*, 10*ter* and 17, of the Convention. With respect to the obligation of the Philippines to provide "national treatment" to nationals of the countries of the Union, the court said that the petitioner is entitled to avail itself of the protection against unfair competition as is made available to Filipinos.

(c) *"Any foreign corporation or juristic person to which a mark or trade name has been registered or assigned under Republic Act No. 166"*

(i) As regards an action for infringement

Under Section 22 of Republic Act No. 166, infringement consists of the use by any person without the consent of the registrant, of any reproduction, counterfeit, copy or colorable imitation of any registered mark or trade name with the sale, offering for sale, or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services or identity of such business.

Thus, a foreign corporation cannot maintain a suit for infringement in Philippine courts of a mark or trade name unless that mark or trade name is registered in the Philippines under Republic Act No. 166.

(ii) As regards civil action for unfair competition

Reference is made to the discussion on infringement and unfair competition compared and to Section 29 of Republic Act No. 166. Infringement, as defined in Section 22 of the Trademark Law, is an action that is premised on the registration of the mark or trade name sought to be enforced. Thus, as stated by the courts in a number of decisions,<sup>242</sup> in an infringement action the prior registration of the trademark is a prerequisite, whereas in unfair competition registration it is not necessary.

The court, however, in *Leviton Industries v. Salvador*<sup>243</sup> dismissed a complaint for unfair competition filed by a foreign corporation. One of the grounds *sine qua non* set by Section 21-A is the registration of the trademark of the suing foreign corporation with the Philippine Patent Office or, at least, that it be an assignee of a registered trademark. This is clearly an incorrect decision.

(iii) As regards criminal action for unfair competition

On the other hand, in *Lacoste v. Fernandez*,<sup>244</sup> the court ruled that the criminal action for unfair competition under Article 189 of the Revised Penal Code is beyond the scope of Section 21-A, therefore *Leviton v. Salvador* cannot be invoked to quash the warrants issued in the course of the preliminary investigation conducted by the prosecuting officer preceding the filing of the criminal information for unfair competition. The court reasoned that a criminal offense is essentially an act against the State although there is private right violation. If after the preliminary investigation it is found that there is probable cause that the offender named in the complaint might have committed the crime, an information, wherein he is criminally charged in the name of the People of the Philippines, is filed with the court. The capacity to sue of the complainant who is a foreign corporation not doing business in the Philippines would therefore be of little significance in the main case.

(iv) In cancellation or opposition proceedings

In *General Garments v. Director of Patents*,<sup>245</sup> the court refused to apply Section 21-A to a suit for cancellation of a trademark registration brought by a foreign corporation which is not a holder or an assignee of a trademark registration issued by the Philippine Patent Office. Section 21-A was held to apply to an action for infringement or unfair competition, not to a petition for cancellation of a trademark registration. Section 17, in relation to Section 4(d), provides that an action for cancellation may be filed by any person who believes he will be damaged by the registration of a mark because it resembles a mark previously registered or used in the Philippines as to be likely to confuse purchasers as to the source or origin thereof. Besides, a suit for infringement or unfair competition is under the jurisdiction of the courts, while an action for cancellation is cognizable by the Director of Patents.

This ruling applies to an opposition to a trademark application because the grounds therefor under Section 8 of Republic Act No. 166, are substantially the same as that in an action for cancellation under Section 17. Likewise, an opposition is an administrative proceeding before the Patent Office.

(d) *Allegations in pleadings showing the capacity to sue*

In *Leviton v. Salvador*, all that was alleged in the complaint for unfair competition was that plaintiff Leviton Manufacturing Co. was a New York corporation which manufactures

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<sup>242</sup> *Del Monte Corp. et al. v. Court of Appeals et al.*, *supra*, footnote 91; *Compania General de Tabacos v. Alhambra Cigar & Cigarette Mfg. Co.*, *supra*, footnote 23; *Parke Davies & Co. v. Ku Foo & Co.*, *supra*, footnote 220.

<sup>243</sup> L-40163, June 19, 1982; 114 SCRA 50.

<sup>244</sup> *Supra*, footnote 56.

<sup>245</sup> No. L-24295, September 30, 1971; 41 SCRA 50.

electrical wiring devices in the United States of America under the trademark LEVITON, that since 1954 these were exported to the Philippines, and that defendant violated its trademark rights by unlawfully registering LEVITON with the Philippine Patent Office and using the mark and design in the manufacture and sale of electrical ballast, fuse and buzzer in the Philippines. Invoking Section 21-A of the Trademark Law plaintiff prayed for damages and injunction. The court dismissed the action for non-compliance with the rules on pleadings<sup>246</sup> providing that plaintiff affirmatively plead the requirements of Section 21-A, namely: that it is the registrant of the trademark with the Philippine Patent Office or, at least, an assignee of such registered trademark, and the country of which the plaintiff foreign corporation is a citizen or domiciliary grants to Filipino corporations the same reciprocal treatment, or aver its exemption therefrom. These are matters peculiarly within the knowledge of the pleader and it would be unfair to impose upon the adverse party the burden of asserting and proving the contrary.<sup>247</sup>

The *Leviton v. Salvador* doctrine was subsequently modified by *Puma v. Intermediate Appellate Court*.<sup>248</sup> The court declared that plaintiff corporation, organized and existing under the laws of the Federal Republic of Germany, need not allege in the complaint for infringement of trademark the reciprocity between the Federal Republic of Germany and the Philippines. It is embodied and supplied by the Paris Convention to which both are signatories and that since the Paris Convention is a treaty, pursuant to the Philippine Constitution, it forms part of the law of the land, and the courts are bound to take judicial notice of such treaty and, consequently, this fact need not be averred in the complaint.

### 3.18 Transfer of Trademarks

#### (a) *Only assignee of record recognized before the Patent Office*

Any action in any proceeding in the Patent Office which may or must be taken by a registrant or applicant may be taken by the assignee, provided the assignment has been recorded; but unless such assignment has been recorded, no assignee will be recognized to take action.<sup>249</sup>

#### (b) *Assignment must be made with the goodwill of the business*

No assignment of a registered mark or trade name or name or other mark of ownership, or of one for which application to register has been filed, will be accepted by the Patent Office for recording, unless the assignment includes the goodwill of the business in which the mark or trade name or name or other mark of ownership is used.<sup>250</sup>

#### (c) *Form of assignment*

To be acceptable for recording, the assignment, other document or license:

- (1) must be in writing and in the English language; if in the Spanish or in the Philippine national language or in any other language, the assignment must be accompanied by a verified English translation;
- (2) must be acknowledged before a notary public or other officer authorized to administer oaths or perform other notarial acts, and be certified under the hand and official seal of the said notary or other officer;

<sup>246</sup> Rules of Court, Rule 8, Section 4.

<sup>247</sup> *Atlantic Mutual Insurance Co. v. Cebu Stevedoring*, L-18961, August 31, 1966; 17 SCRA 1037.

<sup>248</sup> *Supra*, footnote 116.

<sup>249</sup> Rules of Practice in Trademark Cases, Rule 155.

<sup>250</sup> Republic Act No. 166, Section 31; Rules of Practice in Trademark Cases, Rule 148.

- (3) must be accompanied by an appointment of a resident agent, if the assignee is not domiciled in the Philippines;
  - (4) must identify the certificate of registration involved by number and date of issue; or if the trademark or trade name or name or other mark of ownership has been applied for registration, the serial number and filing date of the application for registration shall be stated;
  - (5) must be accompanied by the required recording and publication fees.<sup>251</sup>
- (d) *Assignment executed in a foreign country*

When the assignment is executed in a foreign country, the authority of the foreign notary or other officer shall be proved by a certificate of a diplomatic or consular officer of the Philippines or other officer representing the interests of the Philippines in the foreign country.<sup>252</sup>

(e) *Right of an unregistered assignee*

On the basis of *Umno Commercial v. General Milling*,<sup>253</sup> the conclusion is drawn that the recordal of the assignment with the Patent Office is not a condition for its validity between the parties. In resolving the issue of priority of adoption and use between an application for ALL MONTANA used on wheat and flour filed by General Milling, and a registration for the same mark and for the same goods earlier issued to Umno Commercial, the court upheld General Milling's ownership of the trademark on the basis of an unrecorded deed of assignment executed by Centennial Mills which was the admitted owner and first user of ALL MONTANA.

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<sup>251</sup> Republic Act No. 166, Section 31; Rules of Practice in Trademark Cases, Rule 149.

<sup>252</sup> Rule 150.

<sup>253</sup> *Supra*, footnote 113.

# **CHAPTER 4**

## **INDUSTRIAL DESIGNS**

### **SYNOPSIS**

#### **4.1 The Nature of Industrial Designs**

#### **4.2 Conditions for Protection**

##### **4.2.1 Introduction**

##### **4.2.2 Novelty**

##### **4.2.3 Disclosure**

##### **4.2.4 Similarity to Previous Design**

#### **4.3 Examination and Grant of Industrial Designs**

#### **4.4 Scope of Exclusive Rights**

#### **4.5 Duration of Protection**

#### **4.6 Rights Conferred by the Patent**

##### **4.6.1 In General**

##### **4.6.2 To Restrain Infringement**

##### **4.6.3 Limitation of Rights**

#### **4.7 Assignment**

#### **4.8 Relation to Copyright**

## 4.1 The Nature of Industrial Designs

### *Introduction*

The law on industrial designs is found in Chapter XII, which comprises Sections 55 to 60, of Republic Act No. 165. At the time it became law in June 1947, the Act contained several provisions on industrial designs. One of them was Section 55 which provided, viz:

“Sec. 55. Industrial designs.—Any new and original creation relating to the features of shape, pattern, configuration, ornamentation, or artistic appearance of an article or industrial product may be protected as an industrial design by the author in the same manner and subject to the same provisions and requirements as relate to patents for inventions as they are applicable, except as otherwise hereinafter provided.”

On June 16, 1953, Republic Act No. 165 was amended by Act No. 864. In Section 55, industrial designs were redefined to mean, “a new, original and ornamental design for an article of manufacture.” This amendment, it is believed, did not alter the essence of industrial design as defined originally. In its present form, the definition of industrial design no longer includes the phrase “creation relating to . . . shape, pattern, configuration, ornamentation, or artistic appearance.”

## 4.2 Conditions for Protection

### 4.2.1 *Introduction*

On the basis of the provisions of Section 55 of Republic Act No. 165, any new, original and ornamental design for an article of manufacture may be protected by the author thereof by a patent for a design in the same manner and subject to the same provisions and requirements as relate to patents for inventions insofar as they are applicable.

#### (a) *Requisites for patentability*

Rule 123 of the Rules of Practice in Patent Cases provides:

“Rule 123. Requisites for patentability explained.—The object of the statute is to encourage the decorative arts and a design which merely pleases the eye is a proper subject for a design patent. That is to say, a patentable design must not only be new and original, but ornamental as well. Ornamentation implies beauty, the giving of a pleasing appearance. Patentable designs must, however, meet certain tests applicable to mechanical patents, and it is held that the subject matter must be novel and must clearly indicate an exercise of the inventive faculties. Both are essential and necessary.”

#### (i) Utility is not required

The essence of designs under the design patent law is appearance—artistic and pleasing appearance. Patents for designs are not intended to promote utility, but to give encouragement to the decorative arts.

#### (ii) Is inventive step required in industrial designs?

Rule 123 provides that patentable designs must meet certain tests applicable to mechanical patents. The design must not only be new; it must also clearly indicate an exercise of the inventive faculties.



In *Co San v. Jose Ong Lian Bio*,<sup>1</sup> the Director of Patents held a different view. He said that a design is not intended to serve, but to please. It does not appear reasonable to require of it as a condition precedent for protection the same attributes of inventiveness and utility that Section 7 of Republic Act No. 165 demands of inventions. Had the legislator intended to require of industrial designs the attributes of inventiveness and utility, he would surely have made that intention plain by appropriately changing the definition of such designs in Section 55. The Director noted that in the United States of America, because the lawmaker actually intended to require invention of industrial designs, he made Section 171 of United States of America Code Title 35 provide: "Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor . . . ."

Only the Supreme Court, however, can nullify a rule or regulation for being contrary to law or the Constitution. Since the court has not declared Rule 123 to be inconsistent with the statutory provisions of Republic Act No. 165 relating to industrial designs it should be considered valid.

In *Ex Parte Sy Pio Lato*,<sup>2</sup> this exacting rule was applied by the Director of Patents in rejecting the application for a "wall decor." He ruled that it merely differed or varied in form over the prior art references. What is required is that the design show such originality which may not be within the competence of the routine designer. To be patentable, the design should display a characteristically different effect not suggested by the prior art.

#### 4.2.2 Novelty

In *Co San*, the Director of Patents combined Sections 9 and 56 as follows:

"A design shall not be considered new or capable of being patented (a) if it was known or used by others in the Philippines before the creation thereof by the designer named in an application for patent for the design; or (b) if it was patented or described in any printed publication in the Philippines or any foreign country more than six months before the application for a patent therefor; or (c) if it had been in public use or on sale in the Philippines for more than six months before the application for a patent therefor; or (d) if it is the subject matter or a validly issued design patent in the Philippines granted on an application filed before the filing of the application for patent therefor."

#### 4.2.3 Disclosure

What matters should be included in the specification of an industrial design? *Co San* stated the rule that it should include as much data as are required of the specification of inventions in accordance with Section 14 of the Patent Law but not a complete, detailed description in such full, clear and exact terms as to enable a person skilled in the art to make and practice the design.

The title of the design must designate the particular article. No specific description, other than a reference to the drawing, is ordinarily required or permitted. The claim shall be in formal terms to the ornamental designs for the article (specifying name) as shown or as shown and described. More than one claim is neither required nor permitted.<sup>3</sup>

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<sup>1</sup> *Co San v. Jose Ong Lian Bio*, Decision No. 108, March 15, 1956.

<sup>2</sup> Decision No. 88-7, February 3, 1988.

<sup>3</sup> Rules of Practice in Patent Cases, Rule 129.

#### 4.2.4 *Similarity to Previous Design*

##### (a) *Substantial identity or sameness required*

In *Co San*, the Director cited the rule laid down in *Gorham v. White*, 81 U.S. 511, to wit:

“If in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one, supposing it to be the other, the first one patented is infringed by the other.”

##### (b) *How a thing is made is irrelevant to designs*

The novelty of a design is to be tested, not by investigation of the means employed for its creation, but by ocular comparison of the design itself with prior designs, which are alleged to be substantially the same. In considering the question of infringement of a design patent, the method of production is irrelevant. The subject for consideration is not the process of creation, but the effect produced upon the eye by the thing created.<sup>4</sup>

### 4.3 Examination and Grant of Industrial Designs

Rule 126 of the Rules of Practice in Patent Cases provides:

“*Rule 126.* Chapters of these rules to be taken into account in preparing application for a patent for industrial design.—Since the provisions and requirements relative to applications for invention patent govern applications for design patent, the following chapters of these Rules should be taken into account in preparing the application for an industrial design patent.

Part II, Chapter II.—Who may Apply for an Invention Patent?

Part II, Chapter III.—The Application for an Invention Patent

Article 1: Requirements in General

Article 2: The Petition for an Invention Patent

Article 3: The Specification for an Invention

Article 4: The Oath of Inventorship

Article 5: The Drawings for an Invention.”

The examination of applications for design patents is subject to the same rules that govern examination of applications for invention patents.<sup>5</sup>

### 4.4 Scope of Exclusive Rights

According to Section 55, the rights of a patentee of industrial designs are the same as those of patentees of inventions.

Under Section 37 of the Patent Law, these rights consist of the exclusive right to make, use and sell the patented design throughout the territory of the Philippines for the term of the patent. The instances of permitted use as regards patents for inventions also apply to industrial designs, (a) Section 38 (experimental use of invention), (b) Section 39 (temporary presence in the country), (c) Section 40 (rights of third parties prior to application), and (d) Section 41 (use of invention by the Government).

<sup>4</sup> *Co San v. Jose Ong Lian Bio*, *supra*, footnote 1.

<sup>5</sup> Rules of Practice in Patent Cases, Rule 131.

## 4.5 Duration of Protection

Section 58 of Republic Act No. 165 provides:

“Sec. 58. Term and extension thereof.—The term of the design patent and of the patent for a utility model shall be five years from the date of grant thereof.

Before the expiration of the five-year term, upon payment of the required fee, or within a further time thereafter not to exceed six months upon payment of the surcharge, the owner of the design patent or of a patent for a utility model may apply for an extension for an additional five years. The application for extension must be accompanied by an affidavit showing that the design or the model is in commercial or industrial use in the Philippines or satisfactorily explaining non-use. In a similar manner an extension for a third five-year period may be obtained.”

They shall not be subject to payment of annual fees which are required for the maintenance of the validity of invention patents.<sup>6</sup>

## 4.6 Rights Conferred by the Patent

### 4.6.1 *In General*

Reference is made to section 4.4 (“Scope of Exclusive Rights”) of this chapter.

### 4.6.2 *To Restrain Infringement*

#### (a) *The provision of law*

Section 60 of Republic Act No. 165 provides:

“Sec. 60. Infringement.—Infringement of a design patent or of a patent for utility model shall consist in unauthorized copying of the patented design or utility model for the purpose of trade or industry in the article or product and in the making, using or selling of the article or product copying the patented design or utility model. Identity or substantial identity with the patented design or utility model shall constitute evidence of copying.”

#### (b) *Tests to determine infringement of designs: the “tout ensemble” doctrine*

In *Presto v. Zembrano*,<sup>7</sup> the Director of Patents indicated the following tests in the determination of identity or substantial identity of designs.

In determining infringement, one does not pick apart the elements of a design patent; the question should be determined by the appearance of the alleged infringing device as a whole as compared with the design as claimed in the patent.

The test of infringement of a design patent is the resultant effect of the whole design on the eye of an untutored purchaser as compared with the effect of the accused device.

The claim in this case covers the design as a whole, and not any part of it, as a part; and it is to be tested as a whole as to novelty and infringement.

<sup>6</sup> Republic Act No. 165, Section 55.

<sup>7</sup> Decision No. 82-56, August 20, 1982.

#### 4.6.3 *Limitation of Rights*

This matter is discussed in section 4.4 (“Scope of Exclusive Rights”).

#### 4.7 **Assignment**

The following provisions on patents for inventions also apply to design patents:

*Sec. 50. Transmission of rights.*—Patents and the inventions covered thereby shall be protected as and have the applicable rights of other property. Inventions and any right, title or interest in and to patents and inventions covered thereby may be assigned, or transmitted by inheritance or bequest.

*Sec. 51. Assignment of inventions.*—An assignment may be of the entire right, title or interest in and to the patent and the invention covered thereby, or of an undivided share of the entire patent and invention in which event the parties become joint owners thereof. An assignment may be limited to a specified territory.

*Sec. 52. Form of assignment.*—The assignment must be in writing, acknowledged before a notary public or other officer authorized to administer oaths or perform notarial acts and certified under the hand and official seal of the notary or other officer.”

#### 4.8 **Relation to Copyright**

This matter is discussed in section 5.2.2(e)(ii)2 (“Copyright and design patents”) of Chapter 5 on Copyright and Neighboring Rights.

## CHAPTER 5

### COPYRIGHT AND NEIGHBORING RIGHTS

#### SYNOPSIS

##### 5.1 Introduction

- 5.1.1 Act No. 3134
- 5.1.2 Philippine Accession to the Berne Convention
- 5.1.3 Philippine Accession to the Universal Copyright Convention
- 5.1.4 Reciprocal Copyright Relationship Between the Philippines and the United States of America
- 5.1.5 The Civil Code Provisions on Intellectual Creations
- 5.1.6 *Santos v. MacCullough*
- 5.1.7 Presidential Decree No. 49
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##### 5.2 Presidential Decree No. 49

- 5.2.1 How Copyright Is Acquired and Lost
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##### 5.4 Ownership

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##### 5.5 Limitations on Copyright Protection

- 5.5.1 Temporal
- 5.5.2 Permitted Use

##### 5.6 Remedies

- 5.6.1 Under P.D. No. 49
- 5.6.2 Under Other Laws

## 5.1 Introduction

### 5.1.1 *Act No. 3134*

The Spanish Law on Intellectual Property of January 10, 1879, which was extended to the Philippines by Royal Decree of May 5, 1978, was the first known copyright law in the Philippines. This was replaced by the United States Copyright Law when Spain ceded the Philippines to the United States of America under the Treaty of Paris of December 10, 1898.<sup>1</sup> This was the situation until March 6, 1924, when the Philippine Legislature enacted Act No. 3134, entitled “An Act to protect intellectual property.”

Act No. 3134 was patterned mainly on the American Copyright Law of 1909. Section 3 of the Act set forth the rights included in copyright. This was reproduced in its entirety in Section 5 of Presidential Decree No. 49, the current Copyright Law. The classes of works<sup>2</sup> indicated in the Act were quite comprehensive and together with a few additional classes of works were reproduced in Section 2 of the Decree.

The Act provided that copyright may be secured only after registration of claims to copyright, and deposit of copies of the work with the Philippine Library and Museum.<sup>3</sup>

Copyright protection was extended to foreigners (not citizens of the Philippine Islands or of the United States of America) on the basis of reciprocity.<sup>4</sup> The term of the copyright was 30 years from the date of registration and may be renewed for a further term of 30 years.<sup>5</sup> Remedies for infringement consisted of injunction, damages<sup>6</sup> and criminal liability for the infringers, and those who aided or abetted the infringement.<sup>7</sup>

### 5.1.2 *Philippine Accession to the Berne Convention*

(a) On August 1, 1951, the Philippines acceded to the Berne Convention for the Protection of Literary and Artistic Works (hereafter referred to as “the Berne Convention”) as revised in Brussels in 1948, which will be referred to, when appropriate, as the Brussels Act.

#### (i) Rights granted under the Brussels Act

1. *The national treatment principle.* Our accession to the Berne Convention radically changed the copyright system in the Philippines. Article 4(1) of the Brussels Act introduced the national treatment principle in lieu of the reciprocity requirement under Act No. 3134. Thus authors who are nationals of a member State of the Union shall enjoy, with respect to their works in countries other than the country of origin of the work, the rights which the laws of the said countries grant to their nationals, and the rights specially granted by the Convention.<sup>8</sup> The enjoyment and exercise of these rights shall not be subject to any formality.<sup>9</sup>

The country of origin shall be considered to be, in the case of published works, the country of first publication; in the case of works published simultaneously (i.e., within

<sup>1</sup> *Serrano Laktaw v. Paglinawan*, No. 11937, April 1, 1918, 44 Phil. 855.

<sup>2</sup> Act No. 3134, Section 2.

<sup>3</sup> Section 11.

<sup>4</sup> Section 10.

<sup>5</sup> Section 18.

<sup>6</sup> Section 19.

<sup>7</sup> Section 20.

<sup>8</sup> Berne Convention, Brussels Act, Article 4(1).

<sup>9</sup> Article 4(2).

30 days of its first publication) in several countries of the Union which grant different terms of protection, the country of which the legislation grants the shortest term of protection; in a country outside the Union and in a country of the Union, the latter country;<sup>10</sup> in the case of unpublished works, the country to which the author belongs.<sup>11</sup> Protection in the country of origin is governed by domestic law.

2. *Jure conventionis.* The rights specially granted by the Berne Convention or *jure conventionis* are the *droit moral* during the lifetime of the author,<sup>12</sup> the translation right,<sup>13</sup> the public performance right,<sup>14</sup> the broadcasting right,<sup>15</sup> the public recitation rights,<sup>16</sup> the right of adaptation,<sup>17</sup> the recording right<sup>18</sup> and the cinematographic right.<sup>19</sup>

#### (ii) Enjoyment and exercise of rights

1. *The principle of automatic protection.* The enjoyment and exercise of these rights shall not be subject to any formality.<sup>20</sup>

A “formality” is any condition on which the existence or the exercise of the right depends. Registration, payment of fees on registration, deposit of copies with certain national institutions are all formalities, but only if the existence of the copyright or its exercise depends on compliance with such conditions does it amount to a formality.<sup>21</sup>

2. *The principle of independence of protection.* The enjoyment and exercise of these rights shall also be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of the Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.<sup>22</sup>

#### (iii) Who is entitled to protection?

1. *In general.* The author and his legal representatives and assignees with respect to their works which enjoy protection under the Convention. The Brussels Act, however, does not state who should be considered an “author.”<sup>23</sup>

2. *Criteria of eligibility for protection.* Authors who are nationals of any country of the Union for their works whether unpublished or first published in a country of the Union.<sup>24</sup>

#### (iv) Term of protection

The term of protection granted by the Convention is the life of the author and 50 years after his death.<sup>25</sup>

<sup>10</sup> Article 4(3).

<sup>11</sup> Article 4(5).

<sup>12</sup> Paris Act, Article 6*bis*.

<sup>13</sup> Article 8.

<sup>14</sup> Article 11.

<sup>15</sup> Article 11*bis*.

<sup>16</sup> Article 11*ter*.

<sup>17</sup> Article 12.

<sup>18</sup> Article 13.

<sup>19</sup> Article 14.

<sup>20</sup> Article 4(2).

<sup>21</sup> Stewart, *International Copyright and Neighboring Rights*, 1983 ed., S5.35, p. 106.

<sup>22</sup> Berne Convention, Brussels Act, Article 4(2).

<sup>23</sup> Article 2(4).

<sup>24</sup> Article 4(1).

<sup>25</sup> Article 7(1).

(v) Binding Effect

The wording of Article 2(4) of the Brussels Act that “the works . . . shall enjoy protection in all countries of the Union” makes it clear that it was the intention of the conference to assure protection based on the Convention itself. Besides, according to Philippine jurisprudence, a treaty or convention pursuant to the international law principle of *pacta sunt servanda* is not a mere moral obligation but creates a legally binding obligation on the Philippines. This is based on Section 2, Article 11 of the 1987 Constitution which adopts the generally accepted principles of international law as part of the law of the land.<sup>26</sup>

(b) *Subsequent revisions of the Berne Convention*

Since the Brussels revision in 1948, the Berne Convention has undergone two more revisions: the Stockholm Act (1967) and the Paris Act (1971). The Philippines adhered to the administrative provisions of the Paris Act but not to its substantive provisions.

5.1.3 *Philippine Accession to the Universal Copyright Convention*

The Philippines deposited its instrument of accession on August 19, 1955, which was to become effective on November 19, 1955. However, in a communication dated November 14, 1955, the Philippine Government informed the Director-General of the United Nations Educational, Scientific and Cultural Organization (UNESCO) that “his Excellency, the President of the Republic of the Philippines had directed the withdrawal of the instrument of accession of the Republic of the Philippines in the Universal Copyright Convention prior to November 19, 1955, at which the Convention would become effective in respect of the Philippines.”<sup>27</sup>

5.1.4 *Reciprocal Copyright Relationship Between the Philippines and the United States of America*

By virtue of an Exchange of Notes between the Philippines and the United States of America that entered into force on October 21, 1948, a reciprocal copyright relationship was established between them. The benefits of the copyright laws of the said countries were extended to the citizens of the other country by virtue of Proclamation No. 99 of the President of the Philippines and the Proclamation of the President of the United States of America, both dated October 21, 1948, on condition that the requirements and formalities prescribed by their respective copyright laws are complied with. The Exchange of Notes was entered into based on the reciprocity provision of Act No. 3134. Whether or not the Exchange of Notes and the consequent copyright reciprocal relationship established by it continue in force to the present time is arguably open to question in view of the lack of a reciprocity provision in P.D. No. 49. The Minister of Justice has, however, opined that the Exchange of Notes is still in force.<sup>28</sup>

On November 16, 1988, the United States of America acceded to the Paris Act (1971) of the Berne Convention. The Paris Act entered into force as regards the United States of America on March 1, 1989. The principle of national treatment now governs the relationship between the Philippines and the United States of America involving copyrights. In line with this principle, nationals of the United States of America enjoy the same rights as Filipinos in the Philippines. Filipinos likewise enjoy as many rights as regards copyright as Americans in the United States of America.

<sup>26</sup> *La Chemise Lacoste v. Fernandez*, L-63796-97, May 21, 1984; 129 SCRA 373.

<sup>27</sup> Philippine Treaty Series, Vol. III, p. 7.

<sup>28</sup> Opinion No. 132, October 16, 1979.



### 5.1.5 *The Civil Code Provisions on Intellectual Creations*

Republic Act No. 386, entitled the Civil Code of the Philippines, which took effect on August 30, 1950, provides for the modes of acquiring ownership of intellectual creations under Articles 721 to 723 thereof, viz:

“*Art. 721.* By intellectual creation, the following persons acquire ownership:

- (1) The author with regard to his literary, dramatic, historical, legal, philosophical, scientific or other work;
- (2) The composer, as to his musical composition;
- (3) The painter, sculptor, or other artist, with respect to the product of art;
- (4) The scientist or technologist or any other person with regard to his discovery or invention.

*Art. 722.* The author and the composer, mentioned in Nos. (1) and (2) of the preceding Article, shall have the ownership of their creations even before the publication of the same. Once their works are published, their rights are governed by the copyright laws.

The painter, sculptor or other artist shall have dominion over the product of his art even before it is copyrighted.

The scientist or technologist has the ownership of his discovery or invention even before it is planted.

*Art. 723.* Letters and other private communications in writing are owned by the person to whom they are addressed and delivered, but they cannot be published or disseminated without the consent of the writer or his heirs. However, the court may authorize their publication or dissemination if the public good or the interest of justice so requires.

Article 722 is deemed superseded by P.D. No. 49.”

### 5.1.6 *Santos v. MacCullough*<sup>29</sup>

In this case, the court failed to consider and give effect to the Brussels Act but applied the provisions of Act No. 3134 and Articles 721 and 722 of the Civil Code. Malang, a well-known local artist, was held to have lost his right to sue for damages for the unauthorized copying of an artistic motif of a Christmas card he designed for his client, because he did not secure copyright by registering his claim and depositing the work within 30 days (as required by regulation) after his client distributed 800 such cards to his friends. The court stated that the exclusive right of the author is enjoyed only before the work is published; after publication it becomes part of the public domain unless placed under the protection of the copyright law.

The court, by disregarding the no-formality rule laid down by the Berne Convention, placed in legal uncertainty the rights of local authors for works published in the Philippines created between August 1, 1951, when the Philippines acceded to the Brussels Act of the Berne Convention, and December 15, 1972, when Presidential Decree No. 49 came into force, for which copyright was not secured through registration and deposit under Act No. 3134. This question is of more than academic significance because foreign authors may seek protection in the Philippines with respect to works created after August 1, 1951, notwithstanding non-compliance with the formalities required by Act No. 3134, invoking the no-formality rule of the Brussels Act. Foreign authors may thus enjoy and exercise in the Philippines more rights than Filipino authors, for the reason that while the latter might have already lost their copyright by virtue of publication, the former continue to enjoy their right.<sup>30</sup>

<sup>29</sup> L-19439, October 31, 1964; 12 SCRA 321.

<sup>30</sup> Llanillo, "Rights of Authors and Protection of their Works under the Philippine Intellectual Property Decree," *Intellectual Property Journal*, Vol. No. 1, December 1986.

### 5.1.7 *Presidential Decree No. 49*

Presidential Decree No. 49 as amended by P.D. No. 1988, known as the “Decree on Intellectual Property,” which took effect on December 15, 1972, is the current law. It settled the basic issue in *Santos v. MacCullough* by providing that copyright subsists from the moment of creation. In addition to copyright, P.D. No. 49 granted to authors the *droit de suite* and moral rights; and to performers, producers of sound recordings and broadcasting organizations the so-called neighboring rights. The discussions in this chapter will deal mainly with the provisions of P.D. No. 49 as supplemented by the Brussels Act and other laws, the more significant of which is the Reprinting Law.<sup>31</sup>

### 5.1.8 *Rome Convention*

On September 25, 1984, the Philippines acceded to the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations which was adopted at Rome on October 26, 1961, and is known as the Rome Convention. The rights granted by P.D. No. 49 to performers, producers of sound recordings and broadcasting organizations were substantially the same as those granted under the Convention.

## 5.2 **Presidential Decree No. 49**

### 5.2.1 *How Copyright Is Acquired and Lost*

Presidential Decree (P.D.) No. 49 was issued in November 1972 by President Ferdinand Marcos pursuant to the legislative powers he enjoyed during the martial law regime which he had declared two months earlier.

In the absence of debates in the halls of the legislature on this measure, and the tense political situation prevailing at that time in the country, the important changes in the copyright system in the Philippines wrought by P.D. No. 49 were hardly noticed. Section 2 of the Decree provides that copyright subsists from the moment of creation. By creation is meant “the presentation of a new conception or idea in artistic embodiment.”<sup>32</sup> This placed beyond doubt adherence of the Philippines to the rule that the enjoyment and exercise of copyright shall not be subject to any formality.

Copyright is lost only in the manner provided in the Decree, namely expiration of the period of protection and transfer made in accordance with its provisions.<sup>33</sup>

### 5.2.2 *Classes of Works*

#### (a) *The provision of law*

Section 2 of the Intellectual Property Decree lists 18 classes of works in respect of which the author shall enjoy copyright from the moment of creation. The list is non-exclusive and is more extensive than that provided in Act No. 3134 and covers the following:

- (a) books, including composite and cyclopedic works, manuscripts, directories, and gazetteers;
- (b) periodicals, including pamphlets and newspapers;
- (c) lectures, sermons, addresses, dissertations prepared for oral delivery;

<sup>31</sup> Presidential Decree No. 285 (September 3, 1973) as amended by Presidential Decrees Nos. 400 (March 1, 1974) and 1203 (September 27, 1970).

<sup>32</sup> *Co San v. Jose Ong Lian Bio*, Decision No. 108, March 15, 1956.

<sup>33</sup> P.D. No. 49, Section 3.

- (d) letters;
  - (e) dramatic or dramatico-musical compositions; choreographic works and entertainments in dumb shows, the acting form of which is fixed in writing or otherwise;
  - (f) musical compositions with or without words;
  - (g) works of drawing, painting, architecture, sculpture, engraving, lithography, and other works of art; models or designs for works of art;
  - (h) reproduction of a work of art;
  - (i) original ornamental designs or models for articles of manufacture, whether or not patentable, and other works of applied art;
  - (j) maps, plans, sketches, and charts;
  - (k) drawings or plastic works of a scientific or technical character;
  - (l) photographic works and works produced by a process analogous to photography, lantern slides;
  - (m) cinematographic works and works produced by a process analogous to cinematography or any other process for making audiovisual recordings;
  - (n) computer programs;
  - (o) prints, pictorial illustrations, advertising copies, labels, tags, and box wraps;
  - (p) dramatizations, translations, adaptations, abridgements, arrangements and other alterations of literary, musical or artistic works or of works of the Philippine Government, which shall be protected as provided in Section 8 of the Decree;
  - (q) collections of literary, scholarly, or artistic works or of works referred to in Section 9 of the Decree which by reason of the selection and arrangement of their contents constitute intellectual creations, the same to be protected as such in accordance with Section 8 of the Decree;
  - (r) other literary, scholarly, scientific and artistic works.
- (b) *What is a work?*

The term work is neither defined in the Decree nor in the Brussels Act. It is clear from the history and the whole tenor of the Berne Convention that a work must be some kind of “intellectual creation.” “Intellectual creation” is actually used in Article 3 of the Brussels Act and Section 2(q) of the Decree as a requirement if collections of literary and artistic works or works of the Government are to be protected as works, as opposed to each work forming part of the collection. It is generally assumed that this test should be applied if the question whether something not named in the list of works is a work or not, has to be decided.<sup>34</sup>

The law neither requires that the work be fixed in a tangible form—however, it is implied in some classes depending on the nature of the work—nor are they required to be published first before copyright is acquired.

(c) *New classes of works*

It is significant to note the inclusion as new works of “computer programs” (n), “works produced by a process analogous to cinematography or any other process for making audiovisual recordings” (m), such as videotape recordings, “cinematographic works and entertainments in dumb shows the acting form of which is fixed in writing or otherwise” (e), “letters” (d), “original ornamental designs or models for articles of manufacture, whether or not patentable, and other works of applied art” (i), “advertising copies, labels, tags, and box wraps” (o).

<sup>34</sup> Stewart, *op. cit.*, S5.30, p. 102.

*(d) Under the Brussels Act*

The classes of works entitled to protection under Article 2(1) of the Brussels Act are found in Section 2 of the Decree, with the exception of “translations, adaptations, arrangements of music and other alterations of a literary or artistic work [which] shall be protected as original works.”<sup>35</sup>

It is stressed, however, that Article 2(4) of the Brussels Act expressly provides that the works mentioned in the Article shall enjoy protection in all countries of the Union, hence, the rights of authors who are nationals of States party to the Berne Convention as regards works omitted in Section 2 of the Decree may still be enforced in the Philippines.

*(e) Notes on several classes of works**(i) Computer programs*

At a time when many countries have not granted explicitly statutory protection to computer programs, the Philippines, unhesitatingly recognized it to be entitled to copyright. Philippine law or jurisprudence, however, neither indicates the legal situation in respect of the various issues relating to the scope of protection of computer programs which are raised in other jurisdictions nor defines “computer program.”

On the other hand, computer programs should be considered included in the definition of “literary and artistic works.” Article 2(1) of the Brussels Act, provides among others:

“The term ‘literary and artistic works’ shall include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books, pamphlets and other writings; . . .”

In this regard, the United Kingdom Copyright Committee rejected the proposal that the definition of “literary work” should be extended to include “any written computer program,” and the definition of “writing” to include “notation expressed in the form of punched holes or of magnetic signs or symbols.” The Committee took the view that the existing categories of literary and artistic works are sufficiently wide to cover computer programs already.<sup>36</sup>

It appears, therefore, that the inclusion of computer programs in Section 2 of P.D. No. 49 did not really widen the scope of copyright protection in the Philippines. On the other hand, that computer programs are stated expressly in the law as copyrightable serves to remove any doubt that this is so.

*(ii) Original ornamental designs or models for articles of manufacture, whether or not patentable, and other works of applied art (i)*

1. *Definition of original and ornamental.* Original means not copied, imitated, or reproduced, underived, first hand.<sup>37</sup>

Originality in relation to a work means that it is the author’s own creation and is not copied totally or essentially from another work. Originality is required by copyright law for the composition of the contents as well as the form of their expression, but not in relation to ideas, information or methods embodied in the work.<sup>38</sup> Ornamentation implies beauty, the giving of a pleasing appearance.<sup>39</sup>

<sup>35</sup> Berne Convention, Brussels Act, Article 1(2).

<sup>36</sup> McFarlane, *A Practical Introduction to Copyright*, 2nd ed., Waterlow Publishers, pp. 116-117.

<sup>37</sup> *Co San v. Jose Ong Lian Bio*, *supra*, footnote 32.

<sup>38</sup> WIPO, “Introduction to Copyright: Basic Notions of Copyright,” Sub-Regional Course on Copyright and Neighboring Rights for ASEAN and Oceanic Countries, WIPO document GIC/SR/NLP/CNR/1984.

<sup>39</sup> Rules of Practice in Patent Cases, Rule 123.

2. *Copyright and design patents.* The copyright system grants to original and ornamental designs immediate protection, which such works require because they become obsolete quickly. On the other hand, for the grant of a design patent the application therefor is subject to examination to determine whether or not the design meets the requirements of patentability, i.e., novelty, ornamentality and originality.<sup>40</sup>

This advantage of copyright over the patent system is the rationale for the inclusion of ornamental designs or models as one of the classes of works that enjoy copyright protection.<sup>41</sup>

There are, however, some practical advantages to be derived from obtaining a design patent. That the design has passed the substantive examination of the Patent Office, for which letters patent are issued and thereafter published, provides the owner of the design with a tangible basis from which he can defend his property without further proof. The applicant for a design patent in the Philippines is likewise entitled to claim, under the terms of the Paris Convention for the Protection of Industrial Property, as filing date of his application in another member State, the Philippine filing date.

There is no legal prohibition against the concurrent availability of protection for designs under the Copyright Law and the Patent Law. That designs or models for articles of manufacture, whether or not patentable, are among the subject matter of copyright, supports this view.<sup>42</sup>

3. *The "useful article" doctrine.* Designs or models for articles of manufacture would often have both ornamental and mechanical or utilitarian aspects. There is no provision, however, in P.D. No. 49 which addresses the issue of the copyrightability of such design or model known in United States statutes as a useful article. United States law requires that the design or model should be a work of artistic craftsmanship but copyright attaches only as to its form and not to its mechanical or utilitarian aspects. Furthermore, the design of a useful article, i.e., an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information shall be considered a subject matter of copyright only if and only to the extent that such design incorporates pictorial, graphic or sculptural features that can be identified separately from and are capable of existing independently of the utilitarian aspects of the article.<sup>43</sup> In the absence of a provision in P.D. No. 49 and Philippine jurisprudence clearly defining and addressing this issue, reference is made to United States statutes or jurisprudence on the same subject since Section 2 of P.D. No. 49 was based on Act No. 3134 which was patterned on American copyright law. Philippine courts will not likely contest the validity of the United States of America doctrine that copyright attaches only to the form of the useful article and not to its mechanical or utilitarian aspects since it is derived from the fundamental rule that copyright relates to the expression of the idea, not to the idea itself; but it would be difficult to predict how they would apply the "separability" test to local cases.

(iii) Drawings or plastic works of a scientific or technical character (k)

Protection of the drawing does not extend to the unauthorized duplication of the object drawn because copyright extends only to the description or expression of the object and not to the object itself. It does not prevent one from using the drawings to construct the object portrayed in the drawing.<sup>44</sup>

<sup>40</sup> Republic Act No. 165, Section 55.

<sup>41</sup> Bautista, "Copyright Law of the Philippines," Sub-Regional Course on Copyright and Neighboring Rights for ASEAN and Oceanic Countries, WIPO document GIC/SR/NLP/CNR/1984.

<sup>42</sup> P.D. No. 49, Section 2(i).

<sup>43</sup> 17 U.S.C 101 (1982).

<sup>44</sup> *Muller v. Triborough Bridge Authority*, 43 F. Supp. 298 (S.D.N.Y. 1942).

- (iv) Cinematographic works and works produced by a process analogous to cinematography or any process for making audiovisual recordings (m)

That cinematographic work is entitled to protection as an original work is in line with Articles 2 and 14(2) of the Brussels Act. Section 6 of P.D. No. 49 provides that subject to contrary stipulation among the creators, the producer shall exercise the copyright to an extent required for the exhibition of the work in any manner. This provides for a solution to a recurrent problem in the industry involving the conflict of interests of the various contributors to a cinematographic work. It is interesting to note that this provision approximates Article 14bis(2)(b) of the Paris Act which states that contributors may not, in the absence of any contrary stipulation, object to the reproduction, distribution, public performance, communication to the public by wire, broadcasting or any other communication to the public, or to the subtitling or dubbing of texts, of the work.

- (v) Prints, pictorial illustrations and advertising copies, labels, tags, and box wraps (o)

1. *Copyright and trademarks.* The rationale given for the inclusion of these works is to offset the rise of trademark infringements and product counterfeiting inasmuch as trademarks contained in advertising copies, labels, tags and box wraps will enjoy the benefit of immediate protection which is not readily obtainable under the Trademark Law.<sup>45</sup>

It is assumed that infringement in this context is not used in the technical sense inasmuch as if it were then it would be incorrect, since infringement constitutes colorable imitation of a mark or trade name registered on the Principal Register under the Trademark Law.<sup>46</sup> Likewise ownership of a mark or trade name is acquired through actual use in commerce.<sup>47</sup> The remedy of the owner of an unregistered mark or trade name is to institute a civil action against the counterfeiter for "passing off" the counterfeit goods as genuine which constitutes unfair competition under Section 29 of the Trademark Law, or a criminal action also for unfair competition under Article 189 of the Revised Penal Code. This remedy is also available to copyright owners.

The benefit that is perceived to result from the inclusion of this class of works as among those entitled to copyright consists of the right to file an action for infringement of copyright under Section 28 of P.D. No. 49. But because basically copyright and trademarks are conceptually different, the automatic grant of copyright to advertising copies, labels, tags and box wraps containing trademarks would not grant to the trademark in the label the same protection granted to marks registered under the Trademark Law. The attempt to extend to copyrighted characters protection granted to marks or trade names under the Trademark Law, as was done in the *Kookie Monster* and *Charlie Brown* cases which are discussed below, has resulted in confused and incorrect jurisprudence.

2. *The Kookie Monster, and Charlie Brown cases.* In the *Kookie Monster* case,<sup>48</sup> the producer of the television series "Sesame Street" shown in the Philippines since 1971, petitioned the Director of Patents to cancel the registration for Kookie Monster and Monster designs for cookies, pies and pastries issued on December 7, 1979. Among the muppets in "Sesame Street" is the Cookie Monster. The Director of Patents refused to cancel the registration because a copyright on such a character cannot be a basis to stop the use of the name of that character as a trademark by another, and only SESAME STREET was registered as a trademark under the Trademark Law. The Court of Appeals agreed with the Director of Patents only insofar as it found that use of Kookie Monster on bakery products would not lead the public to believe that they are the products of the producer of "Sesame Street"; nevertheless it ruled that the copyright granted by law to the producer to "make any use or

<sup>45</sup> Bautista, "Copyright Law of the Philippines," *op. cit.*

<sup>46</sup> Republic Act No. 166, Section 22.

<sup>47</sup> Section 2-A.

<sup>48</sup> *Children's Television Workshop v. Touch of Class, Inc.*, AC-G.R. SP No. 03423, May 15, 1985.

disposition of the work consistent with the laws of the land” precluded the registration of the mark by another. This was reiterated in *United Features Syndicate Inc. v. Munsingwear Creation Mfg. Co.*<sup>49</sup> involving a petition to cancel the registration of the trademark CHARLIE BROWN for T-shirts brought by the copyright owner of the cartoon character Charlie Brown the publication of which in the Philippines antedated that of the issuance of the registration.

The court clearly disregarded the basic principles for the protection of trademark rights. As discussed in Chapter 3 on Trademarks, the owner of a trademark, trade name or service mark used to distinguish his goods, business or services from those of others may be registered in accordance with the provisions of the Trademark Law. A mark or trade name is unregistrable, among others, if it “so resembles a mark or trade name registered in the Philippines or a mark or trade name previously used in the Philippines by another and not abandoned, as to be likely, when applied to or used in connection with the goods, business or services of the applicant, to cause confusion or mistake or to deceive purchasers.”<sup>50</sup>

Any person who believes that he would be damaged by the registration of a mark or trade name may file an opposition to the application for its registration,<sup>51</sup> or file a petition to cancel the registration.<sup>52</sup> In a petition for cancellation it must be shown that the continuance of the mark in the registry would cause damage to the petitioner. In *La Estrella v. Director of Patents*,<sup>53</sup> it was argued that the issue of similarity of the marks not having been raised, the only issues to be decided were: (1) whether or not the label trademark consisted of a valid trademark; and (2) whether or not the registration of the mark was obtained through fraud and false representation. It was held that these two issues were not important. Even if proved, these two facts were not sufficient to warrant the cancellation of the respondent’s trademark. In order that these two facts might produce cancellation, it was necessary that they be coupled with a showing that the maintenance of respondent’s label trademark on the register would damage the petitioner. The continuance of respondent’s mark on the register would damage the petitioner only if the respondent’s and petitioner’s marks were similar. Thus the court pursued its inquiry as to whether or not such similarity existed. This was reiterated in *American Cyanamid v. Director of Patents*.<sup>54</sup> Clearly the *Kookie Monster* decision cancelling the trademark registration for Kookie Monster, despite the finding that there was no similarity between Kookie Monster and “Sesame Street,” was inconsistent with *La Estrella* and *American Cyanamid*.

The court also ignored in *Kookie Monster* and *Charlie Brown* Article 6bis of the Paris Convention which requires, as an element for the protection of well-known marks, that the goods in respect of which the competing marks are used should be identical or similar.

The basic flaw in the *Kookie Monster* and *Charlie Brown* doctrines was the inappropriateness of applying trademark principles to remedy a copyright violation. It was incorrect for the copyright owners to seek the cancellation of a trademark registration under Section 17 of the Trademark Law because it refers to a remedy intended to protect trademark rights only. The Director of Patents should have dismissed the petition for lack of jurisdiction. Besides, all actions, suits and proceedings under P.D. No. 49 shall be cognizable by the ordinary court.<sup>55</sup>

The use of well-known real or fictional characters as a means of selling goods or services, often referred to as character merchandising, is a development in the trade of goods

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<sup>49</sup> G.R. No. 76193, November 10, 1989.

<sup>50</sup> Republic Act No. 166, Section 4(d).

<sup>51</sup> Section 8. Reference is made to section 3.8.6 of Chapter 3 on Trademarks.

<sup>52</sup> Republic Act No. 166, Section 17. Reference is made to section 3.13 of Chapter 3 on Trademarks.

<sup>53</sup> L-11818, July 31, 1959; 105 Phil. 1213.

<sup>54</sup> L-23954, April 29, 1977; 76 SCRA 568.

<sup>55</sup> P.D. No. 49, Section 57.

or services which may not have been anticipated by the existing Trademark and Copyright Laws in the Philippines.

Is the copyright owner of these characters without a remedy against their use as trademarks by others? This is not the case. An action may be instituted under Section 29 of the Trademark Law for unfair competition. In this regard, reference is made to section 3.17.1(c), Chapter 3, which deals with “Civil action for unfair competition,” and section 3.17.1(d), which deals with “Criminal action for unfair competition.”

### 5.3 Rights Comprised in P.D. No. 49

#### 5.3.1 Copyright

##### (a) *The provision of law*

Section 5 of P.D. No. 49 provides:

“Sec. 5. Copyright shall consist in the exclusive right:

- (a) to print, reprint, publish, copy, distribute, multiply, sell, and make photographs, photo-engravings, and pictorial illustrations of the works;
- (b) to make any translation or other version or extracts or arrangements or adaptations thereof; to dramatize it if it be a non-dramatic work; to convert it into a non-dramatic work if it be a drama; to complete or execute it if it be a model or design;
- (c) to exhibit, perform, represent, produce, or reproduce the work in any manner or by any method whatever for profit or otherwise; if not reproduced in copies for sale, to sell any manuscripts or any record whatsoever thereof;
- (d) to make any other use or disposition of the work consistent with the laws of the land.”

This provision reproduces in its entirety Section 3 of Act No. 3134. Moral rights and *droits de suite* are treated separately in P.D. No. 49.

##### (b) *Section 5 and the Brussels Act compared*

###### (i) Reproduction right

The right to “reproduce” the work is found in Section 5(c) and clearly implied in paragraph (a) thereof.

This right is not clearly spelt out in the Brussels Act.

###### (ii) Translation right

This is expressly granted under Section 5(b).

In this regard, Article 8 of the Brussels Act provides that “authors of literary and artistic works protected by this Convention shall have the exclusive right of making and authorizing the translation of their works throughout the term of protection of their right in the original works.” The same right is enjoyed by authors of dramatic or dramatico-musical works.

###### (iii) Adaptation or arrangement right

1. *In general.* This is expressly granted under Section 5(b) and also in Article 11 *ter* of the Brussels Act.



An adaptation is the modification of a preexisting work from one genre of work to another, such as cinematographic adaptations of novels or musical works. Adaptation may also consist in altering the work within the same genre to make it suitable for different conditions of exploitation, such as rewriting a novel of a children's edition. Adaptation also involves altering the composition of the work, unlike translation, which transforms only the form of expression thereof.<sup>56</sup>

2. *Cinematographic right.* This is at best implied in Sections 5 and 6 of P.D. No. 49. Article 14(1) of the Brussels Act specifically grants to authors of literary, scientific or artistic works the exclusive right of authorizing the cinematographic adaptation and reproduction of these works. Article 14(3) states that "the adaptation under any other artistic form of cinematographic productions derived from literary, scientific or artistic works shall, without prejudice to the authorization of their authors, remain subject to the authorization of the original work."

(iv) Performance right

This is expressly granted under Section 5(c).

In *Filipino Society of Composers, Authors and Publishers, Inc. v. Tan*,<sup>57</sup> the court cited with approval American jurisprudence that performance in a restaurant or hotel dining room, by persons employed by the proprietor, of a copyrighted musical composition, for the entertainment of patrons without charge for admission to hear it, infringes the exclusive right of the owner of the copyright.

Under the Brussels Act, authors of dramatic, dramatico-musical or musical work have the exclusive right of authorizing the public presentation and public performance of their works.<sup>58</sup> If the musical work is recorded by instruments capable of reproducing them mechanically, the author of the work has the exclusive right of authorizing the public performance by means of such instruments of the work thus recorded.<sup>59</sup> The same right is enjoyed by authors with respect to the public presentation and performance of cinematographic adaptation and reproduction of their works.

(v) Recitation right

This is impliedly granted under Section 10 of P.D. No. 49 which provides that the author may not prohibit the recitation of his work if done privately and free of charge or for strictly charitable or religious institutions.

Article 11~~ter~~ of the Brussels Act provides that "authors of literary works shall enjoy the exclusive right of authorizing the public recitation of their works."

(vi) Recording right

The recording right may be considered included in the reproduction right, therefore impliedly granted under Section 5. In this regard, reference is made to the Stockholm Act (1967) which assimilated the recording right to the reproduction right.

Article 13 of the Brussels Act provides that "authors of musical works shall have the exclusive right of authorizing . . . the recording of such works by instruments capable of reproducing them mechanically."

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<sup>56</sup> WIPO, "Introduction to Copyright: Basic Notions of Copyright," *op. cit.*

<sup>57</sup> L-36402, March 16, 1987; 148 SCRA 461.

<sup>58</sup> Berne Convention, Brussels Act, Article 11(1).

<sup>59</sup> Article 13(1).

(vii) Broadcasting right

The broadcasting right as defined in the Brussels Act and the Rome Convention cannot be considered granted under Section 5(a).

Article 11*bis* of the Brussels Act provides for an express grant to the author of the exclusive right to authorize the communication of his work to the public by means of either radio-diffusion or wireless diffusion of signs, sounds or images; any communication to the public, whether over wire or not, of the radio-diffusion of the work (i.e., rebroadcasting of the broadcast of work by means of radio-diffusion), when this communication is made by a body other than the original one; and the communication to the public by loudspeaker or any other similar instrument transmitting by signs, sounds or images the radio-diffusion work.

(viii) Distribution right

The grant to the author of the distribution right in Section 5(a) and implied in Section 5(d) is unique in the sense that this is withheld in the Brussels Act except with respect to cinematographic adaptation and reproduction of literary, scientific, or artistic works<sup>60</sup> and the presentation and performance of dramatic, dramatico-musical or musical works.<sup>61</sup>

The economic impact of the grant of the distribution right to the copyright owner is significant. On the basis of the grant of this right, the copyright owner would exercise a high degree of control on the commercialization of the product to which the right attaches, e.g., the right to import or market a product within a particular jurisdiction.

(ix) Section 5(d)

This is a surplusage. Its inclusion appears to have given rise to the controversial decisions in the *Kookie Monster* and *Charlie Brown* cases which are discussed in section 5.2.2(e)(v)2 of this chapter.

### 5.3.2 Moral Rights

One of the major changes introduced by P.D. No. 49 is the adoption of the *droit d'auteur* doctrine that the work is an expression or extension of the personality of the author. As such, independently of his economic rights, Section 34 of P.D. No. 49 provides that a creator shall have the right:

- “(a) to make alterations of his work prior to, or to withhold it from, publication;
- (b) to require that the authorship of the works be attributed to him;
- (c) to object to any alteration of his work which is prejudicial to his reputation;
- (d) to restrain the use of his name with respect to any work not of his own creation or in a distorted version of his work.”

Moral rights are perpetual and imprescriptible.<sup>62</sup> The creator or the persons charged with the enforcement of moral rights are entitled to the same rights and remedies available to a copyright owner and in addition damages which may be available under the Civil Code.<sup>63</sup>

<sup>60</sup> Article 14(1).

<sup>61</sup> Article 11.

<sup>62</sup> P.D. No. 49, Section 39.

<sup>63</sup> Section 40.

### 5.3.3 Droit de suite

Section 31 of P.D. No. 49 provides that,

“*Sec. 31.* In every sale or lease of an original work of painting or sculpture or of the original manuscript of a writer or composer, subsequent to the first disposal thereof by the creator, the creator or his heirs shall have an inalienable right to participate in the gross proceeds of the sale or lease to the extent of 5%.

The right shall exist during the lifetime of the creator and for 50 years after his death.”

A condition precedent to making a claim to this right is the registration of the work in the National Library.<sup>64</sup> It should be noted that the creator may assign or waive his moral rights but the *droit de suite* is inalienable.<sup>65</sup>

### 5.3.4 Neighboring Rights

#### (a) Introduction

Philippine accession to the Rome Convention took place in September 1984. Twelve years before that event, P.D. No. 49 had adopted substantially the provisions of the Rome Convention relating to the rights of performers, producers of phonograms and of broadcasting organizations known as neighboring rights.

#### (b) National treatment

Performers, recorders and broadcasters who are nationals of States party to the Convention are entitled to national treatment in each contracting State. For a more detailed discussion on this subject, reference is made to section 8.10.2(b) of the Chapter on Copyright and Neighboring Rights in *Background Reading Material on Intellectual Property*.<sup>66</sup>

#### (c) Relation between neighboring right and copyright

Considering that performers, recorders and broadcasters use the literary and artistic works of others in carrying out their work it is important to define the relationship between neighboring rights and copyright. Article 1 of the Rome Convention provides that,

“Protection granted under this Convention shall leave intact and shall in no way affect the protection of copyright in literary and artistic works. Consequently, no provision of this Convention may be interpreted as prejudicing such protection.”

Performers, producers of sound recordings and broadcasting organizations, therefore, need to obtain the authorization of the author for the use of his work. To ensure that performers, recorders and broadcasters do not enjoy protection in countries which do not recognize or grant copyright to authors of literary or artistic works, the Rome Convention provides that in order to become a party to the Convention a State must not only be a member of the United Nations, but also be a party to the Universal Copyright Convention or a member of the Berne Union.<sup>67</sup>

<sup>64</sup> Section 32.

<sup>65</sup> Section 31.

<sup>66</sup> *Background Reading Material on Intellectual Property*, World Intellectual Property Organization, Geneva, 1988, WIPO publication No. 659(E).

<sup>67</sup> Rome Convention, Article 24(2).

*(d) Definition of terms**(i) Under Section 41 of P.D. No. 49:*

- “(a) ‘performers’ mean actors, singers, musicians, dancers, and other persons who act, sing, deliver, declaim, play in, or otherwise perform literary or artistic work;
- (b) ‘sound recording’ means any exclusively aural fixation of sounds of a performance or of other sound;
- (c) ‘producer of sound records’ means the person who, or the legal entity which, first fixes a performance or other sounds;
- (d) ‘publication’ means the issue or offering to the public of copies of a sound recording in reasonable quantity;
- (e) ‘reproduction’ means the making of a copy or copies of a recording;
- (f) ‘broadcasting’ means the transmission by wireless means for public reception of sounds or of images and sound;
- (g) ‘broadcasting organization’ shall include a sole proprietorship duly authorized to engage in broadcasting.”

*(ii) Fixation*

Fixation of a work in material form means capturing a work in some form of enduring physical expression, be it writing, printing, photography, sound or video recording, carving, building, graphic representation or any other appropriate method allowing subsequent identification and reproduction of the author’s creation.<sup>68</sup>

*(iii) Ephemeral recording*

An ephemeral recording is an aural or audiovisual fixation of a performance or broadcast made for a temporary period by a broadcasting organization by means of its own facilities and use for its own broadcasts.<sup>69</sup>

*(e) Performers**(i) The provision of law*

Section 42 of P.D. 49 provides:

“*Sec. 42.* Performers shall have the exclusive right:

- (a) to record or authorize the recording of their performance on any recording apparatus for image and/or sound;
- (b) to authorize the broadcasting and the communication to the public of their performance;
- (c) to prohibit the reproduction of a recording of their performance: (i) if the original recording itself was made without their consent; (ii) if the reproduction is made for purposes different from those for which the performers gave their consent; or (iii) if the original recording was made for any of the purposes mentioned in Section 44 and the reproduction is made for a different purpose.”

*(ii) Section 42 of P.D. No. 49 and Article 7(1) of the Convention compared*

Section 42 grants to performers the right to authorize or prohibit the recording and broadcasting of their performance. On the other hand, Article 7(1) of the Convention states that the protection provided performers shall include the possibility of preventing these acts.

<sup>68</sup> WIPO, “Introduction to Copyright: Basic Notions of Copyright,” *op. cit.*

<sup>69</sup> WIPO, “Basic Notions and International Conventions in the Field of Neighboring Rights,” *op. cit.*

Thus, under Philippine law, the recording and broadcasting rights of performers are as broad as those enjoyed by copyright owners. This likewise puts performers on equal footing with producers of sound recordings and broadcasting organizations.

(iii) The reproduction right

As regards the reproduction of recordings of their performance, the right belongs to the producer of the sound recording, a film producer or a broadcasting organization, as the case may be. Performers may only prohibit the reproduction of such recordings in the three instances stated by Section 42(c) of the Decree.

(iv) The freedom to contract

Article 7(3) of the Convention states that domestic law shall not operate to deprive performers of the ability to control, by contract, their relations with broadcasting organizations. The freedom to contract of performers is given preeminence by the Convention.

(v) The scope of broadcasting right

The exclusive right to authorize the broadcasting and the communication to the public of their performance under Section 42(b) of the Decree is broad enough to grant to the performer the right to prohibit the communication of his performance by cable television.

Section 42(c) of the Decree is silent as to whether the authorization given by a performer for the broadcasting of his performance would include (a) rebroadcasting, (b) fixation for broadcasting purposes and (c) reproduction of such fixation for broadcasting, therefore the authorization should be solely for the broadcasting of his performance.

Likewise, the authorization for the broadcasting of the performance shall not imply permission to record the same.<sup>70</sup> The law, however, states that performers may not object to the recording of their performance to be used in connection with the reporting of current events or for the purpose of teaching or scientific research.<sup>71</sup>

*Exceptions to the broadcasting right.* Article 7.1 of the Rome Convention states:

“1. The protection provided for performers by this Convention shall include the possibility of preventing:

- (a) the broadcasting and the communication to the public, without their consent, of their performance, except where the performance used in the broadcasting or the public communication is itself already a broadcast performance or is made from a fixation.”

This exception clause covers four situations:<sup>72</sup>

- (1) If the performance has itself already been broadcast. It then becomes a rebroadcast under Article 7.2 of the Convention.
- (2) If the broadcast is made from a fixation (e.g., a recording made for the purpose of broadcasting).
- (3) If the public performance is made by way of a broadcast (e.g., radio in a restaurant, or television in a hotel).
- (4) If the public performance is made by way of a fixation of the performance (e.g., by a record in jukebox).

<sup>70</sup> Berne Convention, Brussels Act, Article 11*bis*(3).

<sup>71</sup> P.D. No. 49, Section 44.

<sup>72</sup> Stewart, *op. cit.*, S8.17.

In general, therefore, the performers' rights with respect to broadcasting and public communication are limited to performances not already fixed or broadcast.

(vi) Other rights

Performers shall have the right to decide whether their names will be mentioned when their performance is recorded as a broadcast. They enjoy moral rights to the same extent granted to authors of literary and artistic works.<sup>73</sup>

(f) *Producers of sound recordings*

(i) Rights granted

Producers of sound recordings shall have the exclusive right to authorize or prohibit the direct or indirect reproduction of their recordings and the placing of these reproductions in the market.<sup>74</sup> Thus, unlike Article 10 of the Rome Convention, which grants to producers of sound recordings only the reproduction right, P.D. No. 49 in addition grants to them the distribution right.

(ii) Secondary uses of sound recordings

When a sound recording is used with the intention of making or enhancing profit, the producer of the recording has the right to a fair remuneration from the user.<sup>75</sup> This provision is deemed qualified by Article 12 of the Convention, which provides:

“If a phonogram published for commercial purposes, or a reproduction of such phonogram, is used directly for broadcasting or for any communication to the public, a single equitable remuneration shall be paid by the user to the performers, or to the producers of the phonograms, or to both. Domestic law may, in the absence of the agreement between these parties, lay down the conditions as to the sharing of this remuneration.”

This Article does not grant any right to either the performers or producers of sound recordings to authorize or to prohibit the secondary use of a sound recording. By guaranteeing a single remuneration for the use of the phonogram it seems to establish a sort of statutory license.<sup>76</sup> As to who shall be entitled to the remuneration for the use of the sound recording, the freedom to contract of performers and producers is once again paramount. Under Section 47 of the Decree it is the producer of the recording who is entitled to a “fair remuneration.”

(iii) Formalities for sound recordings

P.D. No. 49 as amended requires that in each copy of the sound recording shall be indicated the title of the work, the name of the author and of the principal performers;<sup>77</sup> and the deposit with the National Library of two copies of sound recordings within six months after its manufacture;<sup>78</sup> otherwise no suit for violation of the producer's rights may be instituted. The requirement to indicate the title of the work, the name of the author and of the performers shall be considered fulfilled if all the copies in commerce of the published phonograms or their containers bear a notice consisting of the symbol (P) accompanied by the year date of the first publication.<sup>79</sup>

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<sup>73</sup> P.D. No. 49, Section 43.

<sup>74</sup> Section 46.

<sup>75</sup> Section 47.

<sup>76</sup> WIPO, “Basic Notions and International Conventions in the Field of Neighboring Rights,” *op. cit.*

<sup>77</sup> P.D. No. 49, Section 49.

<sup>78</sup> Section 50.

<sup>79</sup> Rome Convention, Article 11.

*(g) Broadcasting organizations*

Section 52 of P.D. 49 provides:

“Sec. 52. Broadcasting organizations shall enjoy the exclusive right:

- (a) to relay by wire or rebroadcast their broadcasts;
- (b) to record in any manner, including the making of cinematographic films or the use of video tape, their broadcasts for the purpose of making profit;
- (c) to use such records for fresh transmissions or for fresh recording.”

Because broadcasting organizations shall have the exclusive right to relay by wire their broadcast, they may therefore prohibit the transmission by cable television of their broadcasts. They may not, however, prohibit recording of broadcasts for strictly private use or solely for the purpose of teaching or scientific research.<sup>80</sup>

Unfortunately, the Decree does not grant to broadcasting organizations the ephemeral recording right.

*(h) Term of protection*

Section 55 of P.D. No. 49 provides as follows:

“Sec. 55. The rights granted under this Chapter shall expire after 20 years from the end of the year in which:

- (a) the performance took place—for performances not incorporated in recordings;
- (b) the recording was made—for sound or image and sound recordings and for performances incorporated therein;
- (c) the broadcast took place—in the case of broadcasts.”

**5.4 Ownership***5.4.1 Generally*

Ownership of the copyright is vested in the creator or his heirs or assigns.<sup>81</sup>

*5.4.2 Co-authors*

If the work is created by two or more persons, the copyright shall belong to them jointly and their respective rights shall be governed by the rules of the Civil Code on co-ownership.<sup>82</sup>

*5.4.3 Work Produced During Employment*

If the work in which the copyright subsists was made in the course of the employment of the creator, the copyright shall belong to (a) the employee, if the creation of the object of copyright is not a part of his regular duties even if the employee uses the time, facilities and materials of the employer; (b) the employer, if the work is the result of the performance of his regularly assigned duties, unless there is an agreement to the contrary.<sup>83</sup>

<sup>80</sup> P.D. No. 49, Section 53.

<sup>81</sup> Section 6.

<sup>82</sup> *Ibid.*

<sup>83</sup> *Ibid.*

#### 5.4.4 *Commissioned Works*

Where the work is commissioned by a person who pays or agrees to pay for it, the person who so commissioned the work shall have ownership of it but the copyright thereto shall belong in joint ownership to him and the creator, unless there is a stipulation to the contrary.<sup>84</sup>

#### 5.4.5 *Cinematographic Works*

The creators of a cinematographic or analogous work are the producer, the author of the scenario, the composer of the music, the film director, the photographic director, and the author of the work adapted. However, subject to contrary or other stipulation among the creators, the producer shall exercise the copyright to an extent required for the exhibition of the work in any manner, except for the right to collect performing fees for the musical compositions, with or without words, which may be incorporated in the work.<sup>85</sup>

#### 5.4.6 *Letters*

Ownership of letters and other private communications in writing is vested in the person to whom they are addressed and delivered. Their publication or dissemination is, however, subject to the consent of the writer or heirs, except when the Court authorizes their publication, or dissemination because the public good or the interest of justice so requires.<sup>86</sup>

#### 5.4.7 *Works Published Without the Names of the Authors*

Articles and other writings published without the names of the authors or under pseudonyms are considered as the property of the publisher, unless the contrary appears.<sup>87</sup>

#### 5.4.8 *Rights of the Government*

P.D. No. 49 still retains the old rule that no copyright shall subsist in any work of the Government but it did introduce a couple of modifications.

Prior approval of the government agency that created the work is a prerequisite for the exploitation of such work for profit. Such agency may impose as a condition the payment of royalties. No prior approval or condition shall be required for the use of statutes and regulations, speeches and dissertations delivered in the course of the proceedings of the courts or administrative agencies, deliberative assemblies, and in meetings of public character.<sup>88</sup>

#### 5.4.9 *Transfer of Rights*

The copyright may be transferred or assigned in whole or in part. The transferee shall enjoy all the rights and remedies which the transferor had with respect to the copyright.<sup>89</sup> This abandons the doctrine under the old law that a copyright is an indivisible bundle of rights and a transfer of a portion of a copyright was considered as constituting only a license. The copyright is distinct from the property in the material object subject to it. Consequently, the transfer or assignment of the copyright shall not itself constitute a transfer of the material

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<sup>84</sup> *Ibid.*

<sup>85</sup> *Ibid.*

<sup>86</sup> New Civil Code, Article 723.

<sup>87</sup> P.D. No. 49, Section 7.

<sup>88</sup> Section 9.

<sup>89</sup> Section 15.



object. Nor shall transfer or assignment of the sole copy or of one or several copies of the work imply transfer or assignment of the copyright.<sup>90</sup> The registration of the assignment or other instrument affecting the copyright is required to bind subsequent innocent purchasers for value.<sup>91</sup>

## 5.5 Limitations on Copyright Protection

### 5.5.1 Temporal

The duration of copyright is the life of the author and 50 years after his death.

In the case of (a) periodicals and newspapers, (b) works of applied art and (c) cinematographic or photographic works or photography, the term shall be 30 years from the date of publication, but shall begin on the first day of January of the year following the publication.<sup>92</sup>

### 5.5.2 Permitted Use

(a) *Private performances, reproductions for personal use, etc.*

(i) The provision of law

Section 10 of P.D. No. 49 provides as follows:

“*Sec. 10.* When a work has been lawfully made accessible to the public, the author shall not be entitled to prohibit:

1. its recitation or performance (a) if done privately and free of charge; or (b) if made for strictly charitable or religious institution or society;
2. reproductions, translations and adaptations thereof destined exclusively for personal and private use.”

(ii) Meaning of “personal and private use”

Article 9 of the Paris Act (1971) of the Berne Convention provides that it shall be a matter for legislation in the countries of the Union to permit the reproduction of literary and artistic works in certain special cases, provided that such reproduction does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interest of the author. This proviso is not found in the Brussels Act to which the Philippines acceded. Philippine courts have yet to define what is meant by “exclusively for personal and private use.” When confronted, for example, with the issue as to whether or not “home taping” or off-the-air copying of copyrighted works by means of video tape recorders for noncommercial use would constitute infringement, the courts would have to deal with this matter. In that eventuality, although there is no legal obligation to apply the aforesaid proviso because the Philippines has not acceded to the Paris Act and has not incorporated the same in the Decree, there is no legal obstacle for Philippine courts to refer to this proviso and the interpretation given to it by courts of other countries.

On this matter, P.D. No. 1988<sup>93</sup> which amended certain provisions of P.D. No. 49 by penalizing the transfer, sale, lease, public exhibition of sound recordings or motion pictures without the written consent of the owner, defined “public exhibition” to mean any exhibition wherein 15 or more persons are present for monetary or promotional considerations.

<sup>90</sup> Section 16.

<sup>91</sup> Section 19.

<sup>92</sup> Sections 24 and 25.

<sup>93</sup> Issued on October 5, 1985.

For reference, the World Intellectual Property Organization defines personal use and private use as follows:

Personal use of a work is generally understood as making a single reproduction, adaptation, arrangement or other transformation of another's work exclusively for one's own individual use in such cases as personal research, learning or amusement. Private use is generally understood in relation to a published work as making a reproduction, adaptation or other transformation of it, in one or several copies, not exclusively for individual use by a single person, as in the case of "personal use," but also for a common purpose by a specific circle of persons only.<sup>94</sup>

*(b) Quotations or excerpts*

Making quotations or excerpts shall be permissible to an extent compatible with fair practice and justified by the scientific, critical, informatory or educational purpose.<sup>95</sup>

*(c) News items, editorials, articles*

News items, editorials, and articles on current political, social, economic, scientific or religious topics may be reproduced by the press or broadcast, unless they contain a notice that the reproduction or publication is reserved.<sup>96</sup>

*(d) Background or integral part of a current event*

In reports of a current event by means of photography, cinematography or broadcasting, literary, scientific or artistic works which can be seen or heard in the course of said event may be reproduced and communicated to the public to the extent necessary for the purpose.<sup>97</sup>

*(e) Reproduction of libraries, public archives and museums*

Under certain conditions libraries, public archives and museums have the right to produce for the purpose of their activities, by photographic means, and without the consent of the creator or proprietor, copies of a literary or artistic work.<sup>98</sup>

*(f) Compulsory translation license*

Any citizen may obtain a non-exclusive license from the Director of the National Library if, after the expiration of five years from the date of the first publication of a writing, a translation of such writing has not been published in the national or other local language and the applicant has been denied authorization or that he was unable to find the owner of the right.<sup>99</sup>

*(g) Compulsory reprinting license*

Presidential Decree No. 285 (September 3, 1973), as amended by Presidential Decree No. 400 (March 1, 1974) and Presidential Decree No. 1203 (September 27, 1977) further provides for the grant of a compulsory license to reprint any textbook or reference book duly prescribed and certified by the registrar of an academic institution, whether of domestic or foreign origin, the price of which has become exorbitant as determined by the Reprint

<sup>94</sup> WIPO, "Introduction to Copyright: Basic Notions of Copyright," *op. cit.*

<sup>95</sup> P.D. No. 49, Section 11.

<sup>96</sup> *Ibid.*

<sup>97</sup> Section 12.

<sup>98</sup> Section 13.

<sup>99</sup> Section 14.

Committee. Under the current implementing rules issued on May 4, 1984, the retail price of 70 pesos is deemed exorbitant. No book or material reprinted under the license may be exported from the Philippines. The licensee may pay as royalty 7% of the domestic list price for locally published materials; and 2% of the foreign list price for materials published abroad.

The regulations also provide that a single title may be reprinted by only one publisher, that a summary of applications received in a given month shall be posted for 20 days at the premises of the National Library; and sworn protests to any application will be considered provided they are filed within the 20-day posting period. As long as the offered selling price of the title to be reprinted under contract is reasonable, the Reprint Committee usually sustains the protest and disapproves the application.

On the issue as to jurisdiction to bear and adjudicate a complaint involving a violation of the provisions of P.D. No. 285 by way of the reprinting of a book without the authorization of the Committee, thus constituting infringement of the reprinting right granted to another publisher, such jurisdiction is vested in the ordinary courts. The Committee is not clothed with authority to impose the penalties provided for under the Decree and neither can it assess or award damages.<sup>100</sup>

## 5.6 Remedies

### 5.6.1 Under P.D. No. 49

#### (a) Copyright

##### (i) In general

P.D. No. 49 provides that copyright is enforceable through the courts by an action for injunction or damages or both. During the pendency of the action, the court may direct the impounding of the articles alleged to infringe the copyright. The court in its final decision may order the destruction of copies or devices as well as all plates, models, or other means for making such infringing copies.<sup>101</sup>

On the other hand, it was ruled by the Court of Appeals in *Estrella v. Santiago*<sup>102</sup> that a work is not protected unless it is original and the infringer must have had access to the work infringed.

The infringer and any person aiding or abetting such infringement shall be guilty of a crime punishable by imprisonment not exceeding one year or by fine not less than 200 pesos nor more than 2,000 pesos or both.<sup>103</sup>

Under Section 27 of P.D. No. 49, each copy of a work published or offered for sale shall contain a notice bearing the name of the copyright owner, the year of its first publication and, in copies produced after the creator's death, the year of such death; otherwise, the copyright owner shall lose the right to recover damages and shall only be entitled to obtain injunction and the impounding and destruction of infringing materials and devices.

Importation into the Philippines of any piratical copies or likeness of any work in which Philippine copyright subsists is prohibited. Customs authorities are empowered to

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<sup>100</sup> *Merriam School v. Court of Appeals*, L-48413, June 30, 1980; 98 SCRA 478.

<sup>101</sup> P.D. No. 49, Section 28.

<sup>102</sup> No. 6795, September 30, 1942, 1 O.G. 788.

<sup>103</sup> P.D. No. 49, Section 29.

prevent their importation and to seize, condemn and dispose of the same in case they are discovered after they have been imported.<sup>104</sup>

(ii) Works under classes (a) to (d)

With respect to works under classes (a), (b), (c), and (d), in addition to the requirement under Section 27 of the Decree, as stated above, two copies of the work shall be registered and deposited with the National Library within three weeks from publication. The copyright owner who fails to comply with the requirements of deposit or notice shall not be entitled to recover damages and shall be limited to the right to enjoin the infringement and compel delivery of infringing materials and devices for impounding or destruction.<sup>105</sup>

(iii) Practical remedies

The adoption of the principle that copyright subsists from the moment of creation did not dissuade copyright owners, even of works falling under classes (e) to (q) from registering and depositing their work with the National Library. This practice is apparently dictated by practical considerations. In so doing, a certificate of copyright registration is issued by the National Library without subjecting the application to examination to determine the veracity of the applicant's claim of ownership or the originality of the work. The requirements the applicant has to meet relate to matters of form only. On the basis of a rule on evidence that official acts are presumed valid, a registrant holding a certificate of copyright registration arguably would be in a better position to enforce and defend his copyright. The indiscriminate issuance of certificates of copyright registration, however, could be injurious to legitimate businesses. There should be another way of satisfying the need of the copyright owner for tangible evidence to establish his copyright. Associations of copyright owners should address this concern.

(b) *Moral rights*

Violation of moral rights shall entitle those charged with their enforcement to the same rights and remedies available to a copyright owner and in addition damages available under the Civil Code.<sup>106</sup>

(c) *Neighboring rights*

(i) Performers and broadcasting organizations

For infringement of any of their rights, performers shall be entitled to an injunction, to enjoin the infringement, to damages, and to secure the impounding and destruction of infringing material and devices for making them.<sup>107</sup>

(ii) Producers of sound recordings

No suit for violation of the rights of the producer of a sound recording may be instituted until he has complied with the requirement of deposit of two copies of the sound recording within six months of its manufacture, and an indication in each copy of the title of the work, the name of the author and performers, and the date of manufacture.<sup>108</sup> These shall, however, be considered as fulfilled if all the copies in commerce bear a notice consisting of the symbol (P), accompanied by the year date of first publication.<sup>109</sup>

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<sup>104</sup> Section 30.

<sup>105</sup> Sections 26 and 27.

<sup>106</sup> Section 40.

<sup>107</sup> Sections 45 and 54.

<sup>108</sup> Sections 49, 50 and 51.

<sup>109</sup> Rome Convention, Article 11.

(d) *Prescription of action*

Section 57 of P.D. No. 49 provides that no damages may be recovered under this Decree after four years from the time the cause of the action arose.

An action for injunction, or delivery of the infringing articles or devices for impounding or destruction, on the other hand, shall prescribe after 10 years from the time the cause of the action arose pursuant to the provisions of Article 1144 of the Civil Code.

As regards the criminal action under Section 29 of the Decree, the same should be brought within four years from the commission of the crime, as provided for by Act No. 3326, entitled "Prescription of Violation of Special Laws and Municipal Ordinances."

(e) *Jurisdiction*

Section 57 of the Decree provides that all actions, suits and proceedings shall, regardless of the amount involved, be originally cognizable by Courts of First Instance.

5.6.2 *Under Other Laws*

(a) *P.D. No. 1988*

This Decree amended Section 56 of P.D. No. 49 by imposing a higher penalty of imprisonment of not less than three months and one day to not more than one year, plus a fine of not less than 50,000 pesos but not more than 100,000 pesos upon any person who shall transfer, sell, lease, publicly exhibit or use for profit any sound recording or motion picture or other audiovisual work that has been fixed in a tangible medium, or possess them for these purposes, without the written consent of the right holder, and upon any person who shall offer or make available for a fee any equipment, paraphernalia or any material with the knowledge that the same will be used by another to reproduce without the consent of the owner any article on which sounds, motion pictures or audiovisual recordings may be transferred.

(b) *Unfair competition laws*<sup>110</sup>

(i) *Civil action*

A civil action for unfair competition may be instituted under Section 29 of Republic Act No. 166, the Trademark Law.

(ii) *Criminal Action*

Article 189 of the Revised Penal Code provides for a criminal remedy for unfair competition.

(c) *Executive Order No. 913*<sup>111</sup>

Executive Order No. 913 (EO 913) was issued on October 7, 1983, to strengthen the rule-making and adjudicatory powers of the Minister of Trade and Industry in order to further protect consumers. In Department Administrative Order No. 6, Series of 1991, P.D. No. 49 was included in the list of "Trade and Industry Laws"; henceforth, the Department of Trade and Industry has authority to enforce the Decree.

<sup>110</sup> Reference is made to a discussion on this matter in section 3.17.1(c) and (d) of Chapter 3 on Trademarks.

<sup>111</sup> Reference is made to section 3.17.1(h) of Chapter 3 on Trademarks.

## **CHAPTER 6**

### **LICENSING AND THE TRANSFER OF TECHNOLOGY IN THE PHILIPPINES**

#### **SYNOPSIS**

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##### **6.2 Legal Arrangements for the Transfer of Technology**

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## 6.1 Introduction

In its bid to achieve industrialization in the shortest time possible, the Philippines has adopted a policy of complementing locally generated technologies with those of imported ones to supply the requirements of industry. However, the desire to conserve much-needed foreign exchange and to deal with a number of critical issues concerning technology transfer arrangements has prompted the Philippine Government to adopt an integrated approach concerning the importation of technologies. Policies governing the transfer of technology, therefore, were formulated taking into account not only the cost of technology importation but also other vital national concerns such as economic contribution, technological content, industry linkages and the elimination of restrictive business clauses in technology transfer arrangements, among others. In this regard, the first set of rules covering technology transfer arrangements was instituted in 1978 under Presidential Decree No. 1520 which created the Technology Transfer Board. The Board, an inter-agency body under the chairmanship of the Minister of Trade and Industry or his representative, is composed of representatives from the National Economic and Development Authority, Central Bank of the Philippines, National Science and Technology Authority, Technology Resource Center, Board of Investments and the Philippine Patent Office. The change in administration in 1986, however, ushered in a new structure for the government mechanism managing the importation of technologies. The then Technology Transfer Board was merged with the Philippine Patent Office to give birth to what is now the Bureau of Patents, Trademarks and Technology Transfer. The comprehensive set of regulations on the importation of technology is now embodied under the Rules of Procedure of the Technology Transfer Registry (TTR) of the Bureau of Patents, Trademarks and Technology Transfer.

## 6.2 Legal Arrangements for the Transfer of Technology

### 6.2.1 Introduction

Section 1(b) of Rule I of the Rules of Procedure defines technology transfer arrangements as

“... contracts or agreements entered into by and between domestic companies and foreign companies and/or foreign-owned companies involving the transfer of systematic knowledge for the manufacture of a product, for the application of a process or for the rendering of a service, including the transfer, assignment or licensing of all forms of industrial property rights.”

All types of contracts falling under the purview of the above definition, therefore, are covered by the jurisdiction of the Registry and are required to be registered with the Office.

### 6.2.2 Modes of Transferring/Acquiring Technology

Looking at contracts filed with TTR over the years, the following modes of transferring/acquiring technologies are found in TTR-registered contracts:

#### (a) Sale: assignment

As mandated by the Rules, any transaction on the transfer and assignment of all forms of industrial property rights, e.g., patents, trademarks, service marks, etc., should be registered with the Technology Transfer Registry. Under this mode of transfer, the assignor grants to the assignee all his exclusive rights over the industrial property without any restriction in time or other condition. The assignee, therefore, becomes the new owner of the technology.

(b) *Licensing*

The most commonly used method in the acquisition of technology among TTR-registered agreements is the licensing of technology or industrial property rights. Falling under this mode of transfer are the following:

- (i) agreements for the grant of a license to use industrial property rights, such as patents or trademarks/service marks and other marks of ownership protected by industrial property rights; and
- (ii) agreements for the grant of a license to use know-how and technical information.

(c) *Other legal forms of transferring technology covered by the Rules*

- (i) Any technical assistance agreement which concerns the supply of experts who will provide technical services and assistance covering, among others, the basic engineering of an industrial plant or its machinery and equipment, the installation, operation and maintenance of an industrial plant or the training of local personnel;
- (ii) franchise agreements or business arrangements wherein the transferor will grant an exclusive or non-exclusive right to the transferee to use the business name he has developed and which has gained wide acceptance and goodwill. Under this type of arrangement, the good business reputation earned by the franchisor is combined with the investment to be made by the franchisee in order to distribute goods or to render services. In the Philippines, the most prevalent type of franchising arrangements are found in the fastfood sector;
- (iii) although the importation of capital goods, turn-key projects and joint-venture agreements are likewise known vehicles for the transfer of technology, the Technology Transfer Registry normally does not require the registration of such agreements unless the arrangement would treat the technology component as a separate transaction. In this case, the corresponding technology transfer component is registered with the TTR, while the other components, e.g., equity participation, importation of plant facilities or capital equipment, etc., are registered with the appropriate government offices, such as the Central Bank of the Philippines, the Board of Investments or the Securities and Exchange Commission.

### 6.2.3 *Other Types of Contracts Registrable with TTR*

To further streamline government processing of technology transfer contracts, the Central Bank of the Philippines, on July 31, 1989, issued a Letter Circular mandating that the following types of agreements shall likewise be referred to and registered with the TTR:

- (a) computer software licensing contracts which may deal with the supply of software and the grant of a right to use it; as well as distributorship agreements on software packages;
- (b) marketing/distributorship agreements for the grant of authority to sell products in their finished form using the trademarks of the licensor; and
- (c) management contracts for the provision of managerial expertise with a view to transferring managerial and technical skills to local personnel.



### 6.3 Negotiation of Licensing Agreements

#### 6.3.1 Introduction

The commercial transfer of technology usually takes place through enterprise-to-enterprise arrangements. However, in the formulation of technology transfer contracts, parties to the arrangement should incorporate therein a number of essential elements which should be specifically spelled out in the contracts, as described in the following paragraphs.

#### 6.3.2 Parties to the Agreement

One of the main concerns of the Registry in the evaluation of a technology transfer agreement is the parties involved in the transaction. The Rules provide that the technology transfer contract shall be covered by the registration requirement if it is entered into by and between a domestic company which refers to an enterprise, partnership, corporation, branch or other form of business organization formed, organized, chartered or existing under the laws of the Philippines and:

- (a) a foreign company or an alien enterprise or foreign firm, association, partnership, corporation or any form of business organization not organized or existing under the laws of the Philippines; and/or
- (b) a foreign-owned company which refers to an enterprise, partnership, corporation or any form of business organization formed, organized, chartered or existing under the laws of the Philippines, the majority of the outstanding capital of which is owned by aliens.

Aside from the determination of personality as defined in the preceding paragraph, the Technology Transfer Registry also evaluates the track record of the licensor or transferor in order to establish his technical expertise and capability to transfer the technology being licensed. On the other side, the Registry likewise looks into the technical capability and capacity of the licensee or technology recipient to absorb the technology and to implement the technology transfer process successfully.

#### 6.3.3 Scope of the License

The contract should clearly set forth the objectives of the parties entering into the technology transfer transaction, as well as define the scope of the license contract, i.e., the technical subject matter of the agreement, identification of the type of technology, the attendant services by the licensor, the rights, obligations and duties of each party, among others.

#### 6.3.4 Government Policies

Parties to a contract should also be aware of the host government's policies on the importation of technologies to enable them to secure the necessary government approval of the contract. In the case of the Philippines, attention should be paid to two specific sections of the Rules, i.e., Section 12 (on restrictive business practices) and Section 13 (on the requisite provisions), discussed below.

##### 6.3.4.1 Restrictive business clauses

Under Section 12, Rule IV, the following clauses shall not be allowed in any technology transfer arrangement in view of their restrictive nature:

(a) *Export restriction*

Clauses which restrict directly or indirectly the export of the products manufactured by the technology recipient under the technology transfer arrangement are not acceptable. Such clauses may only be allowed if justified, for the protection of the legitimate interest of the technology supplier and the technology recipient, such as exports to countries where any of the party's industrial property rights will be infringed or where exclusive licenses to use the technology in these countries have already been granted.

A case in point of a licensing contract for the manufacture of paint products contains a provision restricting exports as follows:

“LICENSOR shall grant to LICENSEE a non-exclusive, non-assignable and royalty-bearing right to manufacture the Licensed Products utilizing Technical Information, and to use and sell the Licensed Products thereunder within the territory of the Philippines.”

The above provision was considered restrictive since it limited the territory where the Licensee may sell the Licensed Products. From the point of view of a developing country like the Philippines, the infusion of foreign technology is aimed at improving the quality of local products to make them competitive in the world market, with a view to earning much-needed foreign exchange for the country. Export restriction clauses negate this objective and are therefore not allowable. In cognizance of either parties' existing industrial property rights protection and other exclusive contractual obligations, however, the addition of a clause “and elsewhere except in countries where exclusive licenses to use the technology have already been granted” was incorporated in the clause.

(b) *Post-expiry restrictions*

There are three basic types of post-expiry restrictions normally found in technology transfer arrangements:

- (i) Restrictions on the use of the technology supplied after expiry of the technology transfer arrangement. Such clauses shall not be allowed except in cases of early termination of the technology transfer arrangement due to reason(s) attributable to the technology recipient. A clause contained in a technology transfer contract involving the manufacture of locks, which provides that: “LICENSEE covenants with LICENSOR that immediately on termination of this Agreement by the LICENSOR, LICENSEE will cease to use the Technology, the Materials, the Trademarks and the Designs in any way whatsoever,” was deemed restrictive as again it defeats one of the basic objectives why the importation of technology is allowed, i.e., to uplift local technological expertise so as to improve the level of quality of local manufactures. Post-expiry restriction on use can only be invoked by the Licensor if his technology is covered by subsisting patents, trademarks and copyright protection registered in the Philippines.
- (ii) Similarly, provisions which restrict the manufacture of similar or competing products after expiry of the technology transfer arrangement are not acceptable for the same reason cited above.
- (iii) Provisions requiring the continued payments for patents and other industrial property rights after their expiration, termination or invalidation are likewise considered restrictive and are therefore not acceptable.

(c) *Improvements made by licensee*

The Rules state that clauses providing that improvements made by the technology recipient shall be communicated to the technology supplier free of charge or that they be patented in the name of the technology supplier or required to be exclusively assigned to the technology supplier are unacceptable.

As an illustration, the following clause was considered restrictive in a contract for the manufacture of industrial chemicals:

“In the event that LICENSEE desires to alter or modify composition given in the Technical Information under its own invention or improvement, LICENSEE shall immediately inform LICENSOR of such invention or improvement for its use free of charge and such improvement shall be patented under the name of LICENSOR.”

The above clause was required to be amended to reflect that the transmission to the Licensor of all improvements or innovations on the technology shall be subject to a mutually agreed fee and such shall be patented under the name of the Licensee, who is the real innovator/inventor in this case. The requirement for the payment of a fee was designed to encourage the local technology recipients to improve on the technology being acquired, thereby enhancing their inventive capability/skills in the process.

*(d) No-contest clauses*

If the contract provides that the technology recipient shall not contest the validity of any of the patents being licensed under the contract, such provision is considered restrictive in nature.

A provision, therefore, in an agreement involving the manufacture of men's undergarments which specifically stated that “LICENSEE will not contest LICENSOR's intellectual property rights” was required to be amended to reflect that the no-contest clause shall not apply in cases of patent rights licensed under the Agreement.

*(e) No-competition clauses*

Provisions which prohibit the technology recipient in a non-exclusive technology transfer arrangement from obtaining patented or unpatented technology from other technology supplier(s) with regard to the sale or manufacture of competing products are also considered restrictive and are deemed not acceptable.

*(f) Tie-in clauses*

Contracts which contain provisions requiring the technology recipient to purchase its raw materials, components and equipment exclusively, or a fixed percentage of the supply requirement, from the technology supplier or a person designated by him have to be amended to delete such tie-in arrangement. Exceptions may be granted if it can be proven that:

- (i) the selling price quoted is based on the international market price or the same price is charged by the technology supplier to third parties; and that there are no other cheaper sources of supply; and
- (ii) such requirement is necessary to maintain the quality standards prescribed by the technology supplier.

This policy was formulated to eliminate cases of transfer pricing and is also aimed at encouraging the utilization of local raw materials.

*(g) Restriction on production*

Clauses which limit the scope of production and pricing of products manufactured by the technology recipient and which set a minimum volume of production are considered not allowable. These provisions, however, may be favorably considered in cases where it can be proven that such minimum volume is reasonable based on historical sales and/or sales projections of the licensed product(s).

*(h) Restriction on research and development (R&D)*

There are basically three types of restrictive business clauses which prohibit the licensee to initiate R&D activities or activities geared towards the development of technical skills. These clauses are considered counterproductive to the country's overall objective of raising local technological capability and are thus not acceptable:

- (i) Clauses which restrict the R&D activities of the technology recipient designed to absorb and adapt the transferred technology to local conditions or to initiate R&D programs in connection with new products, processes or equipment are not allowed.
- (ii) Provisions which prevent the technology recipient from adapting the imported technology to local conditions, or introducing innovations to it, as long as it does not impair the quality standards prescribed by the technology supplier are likewise not allowed as they again restrict the growth of local technological capability.
- (iii) Clauses which require the technology recipient to employ personnel designated by the technology supplier, except to the extent necessary to ensure the efficient transfer of technology; or those which require continued employment of such personnel when adequately trained local personnel are available or have been trained are not acceptable. This is to ensure that existing local expertise is utilized by local companies in the implementation of the technology transfer program.

*(i) Exclusivity on distribution channel*

Clauses which require that the technology recipient shall grant exclusive sales or representation rights to the technology supplier or any person designated by the technology supplier are considered restrictive as they limit the distribution channels available to the local licensee.

*(j) Confidentiality*

Provisions requiring the technology recipient to keep part or all of the information received under the technology transfer arrangement confidential beyond a reasonable period, e.g., five years after termination of the technology transfer arrangement are restrictive and are thus not allowable.

The clause cited below shows a provision which specifically states a confidentiality term of more than five years after termination:

“During the term of this Agreement and for a period of ten (10) years after the termination of this Agreement, LICENSEE shall keep secret and entirely confidential all Technical Information and Know-how, whether written or oral, made available by or on behalf of LICENSOR to LICENSEE or which comes to the knowledge of LICENSEE as a result of any discussions with LICENSOR, or its employees, agents or representatives, or which LICENSEE gains directly or indirectly from LICENSOR as a result of this Agreement.”

The confidentiality obligation of 10 years based on the evaluation of the life cycle of the technology was considered unreasonable and thus a reduction in the term from 10 to five years was required.

*(k) Exemption from liabilities*

Finally, provisions which exempt the technology supplier from liability for non-fulfillment of his responsibilities or that which provide for a maximum amount beyond which the technology supplier shall not be liable, with regard to third party suits arising from the use of the licensed products or licensed technology, are also not acceptable.

A classic example of such hold-harmless clauses is quoted hereunder:

“LICENSEE hereby agrees to indemnify and hold LICENSOR free from any and all claims, actions and demands, and all costs and expenses (including attorney’s fees) in connection with and arising out of the manufacture, marketing and sale of the Products in the Territory including claims, actions, demands, costs and expenses for alleged defects in the Products or in the manufacture or processing thereof.”

Since the Licensor is the one providing the technology or, more specifically, the technical data or information used in the manufacture of the licensed products, it is only fitting that he be made responsible for any defects in the technology that he is transferring. To protect the Licensor, however, from any negligence on the part of the Licensee in carrying out instructions provided by the Licensor, a qualification that defects caused by the Licensee’s negligence shall not fall under the Licensor’s responsibility may be incorporated.

To make the above restrictive clause acceptable, therefore, a proviso which reflects that the hold-harmless clause will only apply if the defects are attributable to faults of the Licensee should be incorporated.

The preceding policies were devised to safeguard the purpose for which a technology transfer agreement is forged, that of ensuring an effective, efficient and economic flow of technology.

#### 6.3.4.2 *Requisite provisions*

To further strengthen the foregoing policies, the Registry requires the inclusion of the following provisions in a technology transfer arrangement:

##### (a) *Governing law*

Philippine laws shall govern the interpretation of the contract and in the event of litigation, the venue shall be the proper courts in the place where the technology recipient has its principal office.

##### (b) *Duration of the contract*

The term of the agreement shall not exceed five years with no automatic renewal. A term longer than five years may be allowed under the following conditions:

- (i) licensed activity has a long gestation period, provided the royalty payment shall apply only to sales of the licensed product(s) generated for a five-year period; and
- (ii) royalty-free agreements.

Automatic renewal provisions are also allowed in royalty-free technology transfer arrangements.

##### (c) *Warranty/guarantee provisions*

- (i) A warranty from the technology supplier is required reflecting that the technology, if used in accordance with the specific instructions of the technology supplier, is suitable for the manufacture of the licensed product(s) or for the extension of services pursuant to the technology transfer arrangement;
- (ii) the technology supplier should also warrant that, on the date of the signing of the technology transfer arrangement, the technology supplier shall warrant, to the best of its knowledge, that it is not aware of third parties’ valid patent rights or similar protection for inventions which would be infringed by the use of the technology by the technology recipient when applied in accordance with the technology transfer arrangement.

*(d) Access to improvements*

A commitment from the technology supplier that continued access to improvements in techniques and processes related to the licensed technology shall be made available to the recipient during the period of the technology transfer arrangement should also be reflected in the contract.

*(e) Settlement of disputes*

In cases of arbitration, the arbitration procedure of the Arbitration Law of the Philippines or the internationally accepted rules of arbitration, such as the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) or the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC), shall apply and the venue of arbitration shall be the Philippines. The inclusion of a provision on the manner of settling disputes between parties in a technology transfer arrangement, however, is optional.

## **6.4 Remuneration**

### *6.4.1 Introduction*

There are various ways of effecting payments under technology transfer contracts. Taking into account the contracts registered with the TTR, royalties may be made in the form of: (a) a “lump-sum payment,” which may be paid at once or on an installment basis; (b) “running royalties,” whereby a fixed amount or a certain percentage of an agreed royalty base is remitted to the licensor over a period of time; and (c) “fees,” which are normally compensation calculated on a per person per period of time basis for services and assistance rendered by consultants and/or other technical experts. It should be pointed out that parties to the contract may opt to combine these schemes consistent with the technology package that will be delivered by the technology supplier.

### *6.4.2 Criteria for the Determination of Reasonable Royalty Payment*

Section 11 of Rule IV enumerates the following criteria used in assessing the reasonableness of the technology payment:

- (a) scope, complexity and pioneering nature of the technology;
- (b) importance of the technology in relation to the technology recipient’s overall activity;
- (c) degree of mastery of the technology by the technology supplier;
- (d) stage of the licensed product in the product life cycle;
- (e) use of indigenous raw materials and services, energy savings, level of priority of the licensed activity;
- (f) employment generation;
- (g) export earnings and their effect on the balance of payments;
- (h) spill-over of technology to local industry;
- (i) technology supplier’s share in the technology recipient’s profit; and
- (j) royalty approved for the industry under which the licensed product is classified.

### *6.4.3 Net Sales Definition*

Whenever applicable, the following standard definition of net sales is applied as the base for the computation of royalties:

“invoice value based on actual sales minus:

- (1) trade, quantity or cash discounts and broker’s or agent’s commission, if any;
- (2) return credits and allowances;
- (3) tax, excise or other government charges; and
- (4) freight, insurance and packaging cost.”

#### 6.4.4 *Rate of Royalty Fees*

Under existing government policies on the registration of voluntary licensing arrangements, there is no cap on the royalty fee that a technology supplier may charge under any type of transfer of technology agreements except for agreements involving the licensing of trademarks. The Rules pegged a royalty rate of 1% of net sales for mere trademark use due to the low priority accorded by the Government to such type of licensing. Should the agreement include additional components of a technology transfer arrangement, such as the rendering of technical assistance or the provision of technical know-how, a royalty fee higher than 1% is usually granted. The determination of the reasonableness of the royalty rate under each technology transfer application is evaluated on a case-by-case basis, taking into account the merits of the activity. It is stressed here that the TTR takes a more flexible and liberal stance in approving royalty rates if it can be proven that the benefits which will accrue to the economy will far outweigh the cost of acquiring the technology.

#### 6.4.5 *Minimum Royalties*

Section 11 of Rule IV explicitly prohibits the setting of minimum royalties unless the requested minimum royalty is proven to be much less than the royalty payments due based on historical sales and/or sales projection of the licensed product(s).

A provision requiring payment of minimum royalty is cited below:

“In consideration of the rights and privileges granted under the Agreement, a royalty fee of 3% of net sales shall apply. However, should the computed royalties fall below US\$5,000 per annum for the first two years of the Agreement, the LICENSEE shall pay a minimum annual royalty of US\$5,000. Moreover, from the third year to the fifth year, the applicable minimum annual royalty shall be US\$10,000.”

Based on the evaluation of the case, the past sales performance of the company shows that the US\$5,000 minimum royalty imposed is easily achievable. However, in the case of the second minimum fee of US\$10,000, which is applicable from the third to the fifth year, it was found that historical sales fall below the level which will cover the US\$10,000 minimum set. The deletion of the second minimum royalty of US\$10,000 was therefore required.

#### 6.4.6 *Incentive Royalty*

Section 11 of Rule IV grants an incentive to the licensor in the form of a bonus royalty of 2% of net foreign exchange earnings if the technology supplier commits himself to an export development program to assist a new exporter in penetrating the export market. For purposes of computing the royalties, net foreign exchange earnings is defined as the FOB value of the exported licensed product(s) minus the landed cost of imported materials and components used in connection with the manufacture of the exported licensed product(s).

#### **6.4.7 *Taxes on Royalties and Fees Due Under a Technology Transfer Arrangement***

Withholding taxes on all payments relating to the technology transfer arrangement shall be borne by the technology supplier.

#### **6.4.8 *Currency Conversion***

The conversion of all payments relating to the technology transfer arrangement shall be made at the prevailing exchange rate at the time of remittance. This requirement is in consonance with the policies of the Central Bank of the Philippines.

### **6.5 *Exceptional Cases***

In exceptional or meritorious cases where substantial benefits will accrue to the economy, such as high-technology content, increase in foreign exchange earnings, employment generation, regional dispersal of industries and/or substitution with or use of local raw materials or, in the case of BOI-registered companies with pioneer status, exemption from any of the above requirements may be allowed after evaluation thereof on a case-by-case basis.

### **6.6 *Registration Procedures for Technology Transfer Arrangements***

#### **6.6.1 *Documentary Requirements for Filing Applications***

All technology transfer arrangements shall be submitted to the Registry, duly notarized and/or authenticated, for approval and registration, accompanied by a duly completed Application Form (No. TTR-1), together with other supporting documents as follows:

- (a) project financial statements for the next five years;
- (b) product brochures and process flowcharts;
- (c) justification for using the technology or service;
- (d) copy of the Environmental Compliance Certificate from the Department of Environment and Natural Resources, whenever applicable; and
- (e) copy of the Certificate of Product Registration issued by the Bureau of Foods and Drugs Administration, whenever applicable.

#### **6.6.2 *Prescription Period for Filing***

Filing of agreements shall be in accordance with the following schedule:

- (a) new agreements: within 30 working days from the date of execution or effectivity, whichever is earlier;
- (b) renewal agreements: within 30 working days before the expiration of the term of the existing technology transfer arrangement;
- (c) amendatory agreements other than those mentioned under Section 7 of Rule IV: within 30 working days from such amendment or modification.

#### **6.6.3 *Prescription Period for TTR Actions***

The Registry shall take action on applications for registration in accordance with the following schedule:



- (a) within two working days for the following technology transfer arrangements:
  - (i) agreements patterned after the TTR Model Contract on Licensing and Technical Assistance with a royalty fee not exceeding 2% of net sales,
  - (ii) agreements involving pure trademark licensing,
  - (iii) franchise agreements with a fee not exceeding 1% of net sales,
  - (iv) agreements which are royalty-free, and
  - (v) amendatory agreements to TTR-registered agreements involving minor changes, such as the addition of new products involving the same technology under the same terms of a TTR-registered agreement or change of technology supplier/technology recipient or change in corporate name of technology supplier/technology recipient;
- (b) within 10 working days for agreements involving technology and know-how, whether patented or not, and trademarks with a royalty fee not exceeding 2% of net sales but excluding franchise agreements;
- (c) within 30 working days for all other types of agreements.

#### 6.6.4 *Official Acceptance*

The date of full compliance by the applicant with all the pertinent requirements of the Registry shall be deemed as the date of official acceptance which is the date that the evaluation of the application shall commence.

#### 6.6.5 *Issuance of Certificate of Registration*

After evaluation and the parties have complied with the pre-registration and registration requirements, the Certificate of Registration shall be issued. This will enable the licensee to apply for the remittance of the royalties due under the technology transfer arrangement through the banking system, upon presentation of the Certificate of Registration together with other documentary requirements by the banks.

### 6.7 **Post-Registration Requirements**

#### 6.7.1 *Annual Progress Reports*

For the purpose of monitoring the progress of projects which are being undertaken under the registered technology transfer arrangements, technology recipients shall submit to the Registry, not later than the last day of March of each year, the completed Annual Progress Report Form (No. TTR-2).

#### 6.7.2 *General Terms and Conditions*

Also, after registration of the agreement, the parties are required to comply with the following general terms and conditions:

- (a) submission to the TTR for approval and registration of any amendments or modifications to the registered agreement within 30 working days from such amendment or modification;
- (b) submission to the TTR for approval and registration of any supplemental agreement in the nature of a technology transfer transaction, including but not limited to specialized services that may, in the future, be entered into between the parties;
- (c) submission to the TTR for approval and registration of any renewal of the agreement within 30 working days before expiration of the term of the existing agreement;

- (d) prior approval of TTR and any appropriate government agency shall be secured on the entry and/or employment of foreign nationals who will render technical or advisory services to the recipient company under the terms of the registered agreement, including the terms and conditions of such entry and/or employment.

To a developing country which badly needs foreign exchange to finance its development, the adoption of the above policies is inevitable. However, flexibility in the implementation of the Rules is applied where the activity involved is perceived to make significant social and economic contributions to the country.

**ANNEX 1**

**Rules of Procedure of the Technology Transfer Registry  
of the Bureau of Patents, Trademarks and Technology  
Transfer**

**RULES OF PROCEDURE OF THE TECHNOLOGY  
TRANSFER REGISTRY OF THE BUREAU OF  
PATENTS, TRADEMARKS AND TECHNOLOGY TRANSFER**

Republic of the Philippines  
Department of Trade and Industry  
Bureau of Patents, Trademarks and Technology Transfer  
Makati, Metro-Manila

June 15, 1988

Department Administrative Order No. 5  
Series of 1988

**SUBJECT: Revised Rules of Procedure of the Technology Transfer Registry**

Pursuant to the provisions of Executive Order No. 133 Reorganizing the Department of Trade and Industry and its Attached Agencies and Section 79-B of the revised Administrative Code, the following revised rules and regulations are hereby promulgated.

**Rule I  
Definitions**

*Sec. 1.* For purposes of these rules and regulations, the following terms shall be understood as follows:

- (a) "Registry" shall refer to the Technology Transfer Registry within the Bureau of Patents, Trademarks and Technology Transfer of the Department of Trade and Industry.
- (b) "Technology Transfer Arrangements" shall refer to contracts or agreements entered into by and between domestic companies and foreign companies and/or foreign-owned companies involving the transfer of systematic knowledge for the manufacture of a product, for the application of a process or for the rendering of a service, including the transfer, assignment or licensing of all forms of industrial property rights.
- (c) "Domestic Companies" shall refer to enterprises, partnerships, corporations, branches or other forms of business organization formed, organized, chartered or existing under the laws of the Philippines.
- (d) "Foreign Companies" shall refer to alien enterprises or foreign firms, associations, partnerships, corporations or other forms of business organization not organized or existing under the laws of the Philippines.
- (e) "Foreign-Owned Companies" shall refer to enterprises, partnerships, corporations or other forms of business organization formed, organized, chartered or existing under the laws of the Philippines, majority of the outstanding capital of which is owned by aliens.
- (f) "Net Sales" shall refer to the invoice value based on actual sales minus:
  - (1) trade, quantity or cash discounts and broker's or agent's commission, if any;
  - (2) return credits and allowances;
  - (3) tax, excise or other government charges; and
  - (4) freight, insurance and packaging cost.

- (g) "Packaging Cost" shall refer to cost of materials incurred in the process of placing the licensed product in container(s), receptacle(s) or wrapper(s) necessary for marketing and transporting products to specific areas of destination.
- (h) "Net Foreign Exchange Earnings" shall refer to the FOB value of the exported licensed product(s) minus the landed cost of imported materials and components used in connection with the manufacture of the exported licensed product(s).
- (i) "Imported Raw Materials and Components" shall refer to non-indigenous raw materials and semi-finished products with less than 50% local content, directly or actually used as inputs in the manufacture or processing of a licensed product which is completely finished and forming part thereof.
- (j) "Local Content" shall refer to the difference between the manufacturing cost (which includes the cost of raw materials, labor and factory overheads, but excludes the cost of depreciation) and the landed cost of imported raw materials and components.
- (k) "Landed Cost of Imported Raw Materials and Components" shall refer to the sum of the CIF value, customs duty, tax and importation charges.

## **Rule II**

### **Functions of the Registry**

**Sec. 2. General Functions.**—The Registry shall have the following general functions:

- (a) Formulate policies that would promote the inflow of appropriate technology into the desired/preferred sectors of activity with focus on the developmental and regulatory roles of the Government in the field of technology transfer;
- (b) Establish general and equitable standards on which to base the relationships between/among the parties to the technology transfer arrangements, taking into consideration their legitimate interests, and giving due recognition to the special needs of the country for the fulfillment of its economic and social development objectives such as the development of indigenous technology and the conservation of foreign exchange resources from the purchase of unnecessary technology and from the excessive cost of imported technology;
- (c) Encourage technology transfer arrangements under conditions where the bargaining positions of the parties to the technology transfer arrangements are balanced in such a way as to avoid abuses of a stronger position and thereby to achieve mutually satisfactory technology transfer arrangements;
- (d) Measure the extent of technology absorption and adaptation under the technology transfer arrangements; and
- (e) Perform such other functions as may be necessary for the accomplishment of these objectives.

**Sec. 3. Specific Functions.**—The Registry shall have the following specific functions:

- (a) Issue rules and regulations for the effective, efficient and economic implementation of policies and guidelines relative to technology transfer;
- (b) Evaluate and register all technology transfer arrangements in accordance with the national technology transfer policies;
- (c) Monitor the implementation of technology transfer arrangements;
- (d) Render advisory services to the private sector on the negotiation of the terms of the technology transfer arrangements and technology sourcing; and
- (e) Collect and disseminate information on technologies which could be tapped by the private sector.

### **Rule III Requirements for Registration**

**Sec. 4. Filing of Technology Transfer Arrangements.**—All technology transfer arrangements shall be submitted to the Registry, duly notarized and/or authenticated, for approval and registration, accompanied by a duly accomplished Application Form No. TTR-1 together with the supporting documents listed therein. Filing of agreements shall be in accordance with the following schedule:

- (1) New Agreements—within 30 working days from the date of execution or effectivity, whichever is earlier;
- (2) Renewal Agreements—within 30 working days before the expiration of the term of the existing technology transfer arrangement;
- (3) Amendatory Agreements other than those mentioned under Section 7 of Rule IV—within 30 working days from such amendment or modification.

Failure of the applicant to comply with any of the requirements in connection with the application for registration within a period of 15 working days from the date of notification shall be construed as an abandonment of the application. Upon written request by the applicant, however, the Registry may extend said period.

**Sec. 5. Date of Official Acceptance.**—The date of full compliance by the applicant with all the pertinent requirements of the Registry shall be deemed as the date of official acceptance, which shall be duly recorded in the Application Entry Book. A notice of official acceptance shall be issued by the Registry in favor of the applicant firm.

### **Rule IV Evaluation Procedure and Guidelines**

**Sec. 6. Scope of Evaluation.**—The Registry shall evaluate and register technology transfer arrangements taking into account the legal, technical and economic aspects thereof in the light of national technology transfer policies.

**Sec. 7. Decision.**—The Registry shall render action on applications for registration in accordance with the following schedule:

- (1) Within two working days for the following technology transfer arrangements:
  - (i) agreement patterned after the TTR Model Contract on Licensing and Technical Assistance with a royalty fee not exceeding 2% of net sales;
  - (ii) agreements involving pure trademark licensing;
  - (iii) franchise agreements with a fee not exceeding 1% of net sales;
  - (iv) agreements which are royalty-free; and
  - (v) amendatory agreements to TTR registered agreements involving minor changes such as addition of new products involving the same technology under the same terms of a TTR registered agreement or change of technology supplier/technology recipient or change in corporate name of technology supplier/technology recipient;
- (2) Within 10 working days for agreements involving technology and know-how whether patented or not and trademarks with a royalty fee not exceeding 2% of net sales excluding franchise agreements;
- (3) Within 30 working days for all other types of agreements.

The reckoning of the above evaluation period shall be from the date of official acceptance of the technology transfer arrangement as defined in Section 5 of Rule III hereof.

Upon the expiration of the periods stated above without action having been rendered, the application shall be deemed as automatically approved; provided, however, that provisions in the technology transfer arrangement which contravene Section 12 of Rule IV shall be deemed not written; provided, further, that Section 13 of Rule IV shall be complied with.

*Sec. 8. Notice of Decision.*—The Registry shall issue a notice of approval which shall specify the terms and conditions of registration. From the date of receipt of said notice, the applicant shall have 30 working days within which to submit its acceptance and/or the required amendment(s) or modification(s). Failure to do so within the said period may be construed as abandonment of the application.

*Sec. 9. Draft Technology Transfer Arrangements.*—Applicants may, prior to the execution of technology transfer arrangements, submit drafts thereof to the Registry with the normal application, for which approval in principle may be granted, registration being withheld until the execution thereof.

*Sec. 10.* In evaluating technology transfer arrangements, the Registry shall take due consideration of agreements where:

- (1) The use of the technology/industrial property right(s) will lead to substantial contribution to the national development objectives and goals such as employment generation and export promotion, use of indigenous raw materials, conservation of energy, etc.
- (2) The use of technology/industrial property right(s) answers an immediate need taking into account the gap between the requirement of the industry and the national technological capability.
- (3) The use of technology/industrial property right(s) does not result in environmental pollution and/or health hazards to employees of the technology recipient and to the community at large.

*Sec. 11.* Similarly, in assessing the reasonableness of the payment in relation to the value of the technology to the technology recipient and the national economy, the following criteria shall be taken into account: scope, complexity and pioneering nature of the technology; importance of the technology in relation to the technology recipient's overall activity; degree of mastery of the technology by the technology supplier; stage of the licensed product in the product life cycle; use of indigenous raw materials and services, energy savings; level of priority of the licensed activity; employment generation; export earnings and its effect on the balance of payments; spill-over of technology to local industry; technology supplier's share in the technology recipient's profit; royalty approved for the industry under which the licensed product is classified.

For consistency, royalty base shall be expressed in terms of net sales whenever applicable.

Minimum royalty shall not be allowed, unless the requested minimum royalty is proved to be much less than the royalty payments due based on historical sales and/or sales projection of the licensed product(s).

A bonus royalty of 2% of net foreign exchange earnings, as herein defined, may be allowed if the technology supplier commits to an export development program to assist a new exporter in penetrating the export market.

Royalty for the license to use trademark(s) shall not exceed 1% of net sales of the licensed product(s).

*Sec. 12.* Restrictive business clauses shall not be allowed in any technology transfer arrangement; specifically, the following clauses shall be prohibited:

- (1) those which restrict directly or indirectly the export of the products manufactured by the technology recipient under the technology transfer arrangement, unless justified for the protection of legitimate interest of the technology supplier and the technology recipient such as exports to countries where any of the party's industrial property rights will be infringed or where exclusive licenses to use the technology in these countries have already been granted;

- (2) those which restrict the use of the technology supplied after expiry of the technology transfer arrangement, except in cases of early termination of the technology transfer arrangement due to reason(s) attributable to the technology recipient;
- (3) those which restrict the manufacture of similar or competing product(s) after the expiry of the technology transfer arrangement;
- (4) those which require payments for patents and other industrial property rights after their expiration, termination or invalidation;
- (5) those which provide free of charge that improvements made by the technology recipient shall be patented in the name of the technology supplier, or shall be required to be exclusively assigned to the technology supplier, or shall be required to be communicated to the technology supplier for its use;
- (6) those which require that the technology recipient shall not contest the validity of any of the patents of the technology supplier;
- (7) those which restrict the technology recipient in a non-exclusive technology transfer arrangement from obtaining patented or unpatented technology from other technology supplier(s) with regard to the sale or manufacture of competing products;
- (8) those which require the technology recipient to purchase its raw materials, components and equipment exclusively, or a fixed percentage of the requirement, from the technology supplier or a person designated by him, unless it could be proven that:
  - (i) the selling price is based on international market price or the same price is charged by the technology supplier to third parties and that there are no cheaper sources of supply, and
  - (ii) such requirement is necessary to maintain the quality standards prescribed by the technology supplier;
- (9) those which limit the scope of production and pricing of products manufactured by the technology recipient and set a minimum volume of production, unless such minimum volume can be proven to be reasonable based on historical sales and/or sales projection of the licensed product(s);
- (10) those which restrict the research and development activities of the technology recipient designed to absorb and adapt the transferred technology to local conditions or to initiate R&D programs in connection with new products, processes or equipment;
- (11) those which prevent the technology recipient from adapting the imported technology to local conditions, or introducing innovations to it, as long as it does not impair the quality standards prescribed by the technology supplier;
- (12) those which require the technology recipient to employ personnel designated by the technology supplier, except to the extent necessary to ensure the efficient transfer of technology, or those which require the continued employment of such personnel when adequately trained personnel are available or have been trained;
- (13) those which require the technology recipient to grant exclusive sales or representation rights to the technology supplier or any person designated by the technology supplier unless the technology recipient does so on his own volition;
- (14) those which require the technology recipient to keep part or all of the information received under the technology transfer arrangement confidential beyond a reasonable period, e.g., five years after termination/expiration of the technology transfer arrangement; and
- (15) those which exempt the technology supplier from liability for nonfulfillment of his responsibilities or that which provide for maximum amount beyond which the technology supplier shall not be liable, with regard to third party suits arising from the use of the licensed product or licensed technology.



*Sec. 13. Requisite Provisions.*—The following provisions shall be required in technology transfer arrangements:

- (1) That the laws of the Philippines shall govern the interpretation of the same and in the event of litigation, the venue shall be the proper courts in the place where the technology recipient has its principal office;
- (2) A fixed term not exceeding five years with no automatic renewal; however, a term longer than five years may be allowed under the following conditions:
  - (i) licensed activity has a long gestation period, provided the royalty payment shall apply only to sales of the licensed product(s) generated for a five-year period, and
  - (ii) royalty-free agreements;Automatic renewal provisions may be allowed in royalty-free technology transfer arrangements;
- (3) That the technology, if used in accordance with the specific instructions of the technology supplier, is suitable for the manufacture of the licensed product(s) or for the extension of services pursuant to the technology transfer arrangement;
- (4) That, on the date of the signing of the technology transfer arrangement, the technology supplier shall warrant, to the best of its knowledge, that it is not aware of third parties' valid patent rights or similar protection for inventions which would be infringed upon by the use of the technology by the technology recipient when applied in accordance with the technology transfer arrangements;
- (5) Continued access to improvements in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement;
- (6) In the event the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the internationally accepted rules of arbitration such as the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) or the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC) shall apply and the venue of arbitration shall be the Philippines;
- (7) That Philippine withholding taxes on all payments relating to the technology transfer arrangement shall be borne by the technology supplier; and
- (8) That all payments relating to the technology transfer arrangement shall be remitted to the technology supplier at the prevailing exchange rate at the time of remittance.

*Sec. 14.* In the event the technology transfer arrangement shall provide for the rendering of related technical services by foreign national(s) under the registered technology transfer arrangement, the rate of fees shall be determined based on the following factors:

- (1) qualifications of the technician/engineer rendering the services (background in terms of education and experience, current field of specialization, level of expertise);
- (2) scope of work;
- (3) amount of royalty payments or technical fees in the technology transfer arrangement;
- (4) actual salary scale for a particular level of expertise in the country where the supplier of technology is based;
- (5) economic benefits of the foreign technology such as increase in exports and employment generation; and
- (6) time required to efficiently cover the various services to be rendered.

*Sec. 15. Exceptional Cases.*—In exceptional or meritorious cases where substantial benefits will accrue to the economy, such as high technology content, increase in foreign exchange earnings, employment generation, regional dispersal of industries and/or substitution with or use of local raw materials, or in the case of BOI registered companies with pioneer status, exemption from any of the above requirements may be allowed after evaluation thereof on a case-by-case basis.

### **Rule V Certificate of Registration**

*Sec. 16. Issuance of Certificate.*—Upon fulfillment of the pre-registration and registration requirements, the Certificate of Registration shall be issued.

*Sec. 17. Certificate Registry Book.*—Immediately after the Certificate of Registration is issued, the title of the technology transfer arrangement and parties thereto, its registration number and the date of registration shall be entered in the Certificate Registry Book.

*Sec. 18. Cancellation of Registration.*—If, after investigation by the Registry, it can be established that the terms and conditions of the technology transfer arrangement have been amended or modified without recourse to Section 4, Rule III, or the terms and conditions stated in the Certificate of Registration have been violated, the Registry may cancel the registration of the technology transfer arrangement and require the surrender of the Certificate of Registration. Such action will be made only after the parties in whose names the Certificate of Registration was issued are given an opportunity to be heard in line with the provisions of Executive Order No. 913 and its implementing rules.

*Sec. 19. Sanctions.*—The Registry shall determine the appropriate sanctions to be imposed for such violation and/or shall recommend to other appropriate government agencies the imposition of such other sanctions that could properly be employed by these agencies under their respective charters.

### **Rule VI Reconsideration**

*Sec. 20. Requests for reconsideration in respect of pre-registration conditions or specific terms and conditions shall be filed with the Registry within 15 working days from the date of receipt of the notice of approval. All requests shall be filed in writing stating clearly and concisely the reason(s) therefor, and shall, whenever relevant, be accompanied by supporting documents. The Registry shall render its decision within 30 working days from the date of filing of the request.*

### **Rule VII Submission of Annual Reports**

*Sec. 21. For the purpose of monitoring the progress of projects which are being undertaken under the registered technology transfer arrangements, technology recipients shall submit to the Registry, not later than the last day of March of each year, the accomplished Annual Progress Report Form No. TTR-2.*

### Rule VIII Penalties

*Sec. 22.* Technology recipients failing to register their technology transfer arrangements, as required under Section 4, of Rule III hereof, shall be subject to the following schedule of fines:

	<i>Basic Fee</i>	<i>Daily Fine</i>	<i>Start of Penalty Period</i>
(a) New Technology Transfer Arrangement	P250	P25	After the 30th working day from the date of execution or effectivity, whichever is earlier
(b) Renewal of Technology Transfer Arrangements	P500	P25	Date of effectivity of the renewal of the technology transfer arrangement
(c) Amendatory/Supplemental Technology Transfer Arrangement	P100	P 5	After the 30th working day from the date of execution

*Sec. 23.* The following schedule of fines for late or non-submission of Annual Progress Reports shall be imposed as follows:

	<i>Basic Fee</i>	<i>Daily Fine</i>	<i>Start of Penalty Period</i>
First Violation	P 25	P 5	April 1 of each year
Second Violation	P 50	P10	—do—
Third Violation	P100	P20	—do—

*Sec. 24.* The penalty period shall commence on the dates mentioned above and shall end on the date of filing of the application with the Registry.

### Rule IX Termination of Technology Transfer Arrangements

*Sec. 25.* When a technology transfer arrangement is terminated by the parties thereto prior to the expiration of its term, notice of such termination shall be filed with the Registry not later than 30 working days from the date of such termination.

### Rule X Confidential Character of Certain Data

*Sec. 26.* Information and documents received by the Registry for registration of technology transfer arrangements shall be treated as confidential and shall not be divulged to any private party without the consent of the parties concerned. However, nothing herein should bar the Registry from releasing aggregative information on particular sectors of the industry based on documents submitted by applicant firms.

### Rule XI Transitory Provisions

*Sec. 27.* This Revised Procedure shall not have retroactive effect on all technology transfer arrangements existing and registered prior to the effectivity of these rules and regulations. All other technology transfer arrangements pending approval with the Technology Transfer Board and carried over to the Registry shall be governed by the Technology Transfer Board rules and regulations.

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**Rule XII**  
**Reckoning of Dates**

*Sec. 28.* Whenever these rules and regulations prescribe a period within which an act shall or shall not be performed, the first day shall be excluded and the last day included in the computation thereof, unless otherwise provided.

**Rule XIII**  
**Notices**

*Sec. 29.* Notices sent by the Registry shall be addressed to the party seeking the registration of the technology transfer arrangement at its principal place of business. Such notices may, with like effect, be delivered to its authorized representative(s) as appearing in the records of the Registry.

**Rule XIV**  
**Fees**

*Sec. 30.* The Registry shall collect a filing fee in the amount of 1,000 pesos for each application and an additional 1,000 pesos upon issuance of the Certificate of Registration for new technology transfer arrangements and 1,500 pesos for each application and an additional 1,500 pesos upon issuance of the Certificate of Registration for renewal of technology transfer arrangements.

**Rule XV**  
**Final Provisions**

*Sec. 31.* All other rules and regulations contrary hereto are hereby repealed or modified accordingly.

*Sec. 32.* This Administrative Order shall take effect 15 working days after publication in the Official Gazette.

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**ANNEX 2**

**Republic Act No. 165**

**An Act Creating a Patent Office, Prescribing its Powers  
and Duties, Regulating the Issuance of Patents, and  
Appropriating Funds Therefor**

## REPUBLIC ACT No. 165

## AN ACT CREATING A PATENT OFFICE, PRESCRIBING ITS POWERS AND DUTIES, REGULATING THE ISSUANCE OF PATENTS, AND APPROPRIATING FUNDS THEREFOR

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

**Chapter I**  
**Organization and Operation**

*Sec. 1.* Patent Office.—There is hereby created a “Patent Office” under the executive supervision of the Department of Commerce and Industry<sup>1</sup> where all records, books, drawings, specifications, and other papers and things pertaining to patents shall be safely kept and preserved.

*Sec. 2.* Officers and employees of the Patent Office.—The Patent Office shall be under the direction of a Director who shall have an assistant to be known as Assistant Director. The Director and Assistant Director shall be appointed by the President with the consent of the Commission on Appointments of the Congress of the Philippines, and shall hold office during good behavior. The Director shall receive a salary of 7,200 pesos a year and the Assistant Director a salary of 6,000 pesos a year.

To carry into effect the provisions of this Act, there shall also be in said Office such other officers and employees as may be appointed by the Secretary of Commerce and Industry<sup>2</sup> upon recommendation of the Director.

The term “Office” used in this Act means the Patent Office.

The term “Director” used in this Act refers to the Director of Patents or the Assistant Director of Patents when acting as or performing the duties of the Director.

*Sec. 3.* Special technical and scientific assistance.—The Director is empowered to obtain the assistance of technical, scientific or other qualified officers or employees of other departments, bureaus, offices, agencies and instrumentalities of the Government, including corporations owned, controlled or operated by the Government, when deemed necessary in the consideration of any matter submitted to the Office relative to the enforcement of the provisions of this Act.

*Sec. 4.* Seal of Office.—The Office shall have a seal with which patents and other papers issued by it shall be authenticated. The form and design of the seal shall be approved by the President of the Philippines.

*Sec. 5.* Publication of laws and rules.—The Director shall print, or cause to be printed, and make available for distribution, pamphlet copies of the laws and of the rules and regulations of the Office, and may print circulars of information relating to matters within the jurisdiction of the Office.

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<sup>1</sup> Now Ministry of Trade and Industry.

<sup>2</sup> *Ibid.*

*Sec. 6.* Publication of certain matters in the Official Gazette.—There shall be published in the Official Gazette a suitable view of the drawing, if there be a drawing, and the claims of each patent issued; the rules and regulations duly promulgated and the amendments thereto; an annual index of the names of inventors and patentees and the title of the invention covered by the patents issued during each fiscal year; all notices and decisions required under this Act to be published; and such other information relating to patents and other matters within the jurisdiction of the Office as may, in the discretion of the Director, be useful to the public.

## **Chapter II** **Inventions Patentable**

*Sec. 7.* Inventions patentable.—Any invention of a new and useful machine, manufactured product or substance, process, or an improvement of any of the foregoing, shall be patentable.

*Sec. 8.* Inventions not patentable.—An invention shall not be patentable if it is contrary to public order or morals, or to public health or welfare, or if it constitutes a mere idea, scientific principle or abstract theorem not embodied in an invention as specified in Section 7 hereof, or any process not directed to the making or improving of a commercial product.

*Sec. 9.* Invention not considered new or patentable.—An invention shall not be considered new or capable of being patented if it was known or used by others in the Philippines before the invention thereof by the inventor named in an application for patent for the invention, or if it was patented or described in any printed publication in the Philippines or any foreign country more than one year before the application for a patent therefor; or if it had been in public use or on sale in the Philippines for more than one year before the application for a patent therefor; or if it is the subject matter of a validly issued patent in the Philippines granted on an application filed before the filing of the application for patent therefor.

## **Chapter III** **Application for Patent**

*Sec. 10.* Right to patent.—The right to the patent belongs to the first true and actual inventor, his heirs, legal representatives, or assigns. If two or more persons have an invention jointly, the right to the patent belongs to them jointly. If two or more persons have made the invention separately and independently of each other the right to the patent shall belong to the person who is the first to file an application for such invention, unless it is shown that the second to file an application was the original and first inventor.

Whenever an application is made for a patent which, in the opinion of the Director, would interfere with any pending application, or with any unexpired patent, he shall give notice thereof to the applications [applicants], or applicant and patentee, as the case may be, and shall proceed to determine the question of priority of invention. And upon termination of the interference proceedings, the Director may issue a patent to the party who is adjudged the prior inventor. (As amended by Republic Act No. 637.)

*Sec. 11.* Applications by non-resident.—Any person filing an application for patent who is not a resident of the Philippines must appoint an agent or representative in the Philippines upon whom notice or process relating to the application for patent may be served. In the event of death, absence or inability of the agent or representative, a new agent or representative must be appointed and notice thereof must be filed in the Office. Upon failure to maintain an agent or representative on record in the Office, service on the Director shall be deemed sufficient.

*Sec. 12.* Who may apply for patent.—An application for patent may be filed only by the inventor, his heirs, legal representatives or assigns.

*Sec. 13.* The application.—The application for patent shall be in English or Spanish, or in the National Language with its corresponding English translation, and signed by the applicant, and shall include a statement giving the name, address, and citizenship or nationality of the applicant and of the inventor, if the applicant is not the inventor, and:

- (a) A specification;
- (b) Drawing, where the invention can be shown by drawings;
- (c) Power of attorney if the filing is through an attorney;
- (d) The assignment or a certified copy of the assignment of the invention for recording, where the application is filed by one who derives his title from the inventor, or proof of title if the derivation is not by assignment;
- (e) A sworn statement by the inventor of his inventorship; or such sworn statement may be made by his heirs or legal representatives in case of death or incapacity of the inventor; however, such sworn statement will not be required if a certified copy of a previously filed foreign application containing the same is filed;
- (f) The appointment of a resident agent or representative in cases coming under Section 11 hereof; and
- (g) The required fee.

*Sec. 14.* The specification.—The specification shall include:

- (a) The title of the invention;
- (b) A brief statement of its nature and purposes;
- (c) A brief explanation of the drawings, where there are drawings;
- (d) A complete and detailed description of the invention in such full, clear, concise and exact terms as to enable any person skilled in the art or science to which the invention relates to make and practice the invention; and
- (e) A distinct and explicit claim or claims of the subject matter which the applicant claims as new and seeks to have patented.

*Sec. 15.* Application previously filed abroad.—An application for patent for an invention filed in this country by any person who has previously regularly filed an application for a patent for the same invention in a foreign country which by treaty, convention, or law, affords similar privileges to citizens of the Philippines, shall have the same force and effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was filed in such foreign country: provided, that the application in this country is filed within 12 months from the earliest date on which any such foreign application was filed, and a certified copy of the foreign application together with a translation thereof into English, if not in the English language, is filed within six months from the date of filing in the Philippines, unless the Director for good cause shown shall extend the time for filing such certified copy: and provided, further, that no patent shall be granted on an application for patent for an invention which had been patented or described in a printed publication in this or any foreign country more than one year before the date of the actual filing of the application in this country, or which had been in public use or sale in this country for more than one year prior to such filing. (As amended by Republic Act No. 637.)

#### **Chapter IV** **Issuance of Patent**

*Sec. 16.* Examination of the application.—When an application for patent has been filed, the Director shall cause to be determined whether it complies with the formal requirements and with the requirements of Chapter II of this Act. If the application is defective in any respect, the applicant shall be notified of the specific defects and a time fixed, not less than four months, within which such defects may be remedied.



Whenever, on examination, any claim for a patent is rejected, the Director shall cause the applicant to be notified thereof, giving him briefly the reasons for such rejection, together with such information and references as may be useful in judging of the propriety of renewing his application or of altering his specification; and if, after receiving such notice, the applicant persists in his claim for a patent, with or without altering his specifications, the Director shall order a reexamination of the case.

No amendment for the first time presenting or asserting a claim which is the same as, or for substantially the same subject matter as, a claim of an issued patent may be made in any application unless such amendment is filed within one year from the date on which said patent was granted.

If the applicant fails to request reconsideration of any adverse action or decision of the Patent Office, or to remedy the defects indicated to him by the Office within the time fixed by the Director, or within such additional time, not exceeding four months, as may be granted, the application shall be denied. (As amended by Republic Act No. 637.)

*Sec. 17. Multiple inventions in one application.*—If several independent inventions which are not so closely related as to be proper in one application are claimed, the Director may require the application to be restricted to a single invention in the same manner as notifications of defects in the application. A later application filed for an invention divided out shall be considered as having been filed on the same day as the first application provided the latter application is filed within four months after the requirement to divide becomes final, or within such additional time, not exceeding four months, as may be granted.

*Sec. 18. Issuance of patent.*—If the original or corrected application is in order, the Director shall issue the patent and shall, as soon as practicable, make the publication required by Section 6, Chapter I hereof.

*Sec. 19. How issued.*—The patent shall be issued in the name of the Republic of the Philippines under the seal of the Office and shall be signed by the Director, and registered together with the specification and drawings, if any, in books and records of the Office to be kept for the purpose.

*Sec. 20. Content of patent.*—The patent shall contain the patent number, the title of the invention, the name and residence of the inventor and of the patentee if the patentee be other than the inventor, the date on which the application was filed, the date on which it is issued, and a grant to the patentee, his heirs or assigns, of the exclusive right to the invention throughout the Republic of the Philippines for the term thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

## **Chapter V** **Term of Patent**

*Sec. 21. Term of patent.*—The term shall begin on the date when the patent is issued as shown on the face thereof and shall expire 17 years thereafter. However, a patent shall cease to be in force and effect if the patentee fails to pay the prescribed annual fees within the prescribed times hereinafter provided or if the patent is cancelled in accordance with the provisions of this Act.

*Sec. 22. Annual fees.*—The first annual fee on a patent shall be due and payable on the expiration of four years from the date of issue. In a similar manner annual fees on subsisting patents shall be due and payable on the fifth and each subsequent anniversary of the date of issue. If any annual fee is not paid within the prescribed time, a notice of the nonpayment shall be published in the Official Gazette and the patentee shall have six months from the date of the publication to pay the fee together with the surcharge required for the delayed payment. A notice of the lapsing of a patent for nonpayment of any annual fee shall be published in the Official Gazette.

*Sec. 23.* Reinstatement of a lapsed patent.—Within two years from the date on which the first unpaid annual fee was due, a patent which has lapsed for nonpayment of any annual fee may be reinstated upon payment of all annual fees then due and the surcharge for reinstatement, and upon proof satisfactory to the Director that such nonpayment was due to fraud, accident, mistake or excusable negligence: provided, however, that such reinstatement shall not prejudice the rights acquired by a third person while the patent was not in force.

## Chapter VI Surrender, Correction and Amendment of Patent

*Sec. 24.* Surrender of patent.—Any patentee, with the consent of all persons having grants or licenses or other right, title or interest in and to the patent and the invention covered thereby, which have been recorded in the Office, may surrender his patent or any claim or claims forming part thereof to the Director for cancellation.

*Sec. 25.* Correction of mistakes of Office.—The Director shall have the power to correct without fee any mistake in a patent incurred through the fault of the Office when clearly disclosed by the records thereof, to make the patent conform to the records.

*Sec. 26.* Correction of mistake of application.—On payment of the prescribed fee, the Director is authorized to correct any mistake in a patent of formal or clerical nature, not incurred through the fault of the Office.

*Sec. 27.* Form and publication of amendment.—Amendment or correction of a patent as provided in Sections 25 and 26 hereof shall be accomplished by a certificate of such amendment or correction authenticated by the seal of the Office and signed by the Director, which certificate shall be attached to the patent if the patent has been returned to the Director. Notice of such amendment or correction shall be published in the Official Gazette, and copies of the patent furnished by the Office shall include a copy of the certificate of the amendment or correction.

*Sec. 27-A.* Whenever any patent is wholly or partly inoperative or invalid, by reason of a defective or insufficient specification, or by reason of the patentee claiming as his own invention more than he had a right to claim as new, if the error has arisen by inadvertence, accident, or mistake, and without any fraudulent or deceptive intention, the Director shall, on the surrender of such patent and the payment of a filing fee of 100 pesos,<sup>3</sup> cause a patent for the same invention, and in accordance with the corrected specification, to be reissued to the patentee or to his assigns or legal representatives, for the unexpired part of the term of the original patent. Such surrender shall take effect upon the issue of the reissued patent, but insofar as the claims of the original and reissued patents are identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent to the extent that its claims are identical with the original patent shall constitute a continuation thereof and have effect continuously from the date of the original patent. The Director may, in his discretion, cause several patents to be issued for distinct and separate parts of the thing patented, upon demand of the applicant, and one payment of 50 pesos<sup>4</sup> for a reissue for each of such reissued PO letters patent. The specifications and claims in every such case shall be subject to revision and restriction in the same manner as original applications are. Every patent so reissued, together with the corrected specifications, shall have the same effect and operation in law, on the trial of all actions for causes thereafter arising, as if the same had been originally filed in such corrected form; but no new matter shall be introduced into the specification, nor in the case of a machine patent shall the model or drawings be amended, except each by the other; but when there is neither model nor

<sup>3</sup> See amended fee in Rule 16.

<sup>4</sup> *Ibid.*

drawing, amendments may be made upon proof satisfactory to the Director that such new matter or amendment was a part of the original invention and was omitted from the specification by inadvertence, accident, or mistake, as aforesaid. (As amended by Republic Act No. 637.)

## Chapter VII Cancellation of Patents

*Sec. 28.* General grounds for cancellation.—Any person may on payment of the required fee petition the Director within three years from the date of publication of the issue of the patent in the Official Gazette, to cancel the patent or any claim thereof, on any of the following grounds:

- (a) That the invention is not new or patentable in accordance with Sections 7, 8 and 9, or that the design or utility model is not new or patentable under Section 55 hereof;
- (b) That the specification in the case of an invention does not comply with the requirement of Section 14, Chapter III hereof; or
- (c) That the person to whom the patent was issued was not the true and actual inventor, designer or author of the utility model or did not derive his rights from the true and actual inventor, designer or author of the utility model. (As amended by Republic Act No. 864.)

*Sec. 29.* When patent may be cancelled at any time.—A petition to cancel a patent on any of the grounds specified in the next preceding section may be filed at any time by the Solicitor General.

*Sec. 30.* Requirements of the petition.—The petition for cancellation must be in writing and verified by the petitioner or by any person on his behalf who knows the facts, and shall specify the grounds upon which it is based, and include a statement of the facts to be relied upon. Copies of printed publications or of patents of other countries, or other supporting documents mentioned in the petition shall be filed therewith, together with the translation thereof into English, if not in the English language.

*Sec. 31.* Notice of hearing.—Upon filing of a petition for cancellation, the Director shall forthwith serve notice of the filing thereof upon the patentee and all persons having grants or licenses, or any other right, title or interest in and to the patent and the invention covered thereby, as appears of record in the Office, and of notice of the date of hearing thereon on such persons and the petitioner. Notice of the filing of the petition shall be published in the Official Gazette.

*Sec. 32.* Cancellation of the patent.—If the Director finds that a case for cancellation has been made out, he shall order the patent or any specified claim or claims thereof cancelled. The order shall not become effective until the time for appeal has elapsed or, if appeal is taken, until the judgment on appeal becomes final. When the order or judgment becomes final, any rights conferred upon the patentee by the patent or any specified claim or claims cancelled thereby shall terminate. Notice of cancellation shall be published in the Official Gazette.

*Sec. 33.* Cancellation for fraud on the inventor, designer or author of the utility model.—In the case of the ground specified in paragraph (c), Section 28 hereof, if the petition for cancellation is made by or on behalf of the true and actual inventor, designer or author of the utility model, from whom the patentee fraudulently derived the invention, design or utility model and is successful in this ground, a patent may be obtained by such person, if he does not have a patent, notwithstanding any knowledge or use or publication of the patent cancelled: provided, that the true and actual inventor, designer or author of the utility model shall file an application for patent for such invention, design or utility model,

within six months after the order of cancellation has become final. The term of such patent, however, shall expire, in the case of invention patents, 17 years from the date of issue of the patent cancelled; and in the case of design and utility model patents, five years from the date of the issue of the original or renewal patent cancelled. (As amended by Republic Act No. 864.)

## Chapter VIII Licensing

### Article 1 Voluntary Licensing

#### Sec. 33-A. Voluntary license contracts.—

(1) All voluntary license contracts as well as renewals thereof involving payment of royalty for the use of patents, transfer of technology, or furnishing of services respecting patents shall, whenever entered into between residents and non-residents, be submitted to the Technology Resource Center for prior approval and registration.

(2) The royalty to be granted in all license contracts involving manufacturing (including actual transfer of technology services such as secret formulae, processes, technical know-how and the like) shall, whenever entered into between an alien licensor and a Filipino licensee, not exceed 5% of the net wholesale price of the articles manufactured under the royalty agreement and shall be equally distributed to all the patentees in cases where more than one patent similar to that contemplated in Section 34-C hereof are involved.

(3) The term “net wholesale price” means the gross amount billed for the patented product subject to royalty less:

- (a) Trade, quantity, or cash discounts, and broker’s or agent’s commission, if any, allowed or paid;
- (b) Credits or allowances, if any, given or made on account of rejection or return of the patented product previously delivered; and
- (c) Any tax, excise or other government charge, included in such amount, on, or measured by, the production, sale, use or delivery of the patented product.

(4) Unless and until approved and registered in accordance with paragraph (1) of this Section, the license contract contemplated therein may not be the subject of an application filed with either the Board of Investments or the Central Bank of the Philippines. Neither will it have an effect against third persons until such registration.<sup>5</sup>

#### Sec. 33-B. Rights of licensor.—

(1) In the absence of any provision to the contrary in the license contract, the grant of a license shall not prevent the licensor from granting further licenses to third persons nor from exploiting the invention himself.

(2) Without prejudice to the grant of a compulsory license in accordance with Section 34 hereof, the grant of an exclusive license shall prevent the licensor from granting licenses to third persons and, unless otherwise expressly provided in the license contract, from exploiting the invention himself.<sup>6</sup>

#### Sec. 33-C. Rights of licensee.—

(1) The licensee shall be entitled to exploit the invention during the whole duration of the patent in the entire territory of the Philippines through any application of the invention, and in respect of all acts referred to in Sections 37 and 42.

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<sup>5</sup> Sections 33-A, 33-B and 33-C, which were inserted by Presidential Decree No. 1263, were subsequently “specifically repealed” by Presidential Decree No. 1520 “insofar as industrial technology is concerned.”

<sup>6</sup> *Ibid.*

(2) Clauses of the following tenor contained in license contracts shall be null and void:

- (a) Those which impose upon the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor;
- (b) Those pursuant to which the licensor reserves the right to fix the sale or resale prices of the products manufactured on the basis of the license;
- (c) Those that contain restrictions regarding the volume and structure of production;
- (d) Those that prohibit the use of competitive technologies;
- (e) Those that establish a full or partial purchase option in favor of the licensor;
- (f) Those that obligate the licensee to transfer to the licensor the inventions or improvements that may be obtained through the use of the licensed technology;
- (g) Those that require payment of royalties to the owners of patents for patents which are not used;
- (h) Those that prohibit the licensee to export the licensed product; and
- (i) Other clauses with equivalent effects.<sup>7</sup>

## *Article 2* *Compulsory Licensing*

*Sec. 34. Grounds for compulsory licensing.—*

(1) Any person may apply to the Director for the grant of a license under a particular patent at any time after the expiration of two years from the date of the grant of the patent, under any of the following circumstances:

- (a) If the patented invention is not being worked within the Philippines on a commercial scale, although capable of being so worked, without satisfactory reason;
- (b) If the demand for the patented article in the Philippines is not being met to an adequate extent and on reasonable terms;
- (c) If, by reason of refusal of the patentee to grant a license or licenses on reasonable terms, or by reason of the conditions attached by the patentee to licensee or to the purchase, lease or use of the patented article or working of the patented process or machine for production, the establishment of any new trade or industry in the Philippines is prevented, or the trade or industry therein is unduly restrained;
- (d) If the working of the invention within the country is being prevented or hindered by the importation of the patented article; or
- (e) If the patented invention or article relates to food or medicine or manufactured products or substances which can be used as food or medicine, or is necessary for public health or public safety.

(2) In any of the above cases, a compulsory license shall be granted to the petitioner provided that he has proved his capability to work the patented product or to make use of the patented product in the manufacture of a useful product, or to employ the patented process.

(3) The term “worked” or “working” as used in this section means the manufacture and sale of the patented article of the patented machine, or the application of the patented process for production, in or by means of a definite and substantial establishment or organization in the Philippines and on a scale which is reasonable and adequate under the circumstances. Importation shall not constitute “working.” (As amended by Presidential Decree No. 1263.)

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<sup>7</sup> *Ibid.*

*Sec. 34-A.* Products or processes vital to national defense, economy or health.—The National Economic Development Authority may, by order, provide that for certain patented products or processes, or for certain categories of such products or processes which are declared in such order to be of vital importance to the country's defense or economy or to public health, compulsory license may be granted under the conditions provided in the next preceding Section even before the expiration of the period mentioned therein.<sup>8</sup>

*Sec. 34-B.* Product, substances or processes subject of project approved by the Board of Investments.—

(1) All products or substances and/or processes involved in any industrial project approved by the Board of Investments under the Investment Incentives Act shall be deemed products or substances and/or processes vital to the national defense or economy or to public health. If the proponent of the project is neither a patentee nor a licensee of any of the products, substances or processes involved therein, a compulsory license may, upon application by the proponent or endorsement made by the Board of Investments, be issued in his favor by the Director of Patents without need of complying with the provisions of Sections 34 and 34-A.

(2) In cases falling under the foregoing paragraph, the requirements of Sections 34-D and 34-E shall be complied with, but no hearing shall be necessary except to determine the identity of the patent owner of the products, substances or processes subject of the application or endorsement. If two or more patents exist for the same product, substance or process, the license shall be granted under all subsisting patents involved.<sup>9</sup>

*Sec. 34-C.* Compulsory license based upon interdependence of patents.—If an invention protected by a patent within the country cannot be worked without infringing rights derived from a patent granted on a prior application or benefiting from an earlier priority, a compulsory license may, upon application and without necessity of complying with the requirements of Section 34, be granted under the conditions specified in Section 35 to the registered owner of the latter patent, to the extent necessary for the working of his invention and insofar as such invention serves industrial purposes different from those of the invention forming the subject of the earlier patent, or constitutes noteworthy technical progress in relation to it.<sup>10</sup>

*Sec. 34-D.* Form and contents of petition.—The petition for compulsory licensing must be in writing and verified by the petitioner and accompanied by the required filing fee. It shall give the name and address of the petitioner as well as those of the necessary party or parties respondent; and shall state the number and date of issue of the patent in connection with which compulsory license is sought; the name of the patentee; the title of the invention; the statutory ground or grounds upon which compulsory license is sought; the ultimate facts constituting the petitioner's cause of action; and the relief prayed for.<sup>11</sup>

*Sec. 34-E.* Notice of hearing.—

(1) Upon filing of a petition under Section 34, a notice shall be given in the same manner and form as that provided in Section 31, Chapter VII hereof. The resident agent or representative appointed in accordance with the Rules of Practice before the Patent Office in Patent Cases shall be bound to accept service of notice of the filing of the petition within the meaning of this section.

(2) In every case, the notice shall be published in a newspaper of general circulation in the country three times for three consecutive weeks.<sup>12</sup>

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<sup>8</sup> As added by Presidential Decree No. 1263.

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> *Ibid.*

*Sec. 35. Grant of license.—*

(1) If the Director finds that a case for the grant of a license under Section 34 hereof has been made out, he shall, within 180 days from the date the petition was filed, order the grant of an appropriate license. The order shall state the terms and conditions of the license which he himself must fix in default of an agreement on the matter manifested or submitted by the parties during the hearing.

(2) A compulsory license sought under Section 34-B shall be issued within 120 days from the filing of the proponent's application or receipt of the Board of Investments' endorsement. (As amended by Presidential Decree No. 1263.)

*Sec. 35-A. Rights of compulsory licensee.—*The compulsory license shall give the licensee the rights of patentees referred to in Sections 37 and 42 hereof.<sup>13</sup>

*Sec. 35-B. Terms and conditions of compulsory license.—*

(1) A compulsory license shall be non-exclusive, but this shall be without prejudice to the licensee's right to oppose an application for a new such license.

(2) The terms and conditions of a compulsory license, fixed in accordance with Section 35, may contain obligations and restrictions both for the licensee and for the registered owner of the patent.

(3) A compulsory license shall only be granted subject to the payment of adequate royalties commensurate with the extent to which the invention is worked. However, royalty payments shall not exceed 5% of the net wholesale price (as defined in Section 33-A) of the products manufactured under the license. If the product, substance, or process subject of the compulsory license is involved in an industrial project approved by the Board of Investments, the royalty payable to the patentee or patentees shall not exceed 3% of the net wholesale price (as defined in Section 34-A) of the patented commodity and/or commodity manufactured under the patented process; the same rate of royalty shall be paid whenever two or more patents are involved, which royalty shall be distributed to the patentees in rates proportional to the extent of commercial use by the licensee, giving preferential values to the holder of the oldest subsisting product patent.<sup>14</sup>

*Sec. 35-C. Transfer of compulsory license.—*A compulsory license can only be transferred with the undertaking of the licensee or with that portion of his undertaking which uses the patented invention. Any such transfer shall, on pain of invalidity, require the authorization of the Director of Patents and its registration in accordance with Section 33-A.<sup>15</sup>

*Sec. 35-D. Amendment and cancellation.—*

(1) Upon request of the registered owner of the patent or of the licensee, the terms of the compulsory license may be amended by the Director of Patents when new facts justify it, in particular when the registered owner of the patent grants contractual licenses on terms more favorable to the contractual licensees.

(2) At the request of the registered owner of the patent, the compulsory license may be cancelled if the licensee does not comply with the prescribed terms of the license.

(3) The provisions of Sections 33-A and 35 shall apply with respect to amendments and cancellations of compulsory licenses.<sup>16</sup>

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<sup>13</sup> *Ibid.*

<sup>14</sup> *Ibid.*

<sup>15</sup> *Ibid.*

<sup>16</sup> *Ibid.*

*Article 3*  
*Common Provision*

*Sec. 35-E. Licensee's exemption from liability.—*

(1) Anyone who works a patented product, substance and/or process under a license granted under this Chapter shall be free from any liability for infringement, provided that in the case of a voluntary licensee no collusion with the licensor is proven. This is without prejudice to the right of the rightful owner of the patent to recover from the licensor whatever he may have received as royalties under the license.

(2) The existence of a conflict between two or more patents shall in no way affect the right of the licensee under this Chapter to work the invention, and no injunction or other court process shall be valid and enforced which interferes with this right. Any person violating this provision shall be punished by a fine of not less than 5,000 pesos but not exceeding 30,000 pesos or by imprisonment of not less than one year but not exceeding five years.<sup>17</sup>

*Sec. 36. (Repealed by Presidential Decree No. 1263.)*

**Chapter IX**  
**Rights of Patentees and Infringement of Patents**

*Sec. 37. Rights of patentees.—*A patentee shall have the exclusive right to make, use and sell the patented machine, article or product, and to use the patented process for the purpose of industry or commerce, throughout the territory of the Philippines for the term of the patent; and such making, using, or selling by any person without the authorization of the patentee constitutes infringement of the patent.

*Sec. 38. Experimental use of invention.—*The making or using of a patented invention when not conducted for profit and solely for the purpose of research or experiment, or for instruction shall not constitute infringement.

*Sec. 39. Temporary presence in the country.—*No patent shall prevent the use of any invention in any ship, vessel, aircraft, or land vehicle of any other country entering the territory of the Philippines temporarily or accidentally, and such use shall not constitute infringement of the patent, provided such invention is used exclusively for the needs of the ship, vessel, aircraft, or land vehicle and not used for the manufacturing of anything to be sold within or exported from the Philippines.

*Sec. 40. Rights of third parties prior to application.—*Any person who has purchased or acquired from the inventor, his legal representatives, or assigns, or who, with their knowledge and consent, constructs any newly invented device or other patentable article, prior to the filing of the application therefor, shall have the right to use and sell the specific thing purchased, acquired or made, without liability therefor.

*Sec. 41. Use of invention by the Government.—*The Government of the Philippines may use any patented invention at any time for governmental purposes, and the manufacture or use of the invention by or for the Government for such purpose shall not constitute infringement of the patent, but the patentee shall be entitled to receive a reasonable compensation for the use of the invention.

*Sec. 41-A. Any foreign corporation or juristic person to which a patent for an invention or design has been granted or assigned under this Act may bring an action for infringement hereunder, whether or not it has been duly licensed to do business in the*

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<sup>17</sup> *Ibid.*



Philippines under the Corporation Law at the time it brings the complaint: provided, that the country of which the said foreign corporation or juristic person is a citizen, or in which it is domiciled, by treaty, convention, or law, grants a similar privilege to corporate or juristic citizens of the Philippines. (As amended by Republic Act No. 637.)

## Chapter X Actions and Remedies for Infringement

*Sec. 42.* Civil action for infringement.—Any patentee, or anyone possessing any right, title or interest in and to the patented invention, whose rights have been infringed, may bring a civil action before the proper Regional Trial Court, to recover from the infringer damages sustained by reason of the infringement and to secure an injunction for the protection of his rights. (As amended by B.P. Blg. 129.)

If the damages are inadequate or cannot be readily ascertained with reasonable certainty, the court may award as damages a sum amounting to a reasonable royalty.

The court may, according to the circumstances of the case, award damages in a sum above the amount found as actual damages sustained provided the award does not exceed three times the amount of such actual damages.

*Sec. 43.* Limitation of action for damages.—No damages can be recovered for acts of infringement committed more than four years before the institution of the action for infringement.

*Sec. 44.* Damages not recoverable for want of notice or marking.—Damages cannot be recovered for acts of infringement committed before the infringer had actual notice of the patent, unless the patentee or those exploiting the invention on his behalf or under his authorization have given notice to the public that the machine, device, article or process is patented either by placing thereon the words "Philippines Patent" with the number of the patent, or when from the nature of the article this cannot reasonably be done, by placing such notice on the package or container in which the device or article is supplied to the public, or in descriptive or advertising matter used in connection with the patented machine, device, article or process.

*Sec. 45.* Defenses in action for infringement.—In an action for infringement the defendant, in addition to other defenses available to him, may show the invalidity of the patent or any claim thereof on any of the grounds on which a petition of cancellation can be brought under Section 28, Chapter VII hereof.

*Sec. 46.* Patent found invalid to be cancelled.—If the court shall find the patent or any claim thereof invalid, the Director shall, on certification of the final judgment to the Office, issue an order cancelling the patent or the claims found invalid, and shall publish a notice thereof in the Official Gazette.

*Sec. 47.* Assessor in infringement action.—Two or more assessors may be appointed by the Court. The assessors shall be so qualified by the necessary scientific and technical knowledge required by the subject matter in suit. Either party may, as a preliminary question, challenge the fitness of any assessor to sit in an action.

Each assessor shall receive a compensation in an amount to be fixed by the court and advanced by the complaining party, and thereafter to be taxed as costs in favor of the prevailing party.

*Sec. 48.* Criminal action for repetition of infringement.—If infringement is repeated by the infringer or by anyone in connivance with him after final judgment of the court against the infringer, the parties liable shall without prejudice to further civil action, be punished by a fine not exceeding 10,000 pesos and imprisonment in the discretion of the court, in a criminal action instituted for the purpose. The criminal action herein provided shall prescribe in two years.

*Sec. 49.* Appeal.—Appeal may be taken from the judgment of the court in the civil and criminal actions herein provided in the same manner as in other actions.

## **Chapter XI**

### **Assignment and Transmission of Rights**

*Sec. 50.* Transmission of rights.—Patents and the inventions covered thereby shall be protected as and have the applicable rights of other property. Inventions and any right, title or interest in and to patents and inventions covered thereby may be assigned, or transmitted by inheritance or bequest.

*Sec. 51.* Assignment of inventions.—An assignment may be of the entire right, title or interest in and to the patent and the invention covered thereby, or of an undivided share of the entire patent and invention in which event the parties become joint owners thereof. An assignment may be limited to a specified territory.

*Sec. 52.* Form of assignment.—The assignment must be in writing, acknowledged before a notary public or other officer authorized to administer oaths or perform notarial acts and certified under the hand and official seal of the notary or other officer.

*Sec. 53.* Recording.—The Director shall record assignments, licenses and other instruments relating to any right, title or interest in and to inventions, and patents or inventions covered thereby, which are presented in due form to the Office for registration, in books and records kept for the purpose. The original document together with a signed duplicate thereof shall be filed, but if the original is not available, an authenticated copy thereof in duplicate may be filed. Upon recording, the Director shall retain the duplicate, and return the original or the authenticated copy to the party filing with a notation of the fact of record. Notice of the recording shall be published in the Official Gazette.

Such instruments shall be void as against any subsequent purchaser or mortgagee for a valuable consideration and without notice unless it is recorded in the Office within three months from the date thereof, or prior to the subsequent purchase or mortgage.

*Sec. 54.* Rights of joint owners.—If two or more persons jointly own a patent and the invention covered thereby either by the issuing of the patent to them jointly or by reason of the assignment of an undivided share in the patent and invention or by reason of the succession in title to such share, each of the joint owners shall be entitled to personally make, use, or sell the invention for his own profit, subject to any contract or agreement, but neither of the owners shall be entitled to grant licenses or to assign his right, title or interest or part thereof without the consent of the other owner or owners, or without proportionately dividing the proceeds with the other owner or owners.

## **Chapter XII**

### **Designs and Utility Models**

*Sec. 55.* Design patents and patents for utility models.—(a) Any new, original and ornamental design for an article of manufacture and (b) any new model of implement or tool or of any industrial product, or of part of the same, which does not possess the quality of invention, but which is of practical utility by reason of its form, configuration, construction or composition, may be protected by the author thereof, the former by a patent for a design and the latter by a patent for a utility model, in the same manner and subject to the same provisions and requirements as relate to patents for inventions insofar as they are applicable, except as otherwise herein provided.

The standard of novelty established by Section 9 hereof for inventions shall apply to ornamental designs.

A utility model shall not be considered “new” if, before the application for a patent, it has been publicly known or publicly used in this country, or has been described in a printed

publication or publications circulated within the country, or if it is substantially similar to any other utility model so known, used or described within the country.

Applications for design patents and patents for utility models shall be subject to interference proceedings as authorized in Section 10 of this Act, as amended by Section 1 of Republic Act No. 637.

Patents for designs and for utility models shall be subject to compulsory license as authorized in Section 34 of this Act. They shall not be subject to the payment of annual fees provided for invention patents in Chapter V hereof. (As amended by Republic Act No. 864.)

*Sec. 56. Six months publication.*—The period of one year specified in Section 9, Chapter II, and Section 15, Chapter III, hereof, for inventions shall be six months in the case of designs.

*Sec. 57. Notice of grant of patent shall be published.*—Notice of the grant of a design patent or of a patent for a utility model shall be published in the Official Gazette. (As amended by Republic Act No. 864.)

*Sec. 58. Term and extension thereof.*—The term of the design patent and of the patent for a utility model shall be five years from the date of the grant thereof. (As amended by Republic Act No. 864.)

Before the expiration of the five-year term, upon payment of the required fee, or within a further time thereafter not to exceed six months upon payment of the surcharge, the owner of the design patent or of a patent for a utility model may apply for an extension for an additional five years. The application for extension must be accompanied by an affidavit showing that the design or the model is in commercial or industrial use in the Philippines or satisfactorily explaining non-use. In a similar manner an extension for a third five-year period may be obtained. (As amended by Republic Act No. 864.)

*Sec. 59. Marking.*—The marking required by Section 44, Chapter X, hereof, shall be “Philippine Design Patent,” and “Philippine Utility Model Patent” or appropriate abbreviations, and number of the patent. (As amended by Republic Act No. 864.)

*Sec. 60. Infringement.*—Infringement of a design patent or of a patent for utility model shall consist in unauthorized copying of the patented design or utility model for the purpose of trade or industry in the article or product and in the making, using or selling of the article or product copying the patented design or utility model. Identity or substantial identity with the patented design or utility model shall constitute evidence of copying. (As amended by Republic Act No. 864.)

### **Chapter XIII** **Review of Orders or Decisions of Director**

*Sec. 61. Appeal from action of Director.*—The applicant for a patent for an invention, for a design, or for a utility model, any party of a proceeding in interference, or to cancel a patent or to obtain a compulsory license, and any party to any other proceeding in the Office may appeal to the Intermediate Appellate Court from any final order or decision of the Director. (As amended by Republic Acts Nos. 864 and 5434 and B.P. Bldg. 129.)

*Sec. 62. Stay.*—A petition for review of any order or decision of the Director rejecting in whole or in part an application for a patent shall not stay any order or decision of the Director in respect of any other applications then pending for a patent; but the Director shall proceed to act on such other applications without regard to such petition unless the Intermediate Appellate Court shall otherwise direct. (As amended by Republic Acts Nos. 864 and 5434 and B.P. Bldg. 129.)

*Secs. 63-73. (Repealed by Republic Act No. 5434.)*

## Chapter XIV Penalty for False Marking

*Sec. 74.* Penalty for false marking.—Any person who falsely represents or indicates that any device, article or product made or sold by him is patented as an invention, design, or utility model by making or having on the device, article or product, or on their containers or packages, or using in advertising or displays used in connection with them, or with any process, words expressing or implying that the device, article, product or process is patented shall be subject to a fine of not less than 100 pesos nor more than 1,000 pesos, or imprisonment for not less than one month nor more than one year, or both, in the discretion of the court. Actions hereunder shall prescribe in two years. (As amended by Republic Act No. 864.)

## Chapter XV Fees

*Sec. 75.* Fees.—The following fees shall be paid:

For filing an application for patent which shall include the cost of publication in the Official Gazette, 400 pesos, if it is an invention patent, and 200 pesos if it is a utility model or a design patent, upon filing each application; and, if it is an invention patent, 25 pesos for each claim in excess of five claims presented on filing or at any other time;

For issuing each original invention patent, 100 pesos;

For annual fees due at the beginning of the fifth and each succeeding year, 200 pesos each; for surcharge for delayed payment of annual fee, 50 pesos; for reinstating a lapsed patent, 200 pesos; for filing a petition for cancellation, except when filed by the Solicitor General, 100 pesos; for filing a petition for compulsory license, 200 pesos; for copies of records of the Office, 2 pesos per photostat or xerox copy sheet and 2 pesos per hundred words of typewritten copy;

For each certification of copy of any record, 20 pesos;

For recording assignment, and other documents relating to title and license, 20 pesos;

For notice of appeal to the Intermediate Appellate Court from the order of decision of the Director, or for notice of appeal to the Director from an order or decision of the Chief Patent Examiner, 50 pesos;

For renewing a design or utility model patent, 150 pesos;

For surcharge of delayed renewal of a design or utility model patent, 40 pesos; and

For services not otherwise specified, the Director shall provide by regulation the fees therefor.

The Director may by rule fix higher fees for nationals from the developed countries.

The Philippine Inventors Commission shall be exempt from paying the above fees but only with respect to applications filed by it on behalf of indigent inventors. (As amended by Presidential Decree No. 1263 and B.P. Blg. 129.)<sup>18</sup>

## Chapter XVI Miscellaneous

*Sec. 76.* Certain priority rights for filing application extended.—The rights of priority provided by Section 9, Chapter II; Section 15, Chapter III; and Section 56, Chapter XII hereof for the filing of applications for patents for inventions and designs, which rights had not expired on the eighth day of December, 1941, or which rights have arisen

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<sup>18</sup> Pursuant to B.P. Blg. 325, these fees may be revised from time to time by the Ministry of Finance. See Rule 16 for amended fees.

since the eighth day of December, 1941, are extended until the first day of July, 1948, in favor of the citizens of the Philippines or citizens or subjects of countries which have extended, or which now extend, or which within said period ending the first day of July, 1948, shall extend substantially reciprocal privileges to citizens of the Philippines.

*Sec. 77.* Disqualification of officers and employees from acquiring patents and design registrations.—All officers and employees of the Office shall not, during their employment and for one year thereafter, apply for a grant of patent or for the registration of a design, or acquire directly or indirectly, except by hereditary succession, any patent of invention or design registration, or any right, title or interest therein.

*Sec. 78.* Rules and regulations.—The Director, subject to the approval of the Department Head, shall promulgate the necessary rules and regulations, not inconsistent with law, for the conduct of all business in the Patent Office.

The Director may prescribe rules and regulations governing the recognition of attorneys, agents, or other persons representing applicants or other parties before his office in patent and trademark cases, and may require such persons, attorneys or agents before being recognized as representatives of applicants or other persons, that they shall show that they are of good moral character and in good repute, are possessed of the necessary qualifications to enable them to render to applicants or other persons valuable service, and are likewise competent to advise and assist the applicants or other persons in the presentation or prosecution of their applications or other business before the Office. And the Director of Patents may, after notice and opportunity for hearing, suspend or exclude, either generally or in any particular case, from further practice before his Office any person, attorney, or agent shown to be incompetent or disreputable, or guilty of gross misconduct, or gross discourtesy or disrespect towards any Patent Office official or examiner while the latter is in the discharge of his official duty, or who refuses to comply with the rules and regulations of the Patent Office, or who shall, with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant or other person having immediate or prospective business before the Office, by word, circular, letter, or by advertising. The reasons for any such suspension or exclusion shall be duly recorded. And the action of the Director may be reviewed upon the petition of the person so refused recognition or so suspended or excluded by the Intermediate Appellate Court under such conditions and upon such proceedings as the said court may by its rules determine.

It shall be unlawful for any person who has not been duly recognized to practice before the Patent Office in accordance with the provisions of this Section and the Rules of Practice before the Patent Office to hold himself out or knowingly permit himself to be held out as a patent or trademark solicitor, patent or trademark agent, or patent or trademark attorney, or otherwise in any manner hold himself out, either directly or indirectly, as authorized to represent applicants for patents or trademarks in their business before the Patent Office, and it shall be unlawful for any person who has, under the authority of this Section, been disbarred or excluded from practice before the Patent Office; and has not been reinstated, to hold himself out in any manner whatsoever as entitled to represent or assist persons in the transaction of business before the Patent Office; and any offense against the foregoing provision shall be a misdemeanor and be punished by a fine of not less than 100 pesos and not exceeding 1,000 pesos. (As amended by Republic Acts Nos. 637 and 5434.)

*Sec. 79.* Records to be public.—The records of the Office shall be open to public inspection, and any person may obtain an authenticated copy thereof on payment of the prescribed fees.

*Sec. 80.* Repealing clause.—Acts Nos. 2235, 2793, as amended, and all other Acts, or parts of Acts, inconsistent herewith, are hereby repealed.

*Sec. 81.* Reservation of prior rights.—Any rights acquired under laws existing prior to the taking effect of this Act are hereby respected and preserved.

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*Sec. 82.* Appropriation.—The sum of 75,000 pesos, or so much thereof as may be necessary, is hereby appropriated out of any funds in the National Treasury not otherwise appropriated, for the initial expenses of the Office, including organization expenses, salaries, supplies, equipment, and other sundry expenses until June 30, 1948.

*Sec. 83.* Effective date.—This Act shall take effect on its approval.

Approved June 20, 1947.

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**ANNEX 3**

**Republic Act No. 166**

**An Act to Provide for the Registration and Protection  
of Trademarks, Trade Names and Service Marks, Defining  
Unfair Competition and False Marking and Providing  
Remedies Against the Same, and for Other Purposes**

**REPUBLIC ACT No. 166****AN ACT TO PROVIDE FOR THE REGISTRATION AND PROTECTION  
OF TRADEMARKS, TRADE NAMES AND SERVICE MARKS,  
DEFINING UNFAIR COMPETITION AND FALSE MARKING  
AND PROVIDING REMEDIES AGAINST THE SAME,  
AND FOR OTHER PURPOSES**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

**Chapter I  
Powers, Duties and Functions of Patent Office**

*Sec. 1.* Transfer of powers from Bureau of Commerce to Patent Office.—The powers, duties and functions vested in, or performed and exercised by, the Bureau of Commerce in connection with the registration of trademarks, trade names and other marks are hereby transferred to the Patent Office. The administration of this Act shall devolve upon the Patent Office.

All books, records, documents and files of the Bureau of Commerce relating to trademarks, trade names and other marks, and such personnel of the said Bureau as is now discharging the functions or performing the duties of the Bureau of Commerce in connection with the registration of trademarks, trade names and other marks together with the corresponding appropriation, are transferred to the Patent Office, and the Budget Commissioner shall make immediate provisions for such transfer.

**Chapter II  
Registration of Marks and Trade Names**

*Sec. 2.* What are registrable.—Trademarks, trade names, and service marks owned by persons, corporations, partnerships or associations domiciled in the Philippines and by persons, corporations, partnerships or associations domiciled in any foreign country may be registered in accordance with the provisions of this Act: provided, that said trademarks, trade names, or service marks are actually in use in commerce and services not less than two months in the Philippines before the time the applications for registration are filed: and provided, further, that the country of which the applicant for registration is a citizen grants by law substantially similar privileges to citizens of the Philippines, and such fact is officially certified, with a certified true copy of the foreign law translated into the English language, by the government of the foreign country to the Government of the Republic of the Philippines. (As amended by R.A. No. 865.)

*Sec. 2-A.* Ownership of trademarks, trade names and service marks, how acquired.—Anyone who lawfully produces or deals in merchandise of any kind or who engages in any lawful business, or who renders any lawful service in commerce, by actual use thereof in manufacture or trade, in business, and in the service rendered, may appropriate to his exclusive use a trademark, a trade name, or a service mark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or service of others. The ownership or possession of a trademark, trade name, service mark,



heretofore or hereafter appropriated, as in this section provided, shall be recognized and protected in the same manner and to the same extent as are other property rights known to the laws. (As amended by R.A. No. 638.)

**Sec. 3. Application by non-residents.**—Any person filing an application for the registration of a mark or trade name, who is not a resident of the Philippines, must appoint an agent or representative in the Philippines upon whom notice or process relating to the application or registration of the mark or trade name may be served. In the event of death, absence or inability of the agent or representative, a new agent or representative must be appointed, and notice thereof must be filed in the Patent Office. Upon failure to maintain an agent or representative or record in the Patent Office, service on the Director shall be deemed sufficient.

**Chapter II-A**  
**The Principal Register**  
(As inserted by R.A. No. 638)

**Sec. 4. Registration of trademarks, trade names and service marks on the Principal Register.**—There is hereby established a register of trademarks, trade names and service marks which shall be known as the Principal Register. The owner of a trademark, trade name or service mark used to distinguish his goods, business or services from the goods, business or services of others shall have the right to register the same on the Principal Register, unless it:

- (a) Consists of or comprises immoral, deceptive or scandalous matter, or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute;
- (b) Consists of or comprises the flag or coat of arms or other insignia of the Philippines or any of its political subdivisions, or of any foreign nation, or any simulation thereof;
- (c) Consists of or comprises a name, portrait or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the Philippines, during the life of his widow, if any, except by the written consent of the widow;
- (d) Consists of or comprises a mark or trade name which so resembles a mark or trade name registered in the Philippines or a mark or trade name previously used in the Philippines by another and not abandoned, as to be likely, when applied to or used in connection with the goods, business or services of the applicant, to cause confusion or mistake or to deceive purchasers; or
- (e) Consists of a mark or trade name which, when applied to or used in connection with the goods, business or services of the applicant is merely descriptive or deceptively misdescriptive of them, or when applied to or used in connection with the goods, business or services of the applicant is primarily geographically descriptive or deceptively misdescriptive of them, or is primarily merely a surname;
- (f) Except as expressly excluded in paragraphs (a), (b), (c) and (d) of this section, nothing herein shall prevent the registration of a mark or trade name used by the applicant which has become distinctive of the applicant's goods, business or services. The Director may accept as *prima facie* evidence that the mark or trade name has become distinctive, as applied to or used in connection with the applicant's goods, business or services, proof of substantially exclusive and continuous use thereof as a mark or trade name by the applicant in connection with the sale of goods, business or services for the five years next preceding the date of the filing of the application for its registration. (As amended by R.A. No. 638.)

*Sec. 5. Requirements of the application.*—The application for the registration of a mark or trade name shall be in English or Spanish, or in the national language, with its corresponding English translation, and signed by the applicant, and shall include:

- (a) Sworn statement of the applicant's domicile and citizenship, the date of the applicant's first use of the mark or trade name in commerce or business, the goods, business or services in connection with which the mark or trade name is used and the mode or manner in which the mark is used in connection with such goods, business or services, and that the person making the application believes himself, or the firm, corporation or association on whose behalf he makes the verification, to be the owner of the mark or trade name sought to be registered, that the mark or trade name is in use in commerce or business and that to the best of his knowledge no person, firm, corporation or association has the right to use such mark or trade name in commerce or business either in the identical form thereof or in such near resemblance thereto as might be calculated to deceive;
- (b) Such number of specimens or facsimiles of the mark or trade name as actually used as may be required by the Director;
- (c) Power of attorney, if the filing is through attorney;
- (d) The appointment of an agent or representative, if the applicant is not domiciled in the Philippines; and
- (e) The required fee.

*Sec. 6. Classification of goods and services.*—The Director shall establish a classification of goods and services, for the convenience of the Patent Office administration, but not to limit or extend the applicant's rights. The applicant may register his mark or trade name in one application for any or all of the goods or services included in one class, upon or in connection with which he is actually using the mark or trade name. The Director may issue a single certificate for one mark or trade name registered in a plurality of classes upon payment of a fee equaling the sum of the fees for each registration in each class.

*Sec. 7. Examination and publication.*—Upon the filing of an application for registration and the payment of the required fee, the Director shall cause an examination of the application to be made, and, if on such examination it shall appear that the applicant is entitled to registration, the Director, upon payment of the required fee, shall cause the mark or trade name to be published in the Official Gazette.

If the applicant is found not entitled to registration, the Director shall advise the applicant thereof and of the reasons therefor. The applicant shall have a period of three months in which to reply or amend his application, which shall then be reexamined. This procedure may be repeated until the Director finally refuses registration or the applicant fails within the required period to reply or amend or appeal, whereupon the application shall be deemed to have been abandoned, unless it can be shown to the satisfaction of the Director that the delay in responding was unavoidable, in which event such time may be extended in the discretion of the Director. An abandoned application may be revived as a pending application within three months from the date of abandonment, upon good cause shown and the payment of the required fee.

*Sec. 8. Opposition.*—Any person who believes that he would be damaged by the registration of a mark or trade name may, upon payment of the required fee and within 30 days after the publication under the first paragraph of Section 7 hereof, file with the Director an opposition to the application. Such opposition shall be in writing and verified by the oppositor, or by any person on his behalf who knows the facts, and shall specify the grounds on which it is based and include a statement of the facts relied upon. Copies of certificates of registration of marks or trade names registered in other countries or other supporting documents mentioned in the opposition shall be filed therewith, together with the translation thereof into English, if not in the English language. For good cause shown and upon payment of the required surcharge, the time for filing an opposition may be extended for an additional 30 days by the Director, who shall notify the applicant of such extension.

**Sec. 9. Notice and hearing.**—Upon the filing of an opposition, the Director shall forthwith serve notice of the filing on the applicant, and of the date of the hearing thereof upon the applicant and the oppositor and all other persons having any right, title or interest in the mark or trade name covered by the application, as appear on record in the Patent Office.

**Sec. 9-A. Equitable principles to govern proceedings.**—In opposition proceedings and in all other *inter partes* proceedings in the Patent Office under this Act, equitable principles of laches, estoppel, and acquiescence where applicable, may be considered and applied. (As added by R.A. No. 638.)

**Sec. 10. Issuance and publication of certificate.**—When the period for filing the opposition has expired, or when the Director shall have denied the opposition, the Director, upon payment of the required fee, shall issue the certificate of registration. Upon issuance of a certificate of registration, notice thereof making reference to the publication of the application shall be published in the Official Gazette.

**Sec. 10-A. Interference.**—An interference is a proceeding instituted for the purpose of determining the question of priority of adoption and use of a trademark, trade name, or service mark between two or more parties claiming ownership of the same or substantially similar trademark, trade name, or service mark.

Whenever application is made for the registration of a trademark, trade name, or service mark which so resembles a mark or trade name previously registered by another, or for the registration of which another had previously made application, as to be likely when applied to the goods or when used in connection with the business or services of the applicant to cause confusion or mistake or to deceive purchasers, the Director may declare that an interference exists.

Upon the declaration of interference the Director shall give notice to all parties and shall set the case for hearing to determine and decide the respective rights of registration.

In an interference proceeding the Director may refuse to register any or all of several interfering marks or trade names, or may register the mark or marks or trade name or trade names for the person or persons entitled thereto, as the rights of the parties may be established in the proceedings. (As added by R.A. No. 638.)

**Sec. 11. Issuance and contents of the certificate.**—Certificates of registration shall be issued in the name of the Republic of the Philippines under the seal of the Patent Office, and shall be signed by the Director, and a record thereof together with a copy of the specimen or facsimile and the statement of the applicant, shall be kept in books for that purpose. The certificate shall reproduce the specimen or facsimile of the mark or trade name, contain the statement of the applicant and state that the mark or trade name is registered under this Act, the date of the first use, in commerce or business, the particular goods or services for which it is registered, the number and date of the registration, the term thereof, the date on which the application for registration was received in the Patent Office, a statement of the requirements that in order to maintain the registration, periodical affidavits of use within the specified times hereinafter in Section 12 provided, shall be filed, and such other data as the rules and regulations may from time to time prescribe.

**Sec. 12. Duration.**—Each certificate of registration shall remain in force for 20 years: provided, that registrations under the provisions of this Act shall be cancelled by the Director, unless within one year following the fifth, tenth and fifteenth anniversaries of the date of issue of the certificate of registration, the registrant shall file in the Patent Office an affidavit showing that the mark or trade name is still in use or showing that its non-use is due to special circumstances which excuse such non-use and is not due to any intention to abandon the same, and pay the required fee.

The Director shall notify the registrant who files the above-prescribed affidavits of his acceptance or refusal thereof and, if a refusal, the reasons therefor.

*Sec. 13.* Disclaimers before issue.—The Director shall require unregistrable matter to be disclaimed, but such disclaimer shall not prejudice or affect the applicant's or owner's right then existing or thereafter arising in the disclaimed matter, nor shall such disclaimer prejudice or affect the applicant's or owner's right of registration on another application of later date if the disclaimed matter has become distinctive of the applicant's or owner's goods, business or services.

*Sec. 14.* Voluntary surrender, cancellation, amendment and disclaimer after registration.—At any time, upon application of the registrant and payment of the required fee, the Director may permit any registration to be surrendered, cancelled, or for good cause shown to be amended, and he may permit any registered mark or trade name to be disclaimed in whole or in part: provided, that the registration when so amended shall still contain registrable matter and the mark or trade name as amended shall still be registrable as a whole, and that such amendment or disclaimer does not involve such changes in the registration as to alter materially the character of the mark or trade name.

The Director shall make appropriate entry upon the records of the Patent Office and upon the certificate of registration or, if said certificate is lost or destroyed, upon a certified copy thereof. The Director in his discretion and upon payment of the required fee, may issue a substitute certificate limited to the term of the original certificate and incorporating such amendment or correction.

### **Chapter III Renewals of Certificates of Registration**

*Sec. 15* Renewal.—Each certificate of registration may be renewed for periods of 20 years from the end of the expiring period upon the filing of an application therefor and the payment of the required fee. Such application for renewal shall include a sworn statement of the applicant's domicile and citizenship, the specific goods, business or services in connection with which the mark or trade name is still in use, the period of any non-use in reference to the specific goods, business or services covered by original or renewed certificates of registration and any rights granted third parties for the use of the mark or trade name, any additional goods, business or services to which the mark or trade name has been extended during the period of original or renewed certificates of registration, and any material variation in the manner of display of the mark or trade name from that shown in the original or renewed certificate or registration. The applicant shall file the application within six months before the expiration of the period for which the certificate of registration was issued or renewed, or it may be made within three months after such expiration for good cause shown and upon payment of the required surcharge.

In the event the applicant for renewal be not domiciled in the Philippines, he shall be subject to and comply with the provisions of paragraph (d), Section 5, Chapter III hereof.

*Sec. 16.* Effect of failure to renew registration.—Mere failure to renew any registration shall not affect the right of the registrant to apply for and obtain a new registration under the provisions of this Act, nor shall such failure entitle any other person to register a mark or trade name unless he is entitled thereto in accordance with the provisions of this Act.

### **Chapter IV Cancellation of Registration**

*Sec. 17.* Grounds for cancellation.—Any person, who believes that he is or will be damaged by the registration of a mark or trade name, may, upon payment of the prescribed fee, apply to cancel said registration upon any of the following grounds:

- (a) That the registered mark or trade name becomes the common descriptive name of an article or substance on which the patent has expired;
- (b) That it has been abandoned;

- (c) That the registration was obtained fraudulently or contrary to the provisions of Section 4, Chapter II hereof;
- (d) That the registered mark or trade name has been assigned, and is being used, by, or with the permission of, the assignee so as to misrepresent the source of the goods, business or services in connection with which the mark or trade name is used; or
- (e) That cancellation is authorized by other provisions of this Act.

*Sec. 18.* Requirements of petition; notice and hearing.—Insofar as applicable, the petition herein shall be in the same form as that provided in Section 8, Chapter II hereof, and notice and hearing shall be as provided in Section 9, Chapter II hereof.

*Sec. 19.* Cancellation of registration.—If the Director finds that a case for cancellation has been made out he shall order the cancellation of the registration. The order shall not become effective until the period for appeal has elapsed, or if appeal is taken, until the judgment on appeal becomes final. When the order or judgment becomes final, any right conferred by such registration upon the registrant or any person in interest of record shall terminate. Notice of cancellation shall be published in the Official Gazette.

#### **Chapter IV-A The Supplemental Register**

*Sec. 19-A.* In addition to the Principal Register, the Director shall keep another register to be called the Supplemental Register. All marks and trade names capable of distinguishing the applicant's goods or services and not registrable on the Principal Register herein provided, except those declared to be unregistrable under paragraphs (a), (b), (c), and (d) of Section 4 of this Act, which have been in lawful use in commerce by the proprietor thereof, upon or in connection with any goods, business or services for the year preceding the filing of the application, may be registered on the Supplemental Register upon payment of a filing fee of 80 pesos for each application for one class, plus 20 pesos for each additional class, and compliance with the provisions of Section 5 of this Act so far as they are applicable.

Upon the filing of an application for registration on the Supplemental Register and payment of the fee herein provided the Director shall cause an examination of the application to be made and, if on such examination it shall appear that the applicant is entitled to registration, the registration shall be granted. If the applicant is found not entitled to registration the provisions of the last paragraph of Section 7 of this Act shall apply.

For the purposes of registration on the Supplemental Register, a mark or a trade name may consist of any trademark, symbol, label, package, configuration of goods, name, word, slogan, phrase, surname, geographical name, numeral, or device or any combination of any of the foregoing, but such mark or trade name must be capable of distinguishing the applicant's goods, business, or services.

Upon a proper showing by the applicant that he has begun the lawful use of his mark or trade name in foreign commerce and that he requires domestic registration as a basis for foreign protection of his mark or trade name, the Director may waive the requirement of a full year's use and may grant registration forthwith.

Marks and trade names for the Supplemental Register shall not be published for or be subject to opposition, but shall be published on registration in the Official Gazette. Whenever any person believes that he is or will be damaged by the registration of a mark or trade name on this Register, he may at any time apply to the Director to cancel such registration. Upon receiving the application, the Director shall give notice thereof to the registrant. If it is found after a hearing that the registrant was not entitled to register the mark at the time of his application for registration thereof, or that the mark was not used by the registrant or has been abandoned, the registration shall be cancelled by the Director.

The certificate of registration for marks and trade names registered on the Supplemental Register shall be conspicuously different from certificates issued for marks and trade names registered on the Principal Register.

Except as hereinabove provided, and except Sections 10-A, 17, 18, 19, 20 and 35, the provisions of this Act shall govern, so far as applicable, applications for registration and registrations on the Supplemental Register. (As added by R.A. No. 638.)

## Chapter V Rights and Remedies

**Sec. 20.** Certificate of registration *prima facie* evidence of validity.—A certificate of registration of a mark or trade name shall be *prima facie* evidence of the validity of the registration, the registrant's ownership of the mark or trade name, and of the registrant's exclusive right to use the same in connection with the goods, business or services specified in the certificate, subject to any conditions and limitations stated therein.

**Sec. 21.** Requirements of notice of registration of trademarks.—The registrant of a trademark, heretofore registered or registered under the provisions of this Act, shall give notice that his mark is registered by displaying with the same as used the words "Registered in the Philippines Patent Office" or "Reg. Phil. Pat. Off."; and in any suit for infringement under this Act by a registrant failing so to mark the goods bearing the registered trademark, no damages shall be recovered under the provisions of this Act, unless the defendant has actual notice of the registration.

**Sec. 21-A.** Any foreign corporation or juristic person to which a mark or trade name has been registered or assigned under this Act may bring an action hereinunder for infringement, for unfair competition, or false designation of origin and false description, whether or not it has been licensed to do business in the Philippines under Act No. 1459, as amended, otherwise known as the Corporation Law, at the time it brings complaint: provided, that the country of which the said foreign corporation or juristic person is a citizen, or in which it is domiciled, by treaty, convention or law, grants a similar privilege to corporate or juristic persons of the Philippines. (As added by R.A. No. 638.)

**Sec. 22.** Infringement, what constitutes.—Any person who shall use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of any registered mark or trade name in connection with the sale, offering for sale, or advertising of any goods, business or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers or others as to the source or origin of such goods or services, or identity of such business; or reproduce, counterfeit, copy or colorably imitate any such mark or trade name and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used upon or in connection with such goods, business or services, shall be liable to a civil action by the registrant for any or all of the remedies herein provided.

**Sec. 23.** Actions, and damages and injunction for infringement.—Any person entitled to the exclusive use of a registered mark or trade name may recover damages in a civil action 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 said 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 of 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. In cases where actual intent to mislead the public or to defraud the complaining party shall be shown, in the discretion of the court, the damages may be doubled.

The complaining party, upon proper showing, may also be granted injunction.

*Sec. 24. Power of court to order infringing material destroyed.*—In any action arising under this Act, in which a violation of any right of the registrant shall have been established, the court may order that 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, and all plates, moulds, matrices and other means of making the same, shall be delivered up and destroyed.

*Sec. 25. Authority to determine right to registration.*—In any action involving a registered mark or trade name, the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore cancelled registration, and otherwise rectify the register with respect to the registration of any party to the action. Judgment and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Patent Office, and shall be controlled thereby.

*Sec. 26. Action for false or fraudulent declaration.*—Any person who shall procure registration in the Patent Office of a mark or trade name by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

*Sec. 27. Jurisdiction of Regional Trial Court.*—All actions under this Chapter and Chapters VI and VII hereof shall be brought before the proper Regional Trial Court. (As amended by B.P. Blg. 129.)

*Sec. 28. Appeal.*—Appeal may be taken from any judgment or final order of the Regional Trial Court in the same manner as in other actions. (As amended by B.P. Bldg. 129.)

## **Chapter VI Unfair Competition**

*Sec. 29. Unfair competition, rights and remedies.*—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 mark or trade name 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. Such a person shall have the remedies provided in Section 23, Chapter V hereof.

Any person who shall employ deception or any other means contrary to good faith by which he shall pass off the goods manufactured by him or in which he deals, or his business, or services for those of the one having established such goodwill, or who shall commit any acts calculated to produce said result, shall be guilty of unfair competition, and shall be subject to an action therefor.

In particular, and without in any way limiting the scope of unfair competition, the following shall be deemed guilty of unfair competition:

- (a) Any person who, in selling his goods shall give 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;
- (b) Any person who by any artifice, or device, or who employs any other means calculated to induce the false belief that such person is offering the services of another who has identified such services in the mind of the public; or
- (c) Any person who shall make any false statement in the course of trade or who shall commit any other act contrary to good faith of a nature calculated to discredit the goods, business or services of another.

## **Chapter VII**

### **False Designation of Origin and False Description**

*Sec. 30.* False designation of origin and false description forbidden.—Any person who shall affix, apply, annex or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to enter into commerce, shall be liable to a civil action for damages and injunction provided in Section 23, Chapter V hereof, by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or likely to be damaged by the use of any such false description or representation.

## **Chapter VIII**

### **Assignment and Transmission of Rights**

*Sec. 31.* Rights assignable and form of assignment.—A registered mark or trade name, or one for which application to register has been filed shall be assignable with the goodwill of the business in which the mark or trade name is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark or trade name, and in any such assignment it shall not be necessary to include the goodwill of the business connected with the use of and symbolized by any other mark or trade name used in the business or by the name or style under which the business is conducted. Upon payment of the required fee, the Director shall record assignments in due form in books kept for that purpose.

The assignment must be in writing, acknowledged before a notary public or other officer authorized to administer oaths or perform other notarial acts and certified under the hand and official seal of the notary or other officer.

An assignment shall be void as against any subsequent purchaser for a valuable consideration without notice, unless it is recorded in the Patent Office within three months after the date thereof or prior to such subsequent purchase.

*Sec. 32.* Issuance of certificate of registration to assignee.—A certificate of registration of a mark or trade name may be issued to the assignee of the applicant, but the assignment must first be recorded in the Patent Office. In case of change of ownership the Director shall, at the request of the owner and upon proper showing and payment of the required fee, issue to such assignee a new certificate of registration of the said mark or trade name in the name of such assignee and for the unexpired part of the original period.

## **Chapter IX**

### **Review of Orders or Decisions of Director**

*Secs. 33 and 34.* (Deemed repealed by R.A. 5434, which in turn is deemed repealed or amended by B.P. Blg. 129, implemented by Executive Order No. 864 dated January 17, 1983. Under the Interim Rules and Guidelines issued by the Supreme Court per Resolution en banc dated January 11, 1983, pending the promulgation of revised Rules of Court, “appeals to the Intermediate Appellate Court from quasi-judicial bodies shall continue to be governed by the provisions of Republic Act No. 5434 insofar as the same is not inconsistent with the provisions of B.P. Blg. 129.”)



## Chapter X Importation Prohibited

*Sec. 35.* Goods bearing infringing marks or trade names.—No article of imported merchandise which shall copy or simulate the name of any domestic product, or manufacturer, or dealer, or of any manufacturer or dealer located in any foreign country which, by treaty, convention or law affords similar privileges to citizens of the Philippines, or which shall copy or simulate a mark or trade name registered in accordance with the provisions of this Act, or shall bear a mark or trade name calculated to induce the public to believe that the article is manufactured in the Philippines, or that it is manufactured in any foreign country or locality other than the country or locality where it is in fact manufactured, shall be admitted to entry at any customhouse of the Philippines. In order to aid the officers of the customs service in enforcing this prohibition, any person who is entitled to the benefits of this Act may require his name and residence, and the name of the locality in which his goods are manufactured, a copy of the certificate of registration of his mark or trade name to be recorded in books which shall be kept for this purpose in the Bureau of Customs, under such regulations as the Collector of Customs with the approval of the Secretary of Finance shall prescribe, and may furnish to the said Bureau facsimiles of his name, the name of the locality in which his goods are manufactured, or of his registered mark or trade name, and thereupon the Collector of Customs shall cause one or more copies of the same to be transmitted to each collector or other proper officer of the Bureau of Customs.

*Sec. 36.* Goods with false designation of origin and false description.—Any goods marked or labeled in contravention of the provisions of Section 30, Chapter VII hereof, shall not be imported into the Philippines or admitted to entry at any customhouse in the Philippines.

## Chapter XI Provisions in Reference to Foreign Industrial Property

*Sec. 37.* Rights of foreign registrants.—Persons who are nationals of, domiciled in, or have a *bona fide* or effective business or commercial establishment in any foreign country, which is a party to any international convention or treaty relating to marks or trade names or the repression of unfair competition to which the Philippines may be a party, shall be entitled to the benefits and subject to the provisions of this Act to the extent and under the conditions essential to give effect to any such convention and treaties so long as the Philippines shall continue to be a party thereto, except as provided in the following paragraphs of this Section.

No registration of a mark or trade name in the Philippines by a person described in the preceding paragraph of this section shall be granted until such mark or trade name has been registered in the country of origin of the applicant, unless the applicant alleges use in commerce.

For the purposes of this section, the country of origin of the applicant is the country in which he has a *bona fide* and effective industrial or commercial establishment, or if he has no such establishment in the country in which he is domiciled, or if he has not a domicile in any of the countries described in the first paragraph of this section, the country of which he is a national.

An application for registration of a mark or trade name under the provisions of this Act filed by a person described in the first paragraph of this section who has previously duly filed an application for registration of the same mark or trade name in one of the countries described in said paragraph shall be accorded the same force and effect as would be accorded to the same application if filed in the Philippines on the same date on which the application was first filed in such foreign country: provided, that:

- (a) The application in the Philippines is filed within six months from the date on which the application was first filed in the foreign country; and within three months from the date of filing or within such time as the Director shall in his discretion grant, the applicant shall furnish a certified copy of the application for

- or registration in the country of origin of the applicant, together with a translation thereof into English, if not in the English language;
- (b) The application conforms as nearly as practicable to the requirements of this Act, but use in commerce need not be alleged;
  - (c) The rights acquired by third parties before the date of the filing of the first application in the foreign country shall in no way be affected by a registration obtained on an application filed under this paragraph; and
  - (d) Nothing in this paragraph shall entitle the owner of a registration granted under this section to sue for acts committed prior to the date on which his mark or trade name was registered in this country unless the registration is based on use in commerce;
  - (e) A mark duly registered in the country of origin of the foreign applicant may be registered on the Principal Register if eligible, otherwise on the Supplemental Register herein provided. The application thereof shall be accompanied by a certified copy of the application for a registration in the country of origin of the applicant. (As added by R.A. No. 638.)

The registration of a mark under the provisions of this section shall be independent of the registration in the country of origin and the duration, validity or transfer in the Philippines of such registration shall be governed by the provisions of this Act.

Trade names of persons described in the first paragraph of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks.

Any person designated in the first paragraph of this section as entitled to the benefits and subject to the provisions of this Act shall be entitled to effective protection against unfair competition, and the remedies provided herein for infringement of marks and trade names shall be available so far as they be appropriate in repressing acts of unfair competition.

Citizens or residents of the Philippines shall have the same benefits as are granted by this section to persons described in the first paragraph hereof.

## Chapter XII Construction and Definitions

*Sec. 38.* Words and terms defined and construed.—In the construction of this Act, unless the contrary is plainly apparent from the context—

The term “trade name” includes individual names and surnames, firm names, trade names, devices of words used by manufacturers, industrialists, merchants, agriculturists, and others to identify their business, vocations, or occupations; the names or titles lawfully adopted and used by natural or juridical persons, unions, and any manufacturing, industrial, commercial, agricultural or other organizations engaged in trade or commerce.

The term “trademark” includes any word, name, symbol, emblem, sign or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured, sold or dealt in by others.

The term “service mark” means a mark used in the sale or advertising of services to identify the services of one person and distinguish them from the service of others and includes without limitation the marks, names, symbols, titles, designations, slogans, character names, and distinctive features of radio or other advertising.

The word “business” includes vocations or occupations.

The term “mark” includes any trademark or service mark entitled to registration under this Act whether registered or not.

The word “registrant” includes the owner of a registered mark or trade name.

### Chapter XIII Fees

*Sec. 39. Fees.*—The following fees shall be paid:

For filing application for registration covering not more than one class of goods, 150 pesos; provided, that, if more than one class of goods is included in a single application, a charge of 50 pesos shall be collected for each additional class in excess of one; and provided, further, that all necessary expenses for publication, if any, may be charged to this fee;

For filing application for revival of abandoned application for registration, 25 pesos;

For filing of opposition, 50 pesos;

For filing each affidavit required by Section 12, Chapter II hereof, 25 pesos;

For filing disclaimer, amendment, surrender or cancellation after registration, 20 pesos;

For issuance of a substitute certificate of registration following correction of a registrant's mistake, 25 pesos;

For issuance of a new certificate of registration following change of ownership of a mark, 25 pesos;

For filing petition for renewal of certificate of registration for each class, 75 pesos;

For filing petition for cancellation, 50 pesos;

For surcharge for any delayed payment or any delayed action of an applicant or registrant, 25 pesos;

For notice of appeal to the Supreme Court from orders or decisions of the Director or for notice of appeal to the Director from orders or decisions of the Principal Examiner, 25 pesos;

For recording assignments for each mark or trade name, 10 pesos;

For issuance of a certificate regarding the registration or non-registration for each mark or trade name, 10 pesos;

For issuance of an affirmative or negative certificate regarding the registration of any document in connection with a mark or trade name, 10 pesos;

For filing any other documents in connection with marks or trade names not required by law to be filed, 10 pesos;

For certifying a copy to be a true and exact copy, 1 peso;

For copies of records, 2 pesos per photostat sheet; 1 peso per 100 words of typewritten copy; and

For services not otherwise specified, the Director shall, by regulation, provide the fees therefor. (As amended by R.A. Nos. 681 and 865.)

*Sec. 40. Collective marks and collective trade names.*—Collective marks and collective trade names belonging to cooperatives, associations or other collective groups or organizations may also be registered under the provisions of this Act, even though the said collectivities may not possess an industrial, commercial or agricultural establishment. Foreign collectivities may not, however, procure such registration if the existence of such collectivities is contrary to the laws of the country of origin.

Such collective marks and collective trade names, when registered, shall be entitled to the protection provided herein in the case of marks and trade names, except when used so as to represent falsely that the owner or a user makes or sells the goods on which the mark or trade name is used, or so as to represent falsely the origin of the goods or services.

The other provisions of this Act relating to marks and trade names shall apply to collective marks and collective trade names, except that the part of paragraph (e), Section 4, Chapter II hereof, relating to geographically descriptive marks or trade names shall not be applicable in appropriate cases.

A "collective mark" or "collective trade name" is a mark or made name used by the members of a cooperative, an association or other collective group or organization.

## Chapter XIV Miscellaneous Provisions

*Sec. 41* Reservation in favor of prior registration.—Owners of marks or trade names registered under the provisions of the laws in force prior hereto, the registration of which are still subsisting under the said laws, are hereby granted the right:

- (a) Within one year after the taking effect of this Act to surrender their certificates of registration and procure the issuance of new certificates, in which even they shall be entitled to the benefits and subject to the provisions of this Act; or
- (b) Within one year before the expiration of the period for which the certificate of registration was issued or renewed the registrant may renew the registration upon filing an application therefor, as provided in Section 15, Chapter III hereof. If said application is granted, a renewal certificate shall be issued by the Director in accordance with the provisions of this Act.

*Sec. 42.* Renewal of registrations which expired during the war.—The provisions of this Act to the contrary notwithstanding registrations under prior laws which expired after the eighth day of December, 1941, and which the owners were not able to renew for causes arising out of the war, may be renewed within one year after this Act takes effect, and non-use of the mark or trade name may be shown to be due to special circumstances. If the application for renewal is granted, a renewal certificate to commence from the date of the expiration of the prior registration shall be issued by the Director in accordance with the provisions of this Act.

*Sec. 43.* Pending application.—All applications for registration pending on the effective date of this Act may be amended, if practicable, to bring them under the provisions of this Act, without the payment of any additional fee. The prosecution of such applications whether amended or not and the grant of registration thereon shall conform to the provisions of this Act.

*Sec. 44.* Repealing clauses.—Act No. 666 of the Philippine Commission, approved March 6, 1903, and all laws amendatory thereto; Act No. 3070 of the Philippine Legislature, approved March 16, 1923, Act No. 3202, approved December 3, 1924, and all other acts, or parts of acts inconsistent herewith, are hereby repealed.

*Sec. 45.* Effective date.—This Act shall take effect on its approval.

Approved, June 20, 1947.

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**ANNEX 4**

**Republic Act No. 623**

**An Act to Regulate the Use of Duly Stamped or  
Marked Bottles, Boxes, Casks, Kegs, Barrels and  
Other Similar Containers**

## REPUBLIC ACT No. 623

## AN ACT TO REGULATE THE USE OF DULY STAMPED OR MARKED BOTTLES, BOXES, CASKS, KEGS, BARRELS AND OTHER SIMILAR CONTAINERS

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

*Sec. 1.* Persons engaged or licensed to engage in the manufacture, bottling or selling of soda water, mineral or aerated waters, cider, milk, cream, or other lawful beverages in bottles, boxes, casks, kegs, or barrels, and other similar containers, or in the manufacture, compressing or selling of gases such as oxygen, acetylene, nitrogen, carbon dioxide, ammonia, hydrogen, chloride, helium, sulphur dioxide, butane, propane, freon, methyl chloride or similar gases contained in steel cylinders, tanks, flasks, accumulators or similar containers with their names or the names of their principals or products, or other marks or ownership stamped or marked thereon, may register with the Philippine Patent Office a description of the names or marks, and the purpose for which the containers so marked are used by them, under the same conditions, rules, and regulations, made applicable by law or regulation to the issuance of trademarks. (As amended by Republic Act No. 5700, approved June 21, 1969.)

*Sec. 2.* It shall be unlawful for any person, without the written consent of the manufacturer, bottler or seller who has successfully registered the marks or ownership in accordance with the provisions of the next preceding section, to fill such bottles, boxes, kegs, barrels, steel cylinders, tanks, flasks, accumulators, or other similar containers so marked or stamped, for the purpose of sale, or to sell, dispose of, buy or traffic in, or want only destroy the same, whether filled or not to use the same for drinking vessels or glasses or drain pipes, foundation pipes, for any other purpose than that registered by the manufacturer, bottler or seller. Any violation of this section shall be punished by a fine of not more than 100,000 pesos or imprisonment of not more than one year or both. (As amended by Republic Act No. 5700, approved June 21, 1969.)

*Sec. 3.* The use by any person other than the registered manufacturer, bottler, or seller, without written permission of the latter of any such bottle, cask, barrel, keg, box, steel cylinders, tanks, flasks, accumulators, or other similar containers, or the possession thereof without written permission of the manufacturer, by any junk dealer or dealer in casks, barrels, kegs, boxes, steel cylinders, the same being duly marked or stamped and registered as herein provided, shall give rise to a *prima facie* presumption that such use or possession is unlawful. (As amended by Republic Act No. 5700, approved by June 21, 1969.)

*Sec. 4.* The criminal action provided in this Act shall in no way affect any civil action to which the registered manufacturer, bottler, or seller, may be entitled by law or contract.

*Sec. 5.* No action shall be brought under this Act against any person to whom the registered manufacturer, bottler, or seller, has transferred by way of sale, any of the containers herein referred to, but the sale of the beverage contained in the said containers shall not include the sale of the containers unless specifically so provided.

*Sec. 6.* The provisions of this Act shall not be interpreted as prohibiting the use of bottles as containers for "sisi," "bagoong," "patis," and similar native products.

*Sec. 7.* This Act shall take effect upon its approval.

Approved, June 5, 1951.

**ANNEX 5**

**Presidential Decree No. 49**

**Decree on the Protection of Intellectual Property**



## Decree on the Protection of Intellectual Property

(Presidential Decree No. 49, of November 14, 1972) \*

### Chapter I. Preliminary Provisions

**Section 1.** — This Decree shall be known as the “Decree on Intellectual Property”.

**Section 2.** — The rights granted by this Decree shall, from the moment of creation, subsist with respect to any of the following classes of works:

- (a) books, including composite and cyclopedic works, manuscripts, directories, and gazetteers;
- (b) periodicals, including pamphlets and newspapers;
- (c) lectures, sermons, addresses, dissertations prepared for oral delivery;
- (d) letters;
- (e) dramatic or dramatico-musical compositions; choreographic works and entertainments in dumb shows, the acting form of which is fixed in writing or otherwise;
- (f) musical compositions, with or without words;
- (g) works of drawing, painting, architecture, sculpture, engraving, lithography, and other works of art; models or designs for works of art;
- (h) reproductions of a work of art;
- (i) original ornamental designs or models for articles of manufacture, whether or not patentable and other works of applied art;
- (j) maps, plans, sketches, and charts;
- (k) drawings or plastic works of a scientific or technical character;
- (l) photographic works and works produced by a process analogous to photography; lantern slides;
- (m) cinematographic works and works produced by a process analogous to cinematography or any process for making audio-visual recordings;
- (n) computer
- (o) prints, pictorial illustrations, advertising copies, labels, tags, and box wraps;
- (p) dramatizations, translations, adaptations, abridgements, arrangements and other alterations of literary, musical or artistic works or of works of the Philippine Government as herein defined, which shall be protected as provided in Section 8 of this Decree;
- (q) collections of literary, scholarly, or artistic works or of works referred to in Section 9 of this Decree which by reason of the selection and arrangement of their contents constitute intellectual creations, the same to be protected as such in accordance with Section 8 of this Decree;
- (r) other literary, scholarly, scientific and artistic works.

**Section 3.** — The rights granted by this Decree shall not be lost except in the manner specifically provided herein. Neither shall they be subject to levy and attachment while in the possession of the creator or his heirs.

\* This Decree was published in the Official Gazette of November 20, 1972, and came into force on December 6, 1972.

**Section 4.** — Nothing in this Decree shall be deemed to alter or in any manner impair any other right or remedy of the persons protected by its provisions.

### Chapter II. Copyright

#### Article I. Scope and beneficiaries of copyright

**Section 5.** — Copyright shall consist in the exclusive right:

- (a) to print, reprint, publish, copy, distribute, multiply, sell, and make photographs, photo-engravings, and pictorial illustrations of the works;
- (b) to make any translation or other version or extracts or arrangements or adaptations thereof; to dramatize it if it be a non-dramatic work; to convert it into a non-dramatic work if it be a drama; to complete or execute it if it be a model or design;
- (c) to exhibit, perform, represent, produce, or reproduce the work in any manner or by any method whatever for profit or otherwise; if not reproduced in copies for sale, to sell any manuscripts or any records whatsoever thereof;
- (d) to make any other use or disposition of the work consistent with the laws of the land.

**Section 6.** — The creator or his heirs or assigns shall own the copyright in any of the works mentioned in Section 2 of this Decree. If the work is produced by two or more persons, the copyright shall belong to them jointly and their respective rights thereto shall be governed by the Rules of Civil Code on co-ownership.

If the work in which copyright subsists was made during and in the course of the employment of the creator, the copyright shall belong to:

- (a) the employee, if the creation of the object of copyright is not a part of his regular duties even if the employee uses the time, facilities and materials of the employer;
- (b) the employer, if the work is the result of the performance of his regularly assigned duties, unless there is an agreement, express or implied, to the contrary.

Where the work is commissioned by a person who is not the employer of the creator and who pays or agrees to pay for it and the work is made in pursuance of the commission, the person who so commissioned the work shall have ownership of it but the copyright thereto shall belong in joint ownership to him and the creator, unless there is a stipulation to the contrary.

The creators of a cinematographic or analogous work are the producer, the author of the scenario, the composer of the music, the film director, the photographic director, and the author of the work adapted. However subject to contrary or other stipulation among the creators, the producer shall exercise the copyright to an extent required for the exhibition of the work in any manner, except for the right to collect performing fees for the musical compositions, with or without words, which may be incorporated into the work.

The copyright in letters shall belong to the writer, subject to the provisions of Article 723 of the Civil Code.

*Section 7.* — For purposes of this Decree, articles and other writings published without the names of the authors or under pseudonyms are considered as the property of the publishers, unless the contrary appears.

*Section 8.* — The works referred to in subsections (*p*) and (*q*) of Section 2 of this Decree shall, when produced with the consent of the creator or proprietor of the original works on which they are based, be protected as new works; however, such new works shall not affect the force of any subsisting copyright upon the original works employed or any part thereof, or be construed to imply an exclusive right to such use of the original works, or to secure or extend copyright in such original works.

*Section 9.* — No copyright shall subsist in any work of the Government of the Philippines. However, prior approval of the government agency or office wherein the work is created shall be necessary for exploitation of such work for profit. Such agency or office may, among other things, impose as a condition the payment of royalties. No prior approval or condition shall be required for the use for any purpose of statutes, rules and regulations, and speeches, lectures, sermons, addresses, and dissertations pronounced, read or rendered in courts of justice before administrative agencies, in deliberative assemblies, and in meetings of public character.

A "work of the Government of the Philippines" is a work created by an officer or employee of the Philippine Government or any of its subdivisions and instrumentalities, including government-owned or controlled corporations as a part of his regularly prescribed official duties.

Notwithstanding the foregoing provisions, the Government is not precluded from receiving and holding copyrights transferred to it by assignment, bequest or otherwise; nor shall publication or republication by the Government in a public document of any work in which copyright is subsisting be taken to cause any abridgement or annulment of the copyright or to authorize any use or appropriation of such work without the consent of the copyright proprietor.

#### *Article II. Limitations on copyright*

*Section 10.* — When a work has been lawfully made accessible to the public, the author shall not be entitled to prohibit:

1. its recitation or performance (*a*) if done privately and free of charge; or (*b*) if made for strictly charitable or religious institution or society;
2. reproductions, translations and adaptations thereof destined exclusively for personal and private use.

*Section 11.* — To an extent compatible with fair practice and justified by the scientific, critical, informatory or educational purpose, it shall be permissible to make quotations or excerpts from a work already lawfully made accessible to the public. Such quotations may be utilized in their original form or translation.

News items, editorials, and articles on current political, social, economic, scientific or religious topic may be reproduced by the press or broadcast, unless they contain or are accompanied by a notice that their reproduction or publication is reserved. In case of musical works, parts of little extent may also be reproduced.

Quotations and excerpts as well as reproductions shall always be accompanied by an acknowledgment of the source and name of the author, if his name appears thereon.

*Section 12.* — In reports of a current event by means of photography, cinematography or broadcasting, literary, scientific or artistic works which can be seen or heard in the course of said event may be reproduced and communicated to the public to the extent necessary for the purpose.

*Section 13.* — Libraries, public archives and museums have the right, subject to the conditions specified in the succeeding paragraphs, to produce for purposes of their activities, by photographic means, and without the consent of the creator or proprietor, copies of a literary or artistic work.

Material forming part of the collections mentioned in the preceding paragraph which, by reason of their fragile character or rarity, cannot be lent to users in its original form, may be reproduced by photography for the purpose of loans. Nevertheless, except in cases where special reasons justify it, not more than two copies may be made.

It is equally permissible to make, by means of photography reproductions of isolated articles contained in composite works, as well as brief portions of other published works, in order to supply them, when this is considered expedient, to persons requesting their loan for purposes of research or study, instead of lending the volumes or booklets which contain them. Each person seeking loan may only receive one copy of each article or each portion of a work.

When a copy of a work is found to be incomplete, the missing portions may be reproduced by means of photography, provided they only constitute a minor portion of the total work. Nevertheless, it shall not be permitted to produce a volume of a work published in several volumes or to produce missing tomes or parts of magazines or similar works, unless the volume, tome or part is out of stock with booksellers, the printing house and the publisher.

Every library which, by law, is entitled to receive one or two copies of a printed work shall be entitled, when special reasons so require, to reproduce, by means of photography or process analogous to photography, a copy of published work, the acquisition of which is considered necessary for the collections of the library, but which is out of stock with booksellers, the printing house and the publisher.

A work belonging to the collections mentioned in the first paragraph of this Section which has not been disseminated may not be reproduced or published without the consent of the creator or proprietor. However, such work may be reproduced for purposes of preservation.

*Section 14.* — If, after the expiration of five years from the date of the first publication of a writing, a translation of such writing has not been published in the national or other local

language, as the case may be, by the owner of the right of translation or with his authorization, any citizen may obtain a non-exclusive license from the Director of the National Library, to translate the work and publish the work so translated in the national or other local language in which it has not been published: provided, that such citizen establishes either that he has requested, and been denied, authorization by the proprietor of the right to make and publish translation, or that, after due diligence on his part, he was unable to find the owner of the right. A license may also be granted on the same conditions if all previous editions of a translation in such language are out of print. In both cases the terms and conditions of the license, including the royalties of the author or proprietor of the original work, shall be stated therein.

If the owner of the right of translation cannot be found, then the applicant for a license shall send copies of his application to the publisher whose name appears on the work and, if the nationality of the owner of the right of translation is known, to the diplomatic or consular representative of the state of which such owner is a national, or to the organization which may have been designated by the government of that state. The license shall not be granted before the expiration of two months from the date of the dispatch of the copies of the application. Neither shall it be granted when the author has withdrawn from circulation all copies of the work.

The original title and the name of the author of the work shall be printed on all copies of the published translation.

#### *Article III. Transfer of work and copyright*

**Section 15.** — The copyright may, by gift, inheritance or otherwise, be transferred or assigned in whole or in part. Such transfer or assignment shall entitle the transferee or assignee to all the rights and remedies which the transferer or assignor had with respect to the copyright.

The copyright is not deemed transferred or assigned *inter vivos* in whole or in part, unless there is a written indication that such is the intention.

The submission of a literary, photographic or artistic work to a newspaper, magazine or periodical for publication shall constitute only a license to make a single publication unless a greater right is expressly granted.

**Section 16.** — The copyright is distinct from the property in the material object subject to it. Consequently, the transfer or assignment of the copyright shall not itself constitute a transfer of the material object. Nor shall a transfer or assignment of the sole copy or of one or several copies of the work imply transfer or assignment of the copyright.

**Section 17.** — An assignment or transfer *inter vivos*, or a license, must be in writing, acknowledged before a notary public or other officer authorized to administer oaths or perform notarial acts and certified under the hand and seal of the notary or other officer.

This Section and Section 19 shall not apply to cases covered by the last paragraph of Section 15 of this Decree.

**Section 18.** — If two or more persons jointly own a copyright or any part thereof, neither of the owners shall be entitled to grant licenses without the consent of the other owner or owners.

**Section 19.** — Every assignment, license or other instrument relating to any right, title or interest in a copyright and to the work subject to it shall be filed in duplicate with the National Library upon payment of the prescribed fee for registration in books and records kept for the purpose. Upon recording a copy of the instrument shall be returned to the sender with a notation of the fact of record. Notice of the record shall be published in the Official Gazette.

Such instruments shall be void as against any subsequent purchaser or mortgagee for a valuable consideration and without notice unless it is recorded in the library prior to the subsequent purchase or mortgage.

**Section 20.** — When the creator of a work in which copyright is subsisting dies, it shall be the duty of his heirs or assigns to file with the National Library for registration a written notice under oath of the date of the creator's death. Until this is complied with, the limitation of remedies established in Section 26 of this Decree shall be enforced.

#### *Article IV. Duration of copyright*

**Section 21.** — The copyright conferred by this Decree shall endure during the lifetime of the creator and for fifty years after his death. In case of works of joint creation, the period of fifty years shall be counted from the death of the last surviving co-creator.

**Section 22.** — In case of anonymous and pseudonymous works, the copyright shall last until the end of fifty years following the date of their first publication. However, when the pseudonym adopted by the author leaves no doubt as to his identity, or if the author of an anonymous or pseudonymous work discloses his identity during the period mentioned in this Section, the term of the protection shall be that fixed in the next preceding Section.

**Section 23.** — In the case of posthumous works which do not fall within the categories of the works referred to in the next two preceding Sections, the term of protection afforded to the heirs or assignees of the creator shall end at the expiration of fifty years after his death.

**Section 24.** — Irrespective of the provisions of the foregoing Sections of this Article, the term shall be thirty years in the case of: (a) periodicals and newspapers, provided that material contained therein in which an independent copyright may be deemed to subsist shall be accorded the length of protection appropriate to it; (b) works of applied art; (c) cinematographic or photographic works as well as those produced by a process analogous to cinematography or photography or any process for making audio-visual recordings.

**Section 25.** — The term of protection subsequent to the death of the creator provided in Sections 21 and 23 and the terms provided in Sections 22 and 24 shall run from the date

of his death or of publication, but such terms shall always be deemed to begin on the first day of January of the year following the event which gives rise to them.

#### Article V. Deposit and notice

**Section 26.** — After the first public dissemination or performance by authority of the copyright owner of a work falling under subsections (a), (b), (c) and (d) of Section 2 of this Decree, there shall, within three weeks, be registered and deposited with the National Library, by personal delivery or by registered mail, two complete copies or reproductions of the work in such form as the Director of the said Library may prescribe. A certificate of registration and date of such deposit shall be issued for which the prescribed fee shall be collected. If, within three weeks after receipt by the copyright owner of a written demand from the director for such deposit, the required copies or reproductions are not delivered and the fee is not paid, the copyright owner shall be liable to pay a fine equivalent to the required fee per month of delay and to pay to the National Library the amount of the retail price of the best edition of the work.

With or without a demand from the director, a copyright owner who has not made such deposit shall not be entitled to recover damages in an infringement suit and shall be limited to the other remedies specified in Section 28 of this Decree.

**Section 27.** — Each copy of a work published or offered for sale shall contain a notice bearing the name of the copyright owner, the year of its first publication, and, in copies produced after the creator's death, the year of such death.

Failure to comply with the requirements of this Section shall result in the limitation of remedies established in the next preceding Section.

#### Article VI. Infringement

**Section 28.** — Any person infringing a copyright shall be liable:

- (a) to an injunction restraining such infringement;
- (b) to pay to the copyright proprietor or his assigns or heirs such actual damages as he may have due to the infringement as well as the profits the infringer may have made due to such infringement, and in proving profits the plaintiff shall be required to prove sales only and the defendant shall be required to prove every element of cost which he claims, or, in lieu of actual damages and profits, such damages which to the court shall appear to be just and which shall not be less than the sum of one thousand pesos, and shall not be regarded as penalty;
- (c) to deliver under oath, for impounding during the pendency of the action, upon such terms and conditions as the court may prescribe, all articles alleged to infringe a copyright;
- (d) to deliver under oath for destruction all infringing copies or devices, as well as all plates, molds, or other means for making such infringing copies as the court may order;

- (e) to such other terms and conditions, including the payment of moral and exemplary damages, which the court may deem proper, wise and equitable.

**Section 29.** — Any person infringing any copyright secured by this Decree or aiding or abetting such infringement shall be deemed guilty of a crime punishable by imprisonment not exceeding one year or by fine not less than two hundred pesos nor more than two thousand pesos or both, in the discretion of the court.

**Section 30.** — Unless authorized by the copyright proprietor concerned, importation into the Philippines of any piratical copies or likeness of any work in which Philippine copyright subsists is prohibited, except when imported under the following circumstances:

First. When copies of the work are not available in the Philippines and:

- (a) not more than one copy at one time is imported for strictly individual use only; or
- (b) the importation is by authority of and for the use of the Philippine Government; or
- (c) the importation, consisting of not more than three such copies or likenesses in any one invoice, is not for sale but for the use only of any religious, charitable, or educational society or institution duly incorporated or registered, or is for the encouragement of the fine arts, or for any state school, college, university, or free public library in the Philippines.

Second. When such copies form parts of libraries and personal baggage belonging to persons or families arriving from foreign countries and are not intended for sale provided such copies do not exceed three.

Copies imported as allowed by this Section may not lawfully be used in any way to violate the rights of the proprietor of Philippine copyright or annul or limit the protection secured by this Decree, and such unlawful use shall be deemed an infringement and shall be punishable as such without prejudice to the proprietor's right of action.

The Commissioner of Customs, subject to the approval of the Secretary of Finance, is hereby empowered to make rules and regulations for preventing the importation of articles the importation of which is prohibited under this Section and for seizing and condemning and disposing of the same in case they are discovered after they have been imported.

#### Chapter III. Right to Proceeds in Subsequent Transfer

**Section 31.** — In every sale or lease of an original work of painting or sculpture or of the original manuscript of a writer or composer, subsequent to the first disposal thereof by the creator, the creator or his heirs shall have an inalienable right to participate in the gross proceeds of the sale or lease to the extent of five per centum (5 %).

This right shall exist during the lifetime of the creator and for fifty years after his death.

**Section 32.** — As a condition precedent to making a claim to the right established in the preceding Section for any work mentioned therein, the work must be registered in the National Library where a separate register shall be kept for this purpose.

The creator or his heirs may designate a society of artists, writers or composers as agent to claim the right in his or their behalf. In such case, the society shall forward the proceeds to the creator or his heirs upon their demand or at the end of every quarter of each calendar year.

**Section 33.** — The provisions of this Chapter shall not apply to prints, etchings, engravings, works of applied art, or works of similar kind wherein the creator primarily derives gain from the proceeds of reproductions.

#### Chapter IV. Moral Rights

**Section 34.** — Independently of the rights conferred by Chapters II and III of this Decree or the grant of an assignment or license with respect to any of such rights, a creator shall have the right:

- (a) to make alterations of his work prior to, or to withhold it from, publication;
- (b) to require that the authorship of the works be attributed to him;
- (c) to object to any alteration of his work which is prejudicial to his reputation;
- (d) to restrain the use of his name with respect to any work not of his own creation or in a distorted version of his work.

**Section 35.** — A creator cannot be compelled to perform his contract to create a work or for the publication of his work already in existence. However, he may be held liable for damages for breach of such contract.

**Section 36.** — A creator may assign or waive his rights mentioned in Section 34 of this Decree by a written instrument expressly so stating, but no such assignment shall be valid where its effect is to permit another:

- (a) to use the name of the creator, or the title of his work, or otherwise to make use of his reputation with respect to any version or adaptation of his work which, because of alterations therein, would substantially tend to injure the literary or artistic reputation of the author; or
- (b) to use the name of the creator with respect to a work he did not create.

**Section 37.** — When a creator contributes to a collective work, like a newspaper or an encyclopedia, his right to have his contribution attributed to him is deemed waived unless he expressly reserves it.

**Section 38.** — In the absence of a special contract at the time a creator licenses or permits another to use his work, the necessary editing, arranging or adaptation of such work, for publication, broadcast, use in a motion picture, dramatization, or mechanical or electrical reproduction in accordance with the reasonable and customary standards or requirements of

the medium in which the work is to be used, shall not be deemed to contravene the creator's rights secured by this Chapter. Nor shall complete destruction of a work unconditionally transferred by the creator be deemed to violate such rights.

**Section 39.** — The rights of a creator under this Chapter shall be perpetual and imprescriptible. The person or persons to be charged with the posthumous enforcement of these rights shall be named in a writing to be filed with the National Library. In default of such person or persons, such enforcement shall devolve upon either the creator's heirs or the Director of the National Library acting in behalf of the heirs.

The persons named by the creator in accordance with the foregoing paragraph or, in their absence, the creator's heirs shall have the power to make any assignment or license of the rights provided in this Chapter which would be within the power of the creator had he lived. If there are no heirs, the Director of the National Library shall exercise this power.

For purposes of this Section, "person" shall mean any individual, partnership, corporation, association, or society. The Director of the National Library may prescribe reasonable fees to be charged for his services in the application of provisions of this Section.

**Section 40.** — Violation of any of the rights conferred by this Chapter shall entitle those charged with their enforcement to the same rights and remedies available to a copyright owner. In addition, damages which may be availed of under the Civil Code may also be recovered. Any damage recovered after the creator's death shall be held in trust for and remitted to the heirs.

#### Chapter V. Rights of Performers, Producers of Sound Recordings and Broadcasting Organizations

##### Article I. Definition of terms

**Section 41.** — As used in this Chapter:

- (a) "performers" means actors, singers, musicians, dancers, and other persons who act, sing, deliver, declaim, play in, or otherwise perform literary or artistic work;
- (b) "sound recording" means any exclusively aural fixation of sounds of a performance or of other sound;
- (c) "producer of sound records" means the person who, or the legal entity which, first fixes a performance or other sounds;
- (d) "publication" means the issue or offering to the public of copies of a sound recording in reasonable quantity;
- (e) "reproduction" means the making of a copy or copies of a recording;
- (f) "broadcasting" means the transmission by wireless means for public reception of sounds or of images and sound;
- (g) "broadcasting organization" shall include a sole proprietorship duly authorized to engage in broadcasting.

##### Article II. Performers

**Section 42.** — Performers shall have the exclusive right:

- (a) to record or authorize the recording of their perfor-

mance on any recording apparatus for image and/or sound;

- (b) to authorize the broadcasting and the communication to the public of their performance;
- (c) to prohibit the reproduction of a recording of their performance; (i) if the original recording itself was made without their consent; (ii) if the reproduction is made for purposes different from those for which the performers gave their consent; or (iii) if the original recording was made for any of the purposes mentioned in Section 44 and the reproduction is made for a different purpose.

**Section 43.** — Performers shall have the right to decide whether their names will be mentioned when their performance is recorded or broadcast. The provisions of Chapter IV shall apply to them.

**Section 44.** — Notwithstanding the provisions of Section 43 of this Decree, performers may not object to the recording: (a) of parts of their performance to be used in connection with the reporting of current events, or (b) of the entirety thereof which shall be used solely for the purpose of teaching or scientific research. The provisions of Section 12 of this Decree shall also apply to performances. However, the provisions of this Section shall be without prejudice to those of the next preceding Section.

**Section 45.** — For infringement of any of their rights, performers shall be entitled to:

- (a) an injunction restraining such infringement;
- (b) to recover such damages as may be recoverable under the Civil Code or, in lieu thereof, such damages which to the court shall appear just and which shall not be less than three hundred pesos;
- (c) to the remedies provided in subsections (c) and (d) of Section 28 of this Decree but with respect only to recordings of their performances and devices for making such recordings.

#### *Article III. Producers of sound recordings*

**Section 46.** — Producers of sound recordings shall have the exclusive right to authorize or prohibit the direct or indirect reproduction of their recordings and the placing of these reproductions in the market.

**Section 47.** — When a sound recording is used with the intention of making or enhancing profit, the producer of the recording has the right to a fair remuneration from the user.

**Section 48.** — The producer of a sound recording may also forbid any use of this recording which would cause serious and unwarranted damage to his industrial interests.

**Section 49.** — There shall be indicated in each copy of a sound recording the title of the work recorded, the name of the author and, subject to Section 43 of this Decree of the principal performers and the date of manufacture.

**Section 50.** — Within one month after its manufacture, two

copies of a sound recording shall be deposited, by personal delivery or by mail, with the National Library. Upon such deposit, the Director shall issue to the producer a certificate under the seal of the Library indicating the fact and date of such deposit. This certificate shall constitute a *prima facie* evidence of the facts stated therein.

**Section 51.** — No suit for violation of the rights of the producer of a sound recording may be instituted until he has complied with the requirements of the next two preceding Sections.

#### *Article IV. Broadcasting organizations*

**Section 52.** — Broadcasting organizations shall enjoy the exclusive right:

- (a) to relay by wire or rebroadcast their broadcasts;
- (b) to record in any manner, including the making of cinematographic films or the use of video tape, their broadcasts for the purpose of making profit;
- (c) to use such records for fresh transmissions or for fresh recording.

**Section 53.** — The provisions of immediately preceding Section shall not include the right to prohibit recording of broadcasts for strictly private use or solely for the purpose of teaching or scientific research.

**Section 54.** — A broadcasting organization, when any of its rights secured herein is infringed, shall be entitled:

- (a) to have such infringement enjoined;
- (b) to recover such damages as may be awarded under the Civil Code;
- (c) the remedies provided in subsections (c) and (d) of Section 28 of this Decree but with respect only to unauthorized recordings of its broadcasts and devices for making such recordings.

#### *Article V. Term of protection*

**Section 55.** — The rights granted under this Chapter shall expire after twenty years from the end of the year in which

- (a) the performance took place — for performances not incorporated in recordings;
- (b) the recording was made — for sound or image and sound recordings and for performances incorporated therein;
- (c) the broadcast took place — in the case of broadcasts.

**Section 56.** — The prohibitions and penalties provided in Section 29 shall apply to infringement of any of the rights granted in this Chapter.

#### **Chapter VII. \* Institution of Actions and Proceedings**

##### *Article VI. Penalty*

**Section 57.** — All actions, suits and proceedings shall, regardless of the amount involved, be originally cognizable by Courts of First Instance.

**Section 58.** — No damages may be recovered under this Decree after four years from the time the cause of action arose.

**Section 59.** — Appeals shall be governed by the Rules of Court.

[\* This Decree contains no Chapter VI.]

### Chapter VIII. Miscellaneous Provisions

*Section 60.* — All copies deposited and instruments in writing filed with the National Library in accordance with the provisions of this Decree shall become the property of the Government.

*Section 61.* — The section or division of the National Library charged with receiving copies and instruments deposited and with keeping records required under this Decree and everything in it shall be opened to public inspection subject to such safeguards and regulations as may be prescribed by the Director of the Library.

*Section 62.* — The National Library shall collect the following fees:

- (a) for the issuance of a certificate of deposit of copies of a work, five pesos;
- (b) for each assignment, license, notice or other written

instrument filed, ten pesos;

- (c) for other services, in such amount as he may fix by regulation, provided, that no single fee shall exceed ten pesos.

### Chapter IX. Final Provisions

*Section 63.* — The provisions of this Decree shall apply to works in which copyright protection obtained prior to the effectivity of this Decree is subsisting, *provided*, that the application of this Decree shall not result in the diminution of such protection.

*Section 64.* — Act No. 3134, otherwise known as the "Copyright Law of the Philippine Islands", and all laws or provisions of law, orders or regulations inconsistent herewith are hereby repealed.

This Decree shall take effect 15 days after publication in the Official Gazette.

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**ANNEX 6**

**Presidential Decree No. 1988**

**Amending Certain Sections of Presidential Decree No. 49**



## Presidential Decree

(No. 1988. of October 5, 1985)\*

### Amending Certain Sections of Presidential Decree No. 49

*Whereas*, piracy and counterfeiting of audio and audio-visual products have become rampant, resulting in serious financial prejudice to the film and recording industries, and the loss of substantial tax revenues to the Government;

*Whereas*, it is imperative for the survival and protection of the film and recording industries that certain provisions of Presidential Decree No. 49, otherwise known as "Decree on the Protection of Intellectual Property," be amended for the purpose of lengthening the period within which a producer of a sound recording must deposit two copies thereof with the National Library, and prescribing stiffer penalties for piracy of sound recordings and motion pictures or other audio-visual works;

*Whereas*, the current crisis in the movie industry amounts to a grave emergency affecting the economic stability of the nation and the livelihood of hundreds of thousands of families and workers dependent on the industry;

*Whereas*, the issuance of this Decree will help in the national economic recovery program designed to meet the emergency facing the industry;

*Now, therefore, I, Ferdinand E. Marcos*, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby decree:

*Section 1.* — Section 50 of Presidential Decree No. 49 is hereby amended to read as follows:

"*Section 50.* — Within six (6) months after its manufacture, two copies of a sound recording shall be deposited, by personal delivery or by mail, with the National Library. Upon such deposit, the Director shall issue to the producer a certificate under the seal of the Library indicating the fact and date of such deposit. This certificate shall constitute a *prima facie* evidence of the facts stated therein."

*Section 2.* — Section 56 of Presidential Decree No. 49 is hereby amended to read as follows:

"*Section 56.* — The prohibitions and penalties provided in Section 29 shall apply to infringement of any of the rights granted in this Chapter, *Provided*, however, that the mandatory penalty of imprisonment of not less than three (3) months and one (1) day to not more than one (1) year, plus a fine of not less than fifty thousand Pesos but not more than one hundred thousand Pesos, shall be imposed upon any person who shall:

(1) Transfer or cause to be transferred, directly or indirectly, any sound recording or motion picture, or other audio-visual work that has been recorded on a phonograph record, disc, wire, tape, film or other article on which sounds, motion pictures, or other audio-visual works are recorded, with intent to sell, lease, publicly exhibit or cause to be sold, leased or publicly exhibited, or to use or cause to be used for profit, such article on which sounds, motion pictures, or other audio-visual works are so transferred, without the written consent of the owner or his assignee; or

(2) Sell, lease, distribute, circulate, publicly exhibit, or offer for sale, lease, distribution, or possess for the purpose of sale, lease, distribution, circulation or public exhibition, any such article to which the sounds, motion pictures or audio-visual recordings thereon have been so transferred, without the written consent of the owner or his assignee; or

(3) Offer or make available for a fee, rental or any other form of compensation, directly or indirectly, any equipment, machinery, paraphernalia or any material with the knowledge that such equipment, machinery, paraphernalia or material will be used by another to reproduce, without the consent of the owner, any phonograph record, disc, wire, tape, film or other article on which sounds, motion pictures, or other audio-visual recordings may be transferred.

\* This Decree was published in the Official Gazette No. 40, Vol. 81, of October 7, 1985.

For purposes of this Act, public exhibition shall cover any exhibition wherein fifteen (15) or more persons are present, for monetary or promotional considerations. Private clubs are likewise herein included."

*Section 3.* — All laws, decrees, executive orders, rules, regulations, and other enactments, or parts

thereof, inconsistent with the provisions of this Decree, are hereby repealed, amended or modified accordingly.

*Section 4.* — This Decree shall take effect after fifteen (15) days following its publication in the Official Gazette.

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