

ZUNECA PHARMACEUTICAL, AKRAM ARAIN AND/OR VENUS ARAIN, M.D., AND STYLE OF ZUNECA PHARMACEUTICAL, PETITIONERS, VS. NATRAPHARM, INC., RESPONDENT.*G.R. No. 211850. September 08, 2020*Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-211850/>**CAGUIOA, J:**

Businesses generally thrive or perish depending on their reputation among customers. Logically, consumers gravitate towards products and services they believe are of a certain quality and provide perceived benefits. Thus, entrepreneurs and businesses actively seek to set apart their reputation and goodwill from every other enterprise with the goal of being the top-of-mind choice for the consumers. As signs differentiating the wares or services offered by enterprises, trademarks serve this purpose of making the products and services of each business uniquely memorable. Trademarks have several functions: they indicate the origin or ownership of the articles or services in which they are used; they guarantee that the articles or services come up to a certain standard of quality; and they advertise the articles and services they symbolize.[1] Indeed, the goodwill of a business, as symbolized and distinguished by its trademarks, helps ensure that the enterprise stands out, stays afloat, and possibly flourish amidst the sea of commercial activity where the consumers' continued patronage is a lifebuoy that may determine life or death.

Faced with this intrinsic need to survive, enterprises are becoming increasingly aware of the need to protect their goodwill and their brands. The State, too, is interested in the protection of the intellectual property of enterprises and individuals who have exerted effort and money to create beneficial products and services.[2] In line with this, and considering the extent to which intellectual property rights impact on the viability of businesses, a common controversy in the field of intellectual property law is to whom these rights pertain.

In this case of first impression, this is precisely the issue at hand. This case concerns trademarks which are used for different types of medicines but are admitted by both parties to be confusingly similar. Exacerbating this controversy on the issue of ownership, however, are conflicting interpretations on the rules on the acquisition of ownership over trademarks, muddled by jurisprudential precedents which applied principles inconsistent with the current law. Thus, in resolving this issue, the Court needed to examine and ascertain the meaning and intent behind the rules that affect trademark ownership.

Facts

This is a Petition for Review on Certiorari[3] (Petition) under Rule 45 with Prayer for Temporary Restraining Order (TRO) and/or Preliminary Injunction filed by petitioners Zuneca Pharmaceutical, Akram Arain and/or Venus Arain, M.D., and Style of Zuneca Pharmaceutical (collectively, Zuneca) assailing the Decision[4] dated October 3, 2013 and Resolution[5] dated March 19, 2014 of the Court of Appeals (CA) in CA-G.R. CV No. 99787. The CA denied Zuneca's appeal and affirmed the Decision[6] dated December 2, 2011 of the Regional Trial Court of Quezon City, Branch 93 (RTC) in Civil Case No. Q-07-61561, which found Zuneca liable for trademark infringement under Sections 155 to 155.[2[7]] of Republic Act No. (R.A.) 8293,[8] also known as the Intellectual Property Code of the Philippines (IP Code), and awarded damages in favor of respondent Natrapharm,

Inc. (Natrpharm).

Petitioner Zuneca Pharmaceutical has been engaged in the importation, marketing, and sale of various kinds of medicines and drugs in the Philippines since 1999.[9] It imports generic drugs from Pakistan and markets them in the Philippines using different brand names.[10] Among the products it has been selling is a drug called carbamazepine under the brand name "ZYNAPS", which is an anti-convulsant used to control all types of seizure disorders of varied causes like epilepsy.[11] Petitioner Venus S. Arain, M.D. (Dr. Arain) was the proprietor of Zuneca Pharmaceutical before Zuneca, Inc. was incorporated.[12] Akram Arain, meanwhile, is the husband of Dr. Arain, who later on became the President of Zuneca, Inc.[13]

Natrpharm, on the other hand, is a domestic corporation engaged in the business of manufacturing, marketing, and distribution of pharmaceutical products for human relief.[14] One of the products being manufactured and sold by Natrpharm is citicoline under the trademark "ZYNAPSE", which is indicated for the treatment of cerebrovascular disease or stroke.[15] The trademark "ZYNAPSE" was registered with the Intellectual Property Office of the Philippines (IPO) on September 24, 2007[16] and is covered by Certificate of Trademark Registration No. 4-2007-005596.[17]

On November 29, 2007, Natrpharm filed with the RTC a Complaint against Zuneca for Injunction, Trademark Infringement, Damages and Destruction with Prayer for TRO and/or Preliminary Injunction, alleging that Zuneca's "ZYNAPS" is confusingly similar to its registered trademark "ZYNAPSE" and the resulting likelihood of confusion is dangerous because the marks cover medical drugs intended for different types of illnesses.[18] Consequently, Natrpharm sought to enjoin Zuneca from using "ZYNAPS" or other variations thereof, in addition to its demand for Zuneca's payment of Two Million Pesos (P2,000,000.00) in damages; Five Million Pesos (P5,000,000.00) in exemplary damages; and Three Hundred Thousand Pesos (P300,000.00) as attorney's fees, expenses of litigation, and costs of suit.[19] Further, it prayed that all infringing goods, labels, signs, etc. of Zuneca be impounded and destroyed without compensation.[20]

In its Answer (With Compulsory Counterclaim and Prayer for Preliminary Injunction), Zuneca claimed that it has been selling carbamazepine under the mark "ZYNAPS" since 2004 after securing a Certificate of Product Registration on April 15, 2003 from the Bureau of Food and Drugs (BFAD, now Food and Drug Administration).[21] It alleged that it was impossible for Natrpharm not to have known the existence of "ZYNAPS" before the latter's registration of "ZYNAPSE" because Natrpharm had promoted its products, such as "Zobrixol" and "Zcure", in the same publications where Zuneca had advertised "ZYNAPS".[22] Further, Zuneca pointed out that both Natrpharm and Zuneca had advertised their respective products in identical conventions.[23] Despite its knowledge of prior use by Zuneca of "ZYNAPS", Natrpharm had allegedly fraudulently appropriated the "ZYNAPSE" mark by registering the same with the IPO.[24] As the prior user, Zuneca argued that it is the owner of "ZYNAPS" and the continued use by Natrpharm of "ZYNAPSE" causes it grave and irreparable damage.[25]

On the basis of such arguments, Zuneca insisted that it is Natrpharm which should be liable for damages.[26] On this score, Zuneca prayed that its counterclaims against Natrpharm be granted by the RTC,[27] namely, the cancellation of Natrpharm's "ZYNAPSE" registration; the prohibition of Natrpharm from manufacturing, advertising, selling, and distributing "ZYNAPSE" products; the destruction of "ZYNAPSE" products and labels; the payment of Two Million Pesos (P2,000,000.00), or double such amount, in the discretion of the court, as damages for fraudulent registration; and the payment of Five Million Pesos (P5,000,000.00) as moral damages, Two Million Pesos (P2,000,000.00) as exemplary damages, Three Hundred Thousand Pesos (P300,000.00) as attorney's fees, and Fifty Thousand Pesos (P50,000.00) as costs of suit.[28]

Subsequently, after a summary hearing, the prayer for TRO was denied.[29] The preliminary injunction and counter preliminary injunction prayed for by the parties were likewise rejected.[30]

As summarized by the CA, the following evidence were presented during the trial:

First to testify on the part of Natrapharm was Cristina Luna Ravelo who is the vice president for marketing of Natrapharm. According to her, she was the one who conceptualized the name "ZYNAPSE"[.] taking it from "Synapse" which was a publication she sponsored when she was the product manager of [the Philippine] Neurological Association. Further[,] "Synapse" is a neurological term referring to the junction between 2 nerves where nerve signals are transmitted, hence appropriate for a medicine for stroke. Afterwards[,], the witness verified using the research tool IMS-PPI, which lists the pharmaceutical products marketed in the Philippines, any other cerebroprotective products (CO4A) that [are] confusingly similar with "ZYNAPSE". Finding none in the list covering the period of the fourth quarter of 2004 up to the first quarter of 2007, the witness proceeded with the registration of "ZYNAPSE" with the IPO. After the IPO issued a [certificate of trademark registration], the BFAD, in turn, released a Certificate of Product Listing for "ZYNAPSE". The witness likewise revealed that she was informed in late September 2007 of the existence of "ZYNAPS" after a sales personnel had informed her of such drug being sold in Visayas and Mindanao. After learning this, the witness brought the matter to Dr. Arain, but no resolution was agreed upon by the parties due to a difference in opinion.

On cross-examination, the witness averred that she did not check with drugstores and other publications for similar brand names as "ZYNAPSE", as she only relied with [the] IMS[-PPI]. Further, the witness explained that the formulation of the drug "ZYNAPSE" is owned by Patriot Pharmaceutical [(Patriot)] and this formulation is marketed by Natrapharm through the brand name "ZYNAPSE".

On re-direct, the witness clarified that she did not conduct any field survey to find if there [we]re similar brand names as "ZYNAPSE", because of the difficulty posed by inquiring from each [of the 3,000 to 4,000 drug stores] nationwide. In addition, it was x x x Natrapharm's strategy to remain quiet about [its] product.

Next to testify was Jeffrey Silang, the Analyst Programmer of Natrapharm. His function [was] to create a system and generate reports for accounting, inventory and sales for Natrapharm. The witness stated that Patriot is a mere supplier of Natrapharm and that Natrapharm has other suppliers. The witness then identified a sales report which indicate[d] that WMMC Hospital bought several quantities of "ZYNAPSE" products from Natrapharm. Also included in said report [was] an entry "non-psyche Patriot" which represented] its supplier.

On cross-examination, the witness reiterated that Patriot supplies the raw materials to Natrapharm. Natrapharm, in turn, repackage[s] these materials to bear the brand "ZYNAPSE". The witness also admitted that he d[id] not know exactly why "ZYNAPSE" is qualified as non-psyche, as he is a mere Information Technology expert.

Last to testify was Atty. Caesar J. Poblador who identified his Judicial Affidavit dated [November 4, 2009] which contained] the several invoices charged by his law firm to Natrapharm in consideration of the law firm's legal service.

On the part of [Zuneca], Dr. Arain took the stand and identified her Supplemental Affidavit dated [February 12,2010]. On said Affidavit, it [was] stated that Dr. Arain established Zuneca [Pharmaceutical] in 1999. Subsequently, [Zuneca, Inc.] was incorporated on [January 8,2008] and [it] took over the business of Zuneca Pharmaceutical. Verily, among the products that Zuneca sells is [carbamazepine] with the brand name "ZYNAPS" for which Zuneca applied for a Certificate of Product Registration (CPR) from BFAD. On [April 15,2003], Zuneca was able to obtain a CPR over its [carbamazepine] product valid for five (5) years which was [then] renewed for another five (5) years or until [April 15, 2013]. Zuneca then started importing [carbamazepine] "ZYNAPS" in December 2003 and began promoting, marketing and selling them in 2004. In order to promote "ZYNAPS", Zuneca advertised it through paid publications such as the (1) Philippine

Pharmaceutical Directory or PPD; (2) PPD's Better Pharmacy; and (3) PPD's Philippine Pharmaceutical Directory Review (PPDr). Apparently, said publications also cover[ed] the different products of Natrapharm and its affiliate [Patriot]. Allegedly, the two companies (Natrpharm and Patriot) participated as partners in a medical symposi[um] on [October 22 to 23, 2009].

When asked why she did not register her trademark with the IPO, x x x [Dr.] Arain answered that she could not find the time because of the illness of her father.

On cross-examination, Dr. Arain testified that she remained as an adviser of Zuneca, Inc., after its incorporation. She then told her husband, who became the President of Zuneca, Inc. and the vice president about the dispute with Natrapharm. Further, the witness admitted that she did not secure an advertising page for "ZYNAPS" in the [PPD].

Last to testify was Emmanuel Latin, the president of Medicomm Pacific (Medicomm). The witness attested that Medicomm is engaged in the publication of lists of drugs which it gives to doctors as reference in the preparation of prescriptions for their patients. The witness then enumerated their publications as PPD, PPDr, and PPD's Better Pharmacy which the company publishes annually and distributes to doctors for free. According to the witness, several years ago, Medicomm invited pharmaceutical companies to list with its publications for free. Thereafter, the said pharmaceutical companies started advertising with Medicomm for a fee which then became the source of revenues for Medicomm. The witness also affirmed that Zuneca, Natrapharm and Patriot are advertisers of PPD.

However, the witness admitted that "ZYNAPSE" [was] not listed in the PPD.[31]

The RTC Ruling

After trial, the RTC issued its Decision[32] dated December 2, 2011, the dispositive portion of which states:

WHEREFORE, in view of the foregoing, judgment is hereby rendered in favor of [Natrpharm] and against [Zuneca].

[Zuneca], jointly and severally, [is] hereby directed to pay [Natrpharm] the following amounts, to wit:

One Million Pesos (P1,000,000.00) as damages; One Million Pesos (P1,000,000.00) as exemplary damages; Two Hundred Thousand Pesos (P200,000.00) as attorney's fees; and the Costs.

[Zuneca is] further enjoined from henceforth using ["ZYNAPS"] or any other variations thereto which are confusingly similar to [Natrpharm's "ZYNAPSE"].

It is likewise ordered that all infringing goods, labels, signs, prints, packages, wrappers, receptacles and advertisements in possession of [Zuneca], bearing the registered mark or any reproduction, counterfeit, copy or colourable imitation thereof, all plates, molds, matrices and other means of making the same, implements, machines and other items related to the conduct, and predominantly used, by [Zuneca] in such infringing activities, be disposed of outside the channels of commerce or destroyed, without compensation.

The counterclaim of [Zuneca] is DISMISSED for lack of merit.

SO ORDERED.[33]

The RTC ruled that the first filer in good faith defeats a first user in good faith who did not file any application for registration.[34] Hence, Natrapharm, as the first registrant, had trademark rights over "ZYNAPSE" and it may prevent others, including Zuneca, from registering an identical or confusingly similar mark.[35] Moreover, the RTC ruled that there was insufficient evidence that Natrapharm had registered the mark "ZYNAPSE" in bad faith.[36] The fact that "ZYNAPS" and Natrapharm's other brands were listed in the Philippine Pharmaceutical Directory (PPD) was not sufficient to show bad faith since Zuneca's own witness admitted to not having complete

knowledge of the drugs listed in the PPD.[37] Natrapharm should also therefore be accorded the benefit of the doubt that it did not have complete knowledge of the other brand names listed in the PPD.[38] Further, following the use of the dominancy test, the RTC likewise observed that "ZYNAPS" was confusingly similar to "ZYNAPSE".[39] To protect the public from the disastrous effects of erroneous prescription and mistaken dispensation, the confusion between the two drugs must be eliminated.[40]

The CA Ruling

Aggrieved, Zuneca appealed the RTC's Decision to the CA, raising the following issues: (1) whether the RTC erred in ruling that the first-to-file trademark registrant in good faith defeats the right of the prior user in good faith, hence, Natrapharm has the right to prevent Zuneca from using or registering the trademark "ZYNAPS" or marks similar or identical thereto; (2) whether the RTC erred in finding that Natrapharm was in good faith when it registered the trademark "ZYNAPSE" for citicoline; (3) whether the RTC erred in ruling that Zuneca is liable for trademark infringement and therefore liable for damages and attorney's fees and should be enjoined from the use of the trademark "ZYNAPS" and marks similar thereto, and that Zuneca's goods and materials in connection with the trademark "ZYNAPS" must be disposed outside the channels of trade or destroyed without compensation; and (4) whether the RTC erred in dismissing Zuneca's counterclaims for lack of merit.[41]

In a Decision[42] dated October 3, 2013, the CA denied Zuneca's appeal for lack of merit, the dispositive portion of which states:

WHEREFORE, premises considered, the instant Appeal is DENIED for lack of merit, and the assailed decision rendered by the Regional Trial Court of Quezon City, Branch 93 dated [December 2, 2011] is AFFIRMED.

SO ORDERED.[43]

In affirming the RTC, the CA stated that registration, not prior use, is the mode of acquiring ownership of a trademark.[44] The mark must be registered in order to acquire ownership and the failure to do so renders the non-registering user susceptible to a charge of infringement.[45] Moreover, those who intend to register their mark need not look at the other marks used by other persons but must confine only their search to the marks found in the database of the IPO.[46] If there are no similar or identical marks, the mark should be registered as a matter of course.[47] Hence, as the registered owner of the trademark "ZYNAPSE", Natrapharm has every right to prevent all other parties from using identical or similar marks in their business, as provided in the IP Code.[48] Further, only the registered owner of the trademark may file a civil action against the infringer and seek injunction and damages.[49]

On the issue of good faith, the CA affirmed the findings of the RTC that Natrapharm had no knowledge of the existence of "ZYNAPS" prior to the registration of "ZYNAPSE".[50] The CA also found that the testimony of Natrapharm's witness Cristina Luna Ravelo[51] (Ravelo) showed that Natrapharm was able to register "ZYNAPSE" after it was cleared using the databases of the IPO and the BFAD.[52] The CA ruled that good faith is presumed and it was incumbent on Zuneca to show that Natrapharm was in bad faith when it registered "ZYNAPSE", which Zuneca failed to show.[53] The CA stated that it was not enough that Zuneca and Natrapharm had exhibited in the same convention two years prior to the registration of "ZYNAPSE" and ruled that it was unlikely that the participants would remember each and every medicine or drug exhibited during said convention.[54] Besides, Zuneca failed to show that the people who had attended the convention on behalf of Natrapharm were also the ones who were responsible for the creation of "ZYNAPSE" or that they were still connected to Natrapharm at the time the "ZYNAPSE" mark was registered with the IPO in 2007.[55]

In a Resolution[56] dated March 19, 2014, the CA denied Zuneca's motion for reconsideration.

Hence, Zuneca filed the instant Petition.

In compliance with the Court's Resolution[57] dated June 2, 2014, Natrapharm filed its Comment.[58] Zuneca thereafter filed its Reply[59] to Natrapharm's Comment. In a Resolution[60] dated June 6, 2016, the Court required each party to file their respective Memoranda. In compliance with this, Natrapharm filed its Memorandum[61] dated September 6, 2016 and Zuneca filed its Memorandum[62] dated September 16, 2016.

The Issues

As stated by Zuneca, the issues for the Court's resolution are as follows:

I

WHETHER OR NOT THE [CA] ERRED IN AFFIRMING THE RTC'S RULING THAT THE FIRST-TO-FILE TRADEMARK REGISTRANT IN GOOD FAITH DEFEATS THE RIGHT OF THE PRIOR USER IN GOOD FAITH, HENCE, [NATRAPHARM] HAS THE RIGHT TO PREVENT [ZUNECA] FROM USING/REGISTERING THE TRADEMARK "ZYNAPS" OR [MARKS] SIMILAR [OR] IDENTICAL THERETO.

II

WHETHER OR NOT THE [CA] ERRED IN AFFIRMING THE RTC'S FINDING THAT [NATRAPHARM] WAS IN GOOD FAITH WHEN IT REGISTERED THE TRADEMARK "ZYNAPSE" FOR [CITICOLINE].

III

WHETHER OR NOT THE [CA] ERRED IN AFFIRMING THE RTC'S RULING THAT [ZUNECA IS] LIABLE FOR TRADEMARK INFRINGEMENT AND [IS] THUS LIABLE FOR DAMAGES AND ATTORNEY'S FEES AND [IS] ENJOINED FROM THE USE OF THE TRADEMARK "ZYNAPS" AND MARKS SIMILAR THERETO; AND THAT ALL [OF ZUNECA'S] GOODS AND MATERIALS IN CONNECTION WITH THE TRADEMARK "ZYNAPS" MUST BE DISPOSED OUTSIDE THE CHANNELS OF TRADE OR DESTROYED WITHOUT COMPENSATION.

IV

WHETHER OR NOT THE [CA] ERRED IN AFFIRMING THE RTC'S DISMISSAL OF [ZUNECA'S] COUNTERCLAIMS FOR LACK OF MERIT.

V

WHETHER OR NOT THE [CA] ERRED IN RULING THAT [ZUNECA], FOR FAILURE TO REGISTER "ZYNAPS" AND FOR FAILURE TO OPPOSE [NATRAPHARM'S] APPLICATION FOR "ZYNAPSE"[, IS] BARRED BY LACHES AND [IS] DEEMED TO HAVE ABANDONED [ITS] TRADEMARK.[63]

It bears stressing at this juncture that the confusing similarity of the "ZYNAPS" and "ZYNAPSE" marks was admitted by both parties.[64] The resolution of this controversy necessitates determining who has the right to prevent the other party from using its confusingly similar mark. Thus, the following questions must be answered: (1) How is ownership over a trademark acquired? (2) Assuming that both parties owned their respective marks, do the rights of the first-to-file registrant Natrapharm defeat the rights of the prior user Zuneca, i.e., may Natrapharm prevent Zuneca from using its mark? (3) If so, should Zuneca be held liable for trademark infringement?

The Court's Ruling

Under the law, the owner of the mark shall have the exclusive right to prevent all third parties not having the owner's consent from using identical or similar marks for identical or similar goods or services where such use would result in a likelihood of confusion.[65]

Further, in *Prosource International, Inc. v. Horphag Research Management SA*,[66] the Court held that, to establish trademark infringement, the following elements must be proven: (1) the trademark being infringed is registered in the IPO; (2) the trademark is reproduced, counterfeited, copied, or colorably imitated by the infringer; (3) the infringing mark is used in connection with the sale, offering for sale, or advertising of any goods,

business, or services; or the infringing mark is applied to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with such goods, business, or services; (4) the use or application of the infringing mark is likely to cause confusion or mistake or to deceive purchasers or others as to the goods or services themselves or as to the source or origin of such goods or services or the identity of such business; and (5) it is without the consent of the trademark owner or the assignee thereof.[67]

Thus, to determine the prevailing party in this controversy and the existence of trademark infringement, the Court first has to rule on the issue of acquisition of ownership of marks by both parties.

I. How trademark ownership is acquired

The RTC and the CA both ruled that, having been the first to register in good faith, Natrapharm is the owner of the trademark "ZYNAPSE" and it has the right to prevent others, including Zuneca, from registering and/or using a confusingly similar mark.

Zuneca, however, contends that, as the first user, it had already owned the "ZYNAPS" mark prior to Natrapharm's registration and, invoking *Berris Agricultural Co., Inc. v. Abyadang* [68] (*Berris*) and *E. Y. Industrial Sales, Inc. et al. v. Shen Dar Electricity and Machinery Co., Ltd.*[69] (*E.Y. Industrial Sales, Inc.*), its rights prevail over the rights of Natrapharm, the first registrant of a confusingly similar mark.

The Court holds that Zuneca's argument has no merit because: (i) the language of the IP Code provisions clearly conveys the rule that ownership of a mark is acquired through registration; (ii) the intention of the lawmakers was to abandon the rule that ownership of a mark is acquired through use; and (iii) the rule on ownership used in *Berris* and *E.Y. Industrial Sales, Inc.* is inconsistent with the IP Code regime of acquiring ownership through registration.

i. Under the IP Code, ownership of a mark is acquired through registration

Special laws have historically determined and provided for the acquisition of ownership over marks, and a survey thereof shows that ownership of marks is acquired either through registration or use.

Spanish Royal Decree of October 26, 1888

As early as the Spanish regime, trademarks were

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mso-fareast-font-family:"Times New Roman"; mso-fareast-theme-font:minor-fareast; mso-hansi-font-family:Calibri; mso-hansi-theme-font:minor-latin; mso-bidi-font-family:"Times New Roman"; mso-bidi-theme-font:minor-bidi;} Philippines. The Real Decreto de 26 de octubre de 1888[70] or the Spanish Royal Decree of October 26, 1888 provided for the concession and use of Philippine trademarks as follows:

Art. 4. Tudo fabricante, comerciante, agricultor ó Normal 0 false false false EN-US X-NONE X-NONE MicrosoftInternetExplorer4 /* Style Definitions */ table.MsoNormalTable {mso-style-name:"Table Normal"; mso-tstyle-rowband-size:0; mso-tstyle-colband-size:0; mso-style-noshow:yes; mso-style-priority:99; mso-style-qformat:yes; mso-style-parent:""; mso-padding-alt:0cm 5.4pt 0cm 5.4pt; mso-para-margin-top:0cm; mso-para-margin-right:0cm; mso-para-margin-bottom:10.0pt; mso-para-margin-left:0cm; line-height:115%; mso-pagination:widow-orphan; font-size:11.0pt; font-family:"Calibri", "sans-serif"; mso-ascii-font-family:Calibri; mso-ascii-theme-font:minor-latin; mso-fareast-font-family:"Times New Roman"; mso-fareast-theme-font:minor-fareast; mso-hansi-font-family:Calibri; mso-hansi-theme-font:minor-latin; mso-bidi-font-family:"Times New Roman"; mso-bidi-theme-font:minor-bidi;} Normal 0 false false false EN-US X-NONE X-NONE MicrosoftInternetExplorer4 /* Style Definitions */ table.MsoNormalTable {mso-style-name:"Table Normal"; mso-tstyle-rowband-size:0; mso-tstyle-colband-size:0; mso-style-noshow:yes; mso-style-priority:99; mso-style-qformat:yes; mso-style-parent:""; mso-padding-alt:0cm 5.4pt 0cm 5.4pt; mso-para-margin-top:0cm; mso-para-margin-right:0cm; mso-para-margin-bottom:10.0pt; mso-para-margin-left:0cm; line-height:115%; mso-pagination:widow-orphan; font-size:11.0pt; font-family:"Calibri", "sans-serif"; mso-ascii-font-family:Calibri; mso-ascii-theme-font:minor-latin; mso-fareast-font-family:"Times New Roman"; mso-fareast-theme-font:minor-fareast; mso-hansi-font-family:Calibri; mso-hansi-theme-font:minor-latin; mso-bidi-font-family:"Times New Roman"; mso-bidi-theme-font:minor-bidi;} industrial de otra clase, que individual ó colectivamente desee usar alguna marca para distinguir los productos de una fá Normal 0 false false false EN-US X-NONE X-NONE MicrosoftInternetExplorer4 /* Style Definitions */ table.MsoNormalTable {mso-style-name:"Table Normal"; mso-tstyle-rowband-size:0; mso-tstyle-colband-size:0; mso-style-noshow:yes; mso-style-priority:99; mso-style-qformat:yes; mso-style-parent:""; mso-padding-alt:0cm 5.4pt 0cm 5.4pt; mso-para-margin-top:0cm; mso-para-margin-right:0cm; mso-para-margin-bottom:10.0pt; mso-para-margin-left:0cm; line-height:115%; mso-pagination:widow-orphan; font-size:11.0pt; font-family:"Calibri", "sans-serif"; mso-ascii-font-family:Calibri; mso-ascii-theme-font:minor-latin; mso-fareast-font-family:"Times New Roman"; mso-fareast-theme-font:minor-fareast; mso-hansi-font-family:Calibri; mso-hansi-theme-font:minor-latin; mso-bidi-font-family:"Times New Roman"; mso-bidi-theme-font:minor-bidi;} brica, los objetos de comercio, las primeras materias agrí Normal 0 false false false EN-US X-NONE X-NONE MicrosoftInternetExplorer4 /* Style Definitions */ table.MsoNormalTable {mso-style-name:"Table Normal"; mso-tstyle-rowband-size:0; mso-tstyle-colband-size:0; mso-style-noshow:yes; mso-style-priority:99; mso-style-qformat:yes; mso-style-parent:""; mso-padding-alt:0cm 5.4pt 0cm 5.4pt; mso-para-margin-top:0cm; mso-para-margin-right:0cm; mso-para-margin-bottom:10.0pt; mso-para-margin-left:0cm; line-height:115%; mso-pagination:widow-orphan; font-size:11.0pt; font-family:"Calibri", "sans-serif"; mso-ascii-font-family:Calibri; mso-ascii-theme-font:minor-latin; mso-fareast-font-family:"Times New

Roman"; mso-fareast-theme-font:minor-fareast; mso-hansi-font-family:Calibri; mso-hansi-theme-font:minor-latin; mso-bidi-font-family:"Times New Roman"; mso-bidi-theme-font:minor-bidi;} colas ú otras cualesquiera, ó la ganaderí Normal 0 false false false EN-US X-NONE X-NONE MicrosoftInternetExplorer4 /* Style Definitions */ table.MsoNormalTable {mso-style-name:"Table Normal"; mso-tstyle-rowband-size:0; mso-tstyle-colband-size:0; mso-style-noshow:yes; mso-style-priority:99; mso-style-qformat:yes; mso-style-parent:""; mso-padding-alt:0cm 5.4pt 0cm 5.4pt; mso-para-margin-top:0cm; mso-para-margin-right:0cm; mso-para-margin-bottom:10.0pt; mso-para-margin-left:0cm; line-height:115%; mso-pagination:widow-orphan; font-size:11.0pt; font-family:"Calibri", "sans-serif"; mso-ascii-font-family:Calibri; mso-ascii-theme-font:minor-latin; mso-fareast-font-family:"Times New Roman"; mso-fareast-theme-font:minor-fareast; mso-hansi-font-family:Calibri; mso-hansi-theme-font:minor-latin; mso-bidi-font-family:"Times New Roman"; mso-bidi-theme-font:minor-bidi;} a, y lo mismo los que deseen conservar la propiedad de dibujos y modelos industriales, tendrán que solicitar el certificado de propiedad con arreglo a las prescripciones de esie decreto.

El que carezca de dicho certificado, no podrá Normal 0 false false false EN-US X-NONE X-NONE MicrosoftInternetExplorer4 /* Style Definitions */ table.MsoNormalTable {mso-style-name:"Table Normal"; mso-tstyle-rowband-size:0; mso-tstyle-colband-size:0; mso-style-noshow:yes; mso-style-priority:99; mso-style-qformat:yes; mso-style-parent:""; mso-padding-alt:0cm 5.4pt 0cm 5.4pt; mso-para-margin-top:0cm; mso-para-margin-right:0cm; mso-para-margin-bottom:10.0pt; mso-para-margin-left:0cm; line-height:115%; mso-pagination:widow-orphan; font-size:11.0pt; font-family:"Calibri", "sans-serif"; mso-ascii-font-family:Calibri; mso-ascii-theme-font:minor-latin; mso-fareast-font-family:"Times New Roman"; mso-fareast-theme-font:minor-fareast; mso-hansi-font-family:Calibri; mso-hansi-theme-font:minor-latin; mso-bidi-font-family:"Times New Roman"; mso-bidi-theme-font:minor-bidi;} usar marcas ó distintivo alguno para los productos de su industria. ni evitar que otros empleen sus estampaciones ó dibujos industriales.

x x x x

Art. 21. El derecho á la propiedad de las marcas, dibujos, y modelos industriales que esta disposición reconoce, se adquirirá por el certifwado y el cumplimiento de las demás disposiciones que la misma determina.

Based on the above provisions, one who wished to own and use a trademark had to request for a certificate of ownership in accordance with the royal decree. The use of unregistered trademarks was prohibited. In other words, because trademarks could not be used without first securing the necessary certificate, the ownership of trademarks under the Spanish Royal Decree of October 26, 1888 was acquired only by means of registration.

Act No. 666

The manner of acquiring ownership over trademarks changed during the American period. In 1903, Act No. 666 [71] was enacted, which provided that the ownership of a mark was acquired through actual use thereof. The pertinent provisions of said law are reproduced below:

SECTION 2. Anyone who produces or deals in merchandise of any kind by actual use thereof in trade may appropriate to his exclusive use a trade-mark, not so appropriated by another, to designate the origin or ownership thereof: Provided, That a designation or part of a designation which relates only to the name, quality, or description of the merchandise or geographical place of its production or origin cannot be the subject of a trade-mark.

SECTION 3. The ownership or possession of a trade-mark, heretofore or hereafter appropriated, as in the foregoing section provided, shall be recognized and protected in the same manner and to the same extent, as are other property rights known to the law. To this end any person entitled to the exclusive use of a trade-mark

to designate the origin or ownership of goods he has made or deals in may recover damages in a civil action from any person who has sold goods of a similar kind, bearing such trade-mark, and the measure of the damages suffered, at the option of the complaining party, shall be either the reasonable profit which the complaining party would have made had the defendant not sold the goods with the trade-mark aforesaid, or the profit which the defendant actually made out of the sale of the goods with the trade-mark, and in cases where actual intent to mislead the public or to defraud the owner of the trade-mark shall be shown, in the discretion of the court, the damages may be doubled. The complaining party, upon proper showing, may have a preliminary injunction, restraining the defendant temporarily from use of the trade-mark pending the hearing, to be granted or dissolved in the manner provided in the Code of Civil Procedure, and such injunction upon final hearing, if the complainant's property in the trade-mark and the defendant's violation thereof shall be fully established, in these Islands, nor shall it be necessary to show that the trade-mark shall be made perpetual, and this injunction shall be part of the judgment for damages to be rendered in the same cause as above provided.

SECTION 4. In order to justify recovery for violation of trade-mark rights in the preceding sections defined, it shall not be necessary to show that the trade-marks have been registered under the royal decree of eighteen hundred and eight-eight, providing for registration of trade-marks in the Philippine Islands, in force during the Spanish sovereignty in these Islands, nor shall it be necessary to show that the trade mark has been registered under this Act. It shall be sufficient to invoke protection of his property in a trade-mark if the party complaining shall prove that he has used the trade-mark claimed by him upon his goods a sufficient length of time so that the use of the trade-mark by another would be an injury to him and calculated to deceive the public into the belief that the goods of that other were the goods manufactured or dealt in by the complaining party. (Emphasis and underscoring supplied)

R.A. 166

On June 20, 1947, R.A. 166 [72] (Trademark Law) was enacted and approved. It is worth noting that the Trademark Law, as clarified through its subsequent amendment, explicitly stated that actual use was a prerequisite for the ownership of marks.

Section 4 of the Trademark Law stated that the owner of the mark had the right to register the same. Despite not categorically defining who the owner of the mark was, the same section also provided that one could not register a mark that was previously used and not abandoned by another. Consequently, prior use and non-abandonment determined the ownership of the mark because it effectively barred someone else from registering the mark and representing himself[73] to be the owner thereof. In other words, the only person who was entitled to register the mark, and therefore be considered as the owner thereof, was the person who first used and who did not abandon the mark, viz.:

SECTION 4. Registration of Trade-marks, Trade-names and Service-marks. - The owner of a trade-mark, 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, unless it:

x x x x

(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 purchases[.] (Emphasis and underscoring supplied)

Civil Code

When the Civil Code took effect in 1950, it included the rule that the owner of the trademark was the person, corporation, or firm registering the same, but said rule was made subject to the provisions of special laws. Hence,

the manner of acquiring ownership was still through actual use because the special law in effect at that time was the Trademark Law, viz.:

CHAPTER 3

TRADEMARKS AND TRADENAMES

ART. 520. A trademark or tradename duly registered in the proper government bureau or office is owned by and pertains to the person, corporation, or firm registering the same, subject to the provisions of special laws. (Emphasis supplied)

Amendment to the Trademark Law

In 1951, the Trademark Law was amended by R.A. 638,[74] which added Section 2-A, among others. As previously mentioned, this amendment explicitly provided that ownership over a mark was acquired through actual use, viz.:

Sec. 2-A. Ownership of trade-marks, 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 trade-mark, a trade-name, or a service-mark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or services of others. The ownership or possession of a trade-mark, 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 law. (Emphasis and underscoring supplied)

IP Code

Forty-seven years later, upon the effectivity of the IP Code on January 1, 1998, the manner of acquiring ownership of trademarks reverted to registration. This is expressed in Section 122 of the IP Code, viz.:

SECTION 122. How Marks are Acquired. - The rights in a mark shall be acquired through registration made validly in accordance with the provisions of this law. (Sec. 2-A, R.A. No. 166a) (Emphasis and underscoring supplied)

Related to this, Section 123.1(d) of the IP Code expresses the first-to-file rule as follows:

SECTION 123. Registrability. - 123.1. A mark cannot be registered if it:

x x x x

(d) Is identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date, in respect of:

(i) The same goods or services, or

(ii) Closely related goods or services, or

(iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion[.] (Emphasis and underscoring supplied)

To clarify, while it is the fact of registration which confers ownership of the mark and enables the owner thereof to exercise the rights expressed in Section 147[75] of the IP Code, the first-to-file rule nevertheless prioritizes the first filer of the trademark application and operates to prevent any subsequent applicants from registering marks described under Section 123.1(d) of the IP Code.

Reading together Sections 122 and 123. l(d) of the IP Code, therefore, a registered mark or a mark with an earlier filing or priority date generally bars the future registration of- and the future acquisition of rights in - an identical or a confusingly similar mark, in respect of the same or closely-related goods or services, if the resemblance will likely deceive or cause confusion.

The current rule under the IP Code is thus in stark contrast to the rule on acquisition of ownership under the Trademark Law, as amended. To recall, the Trademark Law, as amended, provided that prior use and non-abandonment of a mark by one person barred the future registration of an identical or a confusingly similar mark by a different proprietor when confusion or deception was likely.[76] It also stated that one acquired ownership over a mark by actual use.[77]

Once the IP Code took effect, however, the general rule on ownership was changed and repealed.[78] At present, as expressed in the language of the provisions of the IP Code, prior use no longer determines the acquisition of ownership of a mark in light of the adoption of the rule that ownership of a mark is acquired through registration made validly in accordance with the provisions of the IP Code.[79] Accordingly, the trademark provisions of the IP Code use the term "owner" in relation to registrations.[80] This fact is also apparent when comparing the provisions of the Trademark Law, as amended, and the IP Code, viz.:

Trademark Law, as amended IP Code

Sec. 4. Registration of trade-marks, trade-names and service-marks on the principal register. — There is hereby established a register of trade-mark, trade-names and service-marks which shall be known as the principal register. The owner of a trade-mark, a 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

x x x x (Emphasis supplied)

SECTION 123. Registrability. — 123.1. A mark cannot be registered if it:

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

any foreign nation, or any simulation thereof;

(c) Consists of a name, portrait or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the Philippines, during the life of his widow, if any, except by written consent of the widow;

(d) Is identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date, in respect of:

(i) The same goods or services, or

(ii) Closely related goods or services, or

(iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion;

xxx (Sec. 4, R.A. No. 166a) (Emphasis supplied)

Subparagraph (d) of the above provision of the Trademark Law was amended in the IP Code to, among others, remove the phrase "previously used in the Philippines by another and not abandoned."^[81] Under the Trademark Law, as amended, the first user of the mark had the right⁸¹ to file a cancellation case against an identical or confusingly mark registered in good faith by another person. However, with the omission in the IP Code provision of the phrase "previously used in the Philippines by another and not abandoned,," said right of the first user is no longer available. In effect, based on the language of the provisions of the IP Code, even if the mark was previously used and not abandoned by another person, a good faith applicant may still register the same and thus become the owner thereof, and the prior user cannot ask for the cancellation of the latter's registration. If the lawmakers had wanted to retain the regime of acquiring ownership through use, this phrase should have been retained in order to avoid conflicts in ownership. The removal of such a right unequivocally shows the intent of the lawmakers to abandon the regime of ownership under the Trademark Law, as amended.

On this point, our esteemed colleagues Associate Justices Leonen and Lazaro-Javier have expressed their doubts regarding the abandonment of the ownership regime under the Trademark Law, as amended, because of the continued requirement of actual use under the IP Code and because of the prima facie nature of a certificate of registration.^[82] In particular, Sections 124.2^[83] and 145^[84] of the IP Code provide that the applicant/registrant is required to file a Declaration of Actual Use on specified periods, while Section 138^[85] provides that a certificate of registration of a mark shall be prima facie evidence of the validity of the registration, the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate.

Certainly, while the IP Code and the Rules^[86] of the IPO mandate that the applicant/registrant must prove continued actual use of the mark, it is the considered view of the Court that this does not imply that actual use is still a recognized mode of acquisition of ownership under the IP Code. Rather, these must be understood as provisions that require actual use of the mark in order for the registered owner of a mark to maintain^[87] his ownership.

In the same vein, the prima facie nature of the certificate of registration^[88] is not indicative of the fact that prior use is still a recognized mode of acquiring ownership under the IP Code. Rather, it is meant to recognize the instances when the certificate of registration is not reflective of ownership of the holder thereof, such as when: [1] the first registrant has acquired ownership of the mark through registration but subsequently lost the same due to non-use^[89] or abandonment^[90] (e.g., failure to file the Declaration of Actual Use^[91]); [2] the registration was done in bad faith;^[92] [3] the mark itself becomes generic;^[93][4] the mark was registered contrary to the IP Code

(e.g., when a generic mark was successfully registered for some reason);[94] or [5] the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used.[95]

ii. Legislative intent to abandon the rule that ownership of a mark is acquired through use

The lawmakers' intention to change the system of acquiring rights over a mark is even more evident in the sponsorship speech of the late Senator Raul Roco for the IP Code. The shift to a new system was brought about by the country's adherence to treaties, and Senator Roco specifically stated that the bill abandons the rule that ownership of a mark is acquired through use, thus:

Part III of the Code is the new law on trademarks.

On September 27, 1965, Mr. President, the Philippines adhered to the Lisbon Act of the Paris Convention for the Protection of Industrial Property [(Paris Convention)]. This obliged the country to introduce a system of registration of marks of nationals of member-countries of the Paris Convention which is based not on use in the Philippines but on foreign registration. This procedure is defective in several aspects: first, it provides to a foreign applicant a procedure which is less cumbersome compared to what is required of local applicants who need to establish prior use as a condition for filing a trademark; and second, it is incompatible with the "based on use" principle which is followed in the present Trademark Law.

Furthermore, Mr. President, our adherence to the Paris Convention binds us to protect well-known- marks. Unfortunately, the provisions of 6bis of the Paris Convention on this matter are couched in broad terms which are not defined in the Convention. This has given rise to litigation between local businessmen using the mark and foreigners who own the well-known marks. The conflicting court decisions on this issue aggravate the situation and they are a compendium of contradictory cases.

The proposed [IP] Code seeks to correct these defects and provides solutions to these problems and make a consistency in ruling for future purposes.

To comply with [the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)][96] and other international commitments, this bill no longer requires prior use of the mark as a requirement for filing a trademark application. It also abandons the rule that ownership of a mark is acquired through use by now requiring registration of the mark in the Intellectual Property Office. Unlike the present law, it establishes one procedure for the registration of marks. This feature will facilitate the registration of marks.

Senate Bill No. 1719 also no longer requires use or registration in the Philippines for the protection of well-known marks. If the mark is registered, such registration can prohibit its use by another in connection with goods or services which are not similar to those with respect to which the registration is applied for. This resolves many of the questions that have remained unanswered by present law and jurisprudence.[97] (Emphasis and underscoring supplied)

The legislative intent to abandon the rule that ownership is acquired through use and to adopt the rule that ownership is acquired through registration is therefore crystal clear. On this score, Justice Leonen prudently cautions against deriving legislative intent from these deliberations, especially since they are limited to the opinions of those present, and neither consider the opinions of those who did not or were not able to speak, nor do they account for changing circumstances.[98] While this may be true, the Court is of the considered view that this does not mean that its interpretation of the statute based on such deliberations is inaccurate or wrong, especially in this case because, at the risk of belaboring the point, the provisions of the IP Code and the legislative deliberations

are consistent in showing that the regime of ownership under the Trademark Law, as amended, has been abandoned.

iii. Rule on ownership based on prior use in *Berris and E.Y. Industrial Sales, Inc.* inconsistent with the IP Code regime of ownership through registration

As mentioned, Zuneca argues that as the prior user, following *Berris and E. Y. Industrial Sales, Inc.*, it had already owned the "ZYNAPS" mark prior to Natrapharm's registration of its confusingly similar mark, thus, its rights prevail over the rights of Natrapharm.

As will be further explained, however, a closer look at the cases cited by Zuneca reveals that the rule on ownership used in resolving these cases is inconsistent with the rule on acquisition of ownership through registration under the IP Code.

In *Berris, Norvy Abyadang (Abyadang)* filed a trademark application for "NS D-10 PLUS" in 2004. This was opposed by *Berris Agricultural Co., Inc. (Berris, Inc.)* on the ground that it was confusingly similar to its registered mark, "D-10 80 WP", which was applied for in 2002 and eventually registered in 2004. The marks were indeed found to be confusingly similar. However, in ruling that *Bems, Inc.* was the rightful owner of the mark, the Court did not just decide based on the fact that *Berris, Inc.* filed the application and registered the mark prior to *Abyadang*. Instead, it also contained the following discussion with the conclusion that actual use was required to own a mark:

The basic law on trademark, infringement, and unfair competition is [the IP Code], specifically Sections 121 to 170 thereof. It took effect on January 1, 1998. Prior to its effectivity, the applicable law was [the Trademark Law], as amended.

Interestingly, [the IP Code] did not expressly repeal in its entirety [the Trademark Law, as amended], but merely provided in Section 239.1 that [a]cts and parts of [a]cts inconsistent with it were repealed. In other words, only in the instances where a substantial and irreconcilable conflict is found between the provisions of [the IP Code] and of [the Trademark Law, as amended] would the provisions of the latter be deemed repealed.

[The IP Code] defines a "mark" as any visible sign capable of distinguishing the goods (trademark) or services (service mark) of an enterprise and shall include a stamped or marked container of goods. It also defines a "collective mark" as any visible sign designated as such in the application for registration and capable of distinguishing the origin or any other common characteristic, including the quality of goods or services of different enterprises which use the sign under the control of the registered owner of the collective mark.

On the other hand, [the Trademark Law, as amended] defines a "trademark" as any distinctive word, name, symbol, emblem, sign, or device, or any combination thereof, adopted and used by a manufacturer or merchant on his goods to identify and distinguish them from those manufactured, sold, or dealt by another. A trademark, being a special property, is afforded protection by law. But for one to enjoy this legal protection, x x x ownership of the trademark should rightly be established.

The ownership of a trademark is acquired by its registration and its actual use by the manufacturer or distributor of the goods made available to the purchasing public. Section 122 of [the IP Code] provides that the rights in a mark shall be acquired by means of its valid registration with the IPO. A certificate of registration of a mark, once issued, constitutes prima facie evidence of the validity of the registration, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate. [The IP Code], however, requires the

applicant for registration or the registrant to file a declaration of actual use (DAU) of the mark, with evidence to that effect, within three (3) years from the filing of the application for registration; otherwise, the application shall be refused or the mark shall be removed from the register. In other words, the prima facie presumption brought about by the registration of a mark may be challenged and overcome, in an appropriate action, by proof of the nullity of the registration or of non-use of the mark, except when excused. Moreover, the presumption may likewise be defeated by evidence of prior use by another person, i.e., it will controvert a claim of legal appropriation or of ownership based on registration by a subsequent user. This is because a trademark is a creation of use and belongs to one who first used it in trade or commerce.[99] (Citations omitted; emphasis and underscoring supplied)

In *Berris*, despite the fact that *Berris, Inc.* was eventually decided to be the owner of the mark consistent with the rule on ownership under the IP Code, the Court mistakenly gave undue weight to the fact of prior use.[100] To be sure, it was unnecessary to also anchor *Berris, Inc.*'s ownership of the mark on the fact that it was the prior user as this was inconsistent with the express provisions of the IP Code and the legislative intent behind the law. Stated differently, the Court's decision in *Berris* was correct based on the fact that *Berris, Inc.* was the first to file the application and register the mark.

Significantly, in giving weight to the fact of prior use, the Court cited[101] the author Ruben E. Agpalo who had, in turn, cited jurisprudence decided under the Trademark Law, as amended. As a result, the rule that prior use was determinative of ownership was also used to resolve the issue of ownership in *Berris*. As stated, however, this is contrary to the IP Code.

To repeat, after the IP Code became effective starting 1998, use was no longer required in order to acquire or perfect ownership of the mark. In this regard, the Court now rectifies the inaccurate statement in *Berris* that "[t]he ownership of a trademark is acquired by its registration and its actual use." [102] The rectified statement should thus read: "Under the IP Code, the ownership of a trademark is acquired by its registration." Any pronouncement in *Berris* inconsistent herewith should be harmonized accordingly. To clarify, while subsequent use of the mark and proof thereof are required to prevent the removal or cancellation of a registered mark or the refusal of a pending application under the IP Code,[103] this should not be taken to mean that actual use and proof thereof are necessary before one can own the mark or exercise the rights of a trademark owner.[104]

Likewise, the rule on acquiring ownership discussed in *E. Y. Industrial Sales, Inc.* is inconsistent with the current rule under the IP Code. In said case, *E.Y. Industrial Sales, Inc. (EYIS)* imported air compressors from *Shen Dar* from 1997 to 2004. In 1997, during the effectivity of the Trademark Law, as amended, *Shen Dar* filed a trademark application for "VESPA, Chinese Characters and Device" for use on air compressors and welding machines. Subsequently, in 1999, or already during the effectivity of the IP Code, *EYIS* filed a trademark application for "VESPA" for use on air compressors. On January 18, 2004, the IPO issued the certificate of registration for "VESPA" in favor of *EYIS*. Subsequently, on February 8, 2007, the certificate of registration for "VESPA, Chinese Characters and Device" was issued in favor of *Shen Dar*.

Claiming to be the owner of the mark, *Shen Dar* filed 9887 registration. The Bureau of Legal Affairs (BLA) and the Director General of the IPO both ruled that *EYIS* was the owner of the mark and likewise directed the cancellation of *Shen Dar*'s certificate of registration.

Once the case reached the Court, the dispute was resolved in favor of *EYIS*. The ponencia cited Section 123.1(d), the first-to-file rule adopted by the IP Code, and likewise included the following discussion in *Shangri-la International Hotel Management, Ltd. v. Developers Group of Companies, Inc.*[105] (*Shangri-la*) in concluding that the prior user *EYIS* was the owner of the mark, viz.:

In any event, given the length of time already invested by the parties in the instant case, this Court must write

finis to the instant controversy by determining, once and for all, the true owner of the mark "VESPA" based on the evidence presented.

[The IP Code] espouses the "first-to-file" rule as stated under Sec. 123.1 (d) which states:

Section 123. Registrability. - 123.1. A mark cannot be registered if it:

x x x x

(d) Is identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date, in respect of:

(i) The same goods or services, or

(ii) Closely related goods or services, or

(iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion, x x x

Under this provision, the registration of a mark is prevented with the filing of an earlier application for registration. This must not, however, be interpreted to mean that ownership should be based upon an earlier filing date. While [the IP Code] removed the previous requirement of proof of actual use prior to the filing of an application for registration of a mark, proof of prior and continuous use is necessary to establish ownership of a mark. Such ownership constitutes sufficient evidence to oppose the registration of a mark.

Sec. 134 of the IP Code provides that "any person who believes that he would be damaged by the registration of a mark x x x" may file an opposition to the application. The term "any person" encompasses the true owner of the mark - the prior and continuous user.

Notably, the Court has ruled that the prior and continuous use of a mark may even overcome the presumptive ownership of the registrant and be held as the owner of the mark. As aptly stated by the Court in [Shangri-la]:

Registration, without more, does not confer upon the registrant an absolute right to the registered mark. The certificate of registration is merely a prima facie proof that the registrant is the owner of the registered mark or trade name. Evidence of prior and continuous use of the mark or trade name by another can overcome the presumptive ownership of the registrant and may very well entitle the former to be declared owner in an appropriate case.

xxxx

Ownership of a mark or trade name may be acquired not necessarily by registration but by adoption and use in trade or commerce. As between actual use of a mark without registration, and registration of the mark without actual use thereof, the former prevails over the latter. For a rule widely accepted and firmly entrenched, because it has come down through the years, is that actual use in commerce or business is a pre-requisite to the acquisition of the right of ownership.

x x x x

By itself, registration is not a mode of acquiring ownership. When the applicant is not the owner of the trademark being applied for, he has no right to apply for registration of the same. Registration merely creates a prima facie presumption of the validity of the registration, of the registrant's ownership of the trademark and of the exclusive right to the use thereof. Such presumption, just like the presumptive regularity in the performance of official functions, is rebuttable and must give way to evidence to the contrary.[106] (Citations omitted and emphasis supplied)

However, a careful reading of Shangri-la will unmistakably show that, despite having been promulgated in 2006, the applicable law of the case was the Trademark Law, as amended, considering the following excerpts:

While the present law on trademarks has dispensed with the requirement of prior actual use at the time of registration, the law in force at the time of registration[, i.e., the Trademark Law, as amended,! must be applied, and thereunder it was held that as a condition precedent to registration of trademark, trade name or service mark, the same must have been in actual use in the Philippines before the filing of the application for registration. Trademark is a creation of use and therefore actual use is a pre-requisite to exclusive ownership and its registration with the Philippine Patent Office is a mere administrative confirmation of the existence of such right.

x x x x

However, while the Philippines was already a signatory to the Paris Convention, the [IP Code] only took effect on January 1, 1998, and in the absence of a retroactivity clause, [the Trademark Law, as amended] still applies, x x x[107] (Emphasis and underscoring supplied)

It is worth noting that in *E.Y. Industrial Sales, Inc.*, the Court upheld the factual finding that the first actual use by EYIS was earlier than Shen Dar's. The earliest dates of use by both parties therein were during the effectivity of the Trademark Law, as amended. It is also important to reiterate that EYIS had applied and registered the mark under the IP Code, while Shen Dar had applied for the mark under the Trademark Law, as amended, and its registration was obtained after the effectivity of the IP Code.

To be sure, the rule used to resolve the issue of ownership in *E. Y. Industrial Sales, Inc.* and *Shangri-la* should not be made to apply in a situation involving marks which are both used and/or registered after the effectivity of the IP Code. In the case at bar, both "ZYNAPS" and "ZYNAPSE" have been used and/or registered after the IP Code became effective. Clearly, the use or citation of Trademark Law jurisprudence to resolve the question on acquisition of ownership of marks in the case at bar or in cases involving marks registered or first used under the IP Code will be irrelevant and inappropriate.

In light of the foregoing, Zuneca thus erred in using *Berris* and *E. Y. Industrial Sales, Inc.* as bases for its argument that the prior user is the owner of the mark and its rights prevail over the rights of the first-to-file registrant. To emphasize, for marks that are first used and/or registered after the effectivity of the IP Code, ownership is no longer dependent on the fact of prior use in light of the adoption of the first-to-file rule and the rule that ownership is acquired through registration.

II. Bad faith and good faith in trademark registration and use

In a bid to invalidate Natrapharm's rights as first registrant, Zuneca further argues that Natrapharm had registered the mark fraudulently and in bad faith.[108]

The existence of bad faith in trademark registrations may be a ground for its cancellation at any time by filing a petition for cancellation under Section 151 (b) of the IP Code, viz.:

SECTION 151. Cancellation. - 151.1. A petition to cancel a registration of a mark under this Act may be filed with the Bureau of Legal Affairs by any person who believes that he is or will be damaged by the registration of a mark under this Act as follows:

(a) Within five (5) years from the date of the registration of the mark under this Act.

(b) At any time, if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of this Act, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is

used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used, (n)

(c) At any time, if the registered owner of the mark without legitimate reason fails to use the mark within the Philippines, or to cause it to be used in the Philippines by virtue of a license during an uninterrupted period of three (3) years or longer. (Emphasis supplied)

Notably, this ground for cancelling marks was already present under the Trademark Law, as amended. The table below shows how the language in the IP Code provision mirrors the provision under the Trademark Law, as amended:

Trademark Law, as amended IP Code

CHAPTER IV

Cancellation of Registration

SECTION 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 the 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 four, 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. (Emphasis and underscoring supplied)

SECTION 151. Cancellation. -

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

x x x x

- (b) At any time, if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of this Act, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used. (Emphasis and underscoring supplied)

Resultantly - unlike the rule on acquisition of ownership - the pronouncements of the Court relative to registrations obtained in bad faith under the Trademark Law, as amended, still subsist even after the effectivity of the IP Code. Thus, the following cases where the Court defined bad faith and fraud, although decided under the regime of the Trademark Law, as amended, are still applicable.

The concepts of bad faith and fraud were defined in *Mustang-Bekleidungswerke GmbH + Co. KG v. Hung Chiu Ming*,^[109] a case decided by the Office of the Director General of the IPO under the Trademark Law, as amended, viz.:

What constitutes fraud or bad faith in trademark registration? Bad faith means that the applicant or registrant has knowledge of prior creation, use and/or registration by another of an identical or similar trademark. In other words, it is copying and using somebody else's trademark. Fraud, on the other hand, may be committed by making false claims in connection with the trademark application and registration, particularly, on the issues of origin, ownership, and use of the trademark in question, among other things.^[110]

The concept of fraud contemplated above is not a mere inaccurate claim as to the origin, ownership, and use of the trademark. In civil law, the concept of fraud has been defined as the deliberate intention to cause damage or prejudice.^[111] The same principle applies in the context of trademark registrations: fraud is intentionally making false claims to take advantage of another's goodwill thereby causing damage or prejudice to another. Indeed, the concepts of bad faith and fraud go hand-in-hand in this context. There is no distinction between the concepts of bad faith and fraud in trademark registrations because the existence of one necessarily presupposes the existence of the other.

Shangri-la supports the definition of bad faith in trademark registrations as knowledge by the registrant of prior creation, use, and/or registration by another of an identical or similar trademark. In said case, since respondent Developers Group of Companies, Inc.'s (DGI) president was a previous guest at one of petitioner's hotels, it was found that DGI was in bad faith when it appropriated and registered the "SHANGRI-LA" mark and the "S" logo, viz.:

The CA itself, in its Decision of May 15, 2003, found that the respondent's president and chairman of the board, Ramon Syhunliong, had been a guest at the petitioners' hotel before he caused the registration of the mark and logo, and surmised that he must have copied the idea there[.]

To jump from a recognition of the fact that the mark and logo must have been copied to a rationalization for the possibility that both the petitioners and the respondent coincidentally chose the same name and logo is not only contradictory, but also manifestly mistaken or absurd. Furthermore, the "S" logo appears nothing like the "Old English" print that the CA makes it out to be, but is obviously a symbol with oriental or Asian overtones. At any rate, it is ludicrous to believe that the parties would come up with the exact same lettering for the word "Shangri-La" and the exact same logo to boot. As correctly observed by the petitioners, to which we are in full accord:

xxx When a trademark copycat adopts the word portion of another's trademark as his own, there may still be some doubt that the adoption is intentional. But if he copies not only the word but also the word's exact font and lettering style and in addition, he copies also the logo portion of the trademark, the slightest doubt vanishes. It is then replaced by the certainty that the adoption was deliberate, malicious and in bad faith.

It is truly difficult to understand why, of the millions of terms and combination of letters and designs available, the respondent had to choose exactly the same mark and logo as that of the petitioners, if there was no intent to take advantage of the goodwill of petitioners' mark and logo.

One who has imitated the trademark of another cannot bring an action for infringement, particularly against the true owner of the mark, because he would be coming to court with unclean hands. Priority is of no avail to the bad

faith plaintiff. Good faith is required in order to ensure that a second user may not merely take advantage of the goodwill established by the true owner." [112] (Emphasis supplied)

Pagasa Industrial Corporation v. Court of Appeals [113] likewise supports the definition of bad faith as prior knowledge. In said case, the Court found that Pagasa registered the "YKK" mark in bad faith because it had previously known that there was another person using the mark. Hence, the Court affirmed the cancellation of the mark as decided by the Director of Patents and the CA:

Pagasa appealed to the [CA] which in its decision dated February 6, 1980 affirmed the cancellation. It found that prior to 1968 Pagasa knew that Yoshida was the registered owner and user of the YKK trademark which is an acronym of its corporate name.

Tadao Yoshida, the president of Yoshida, and Tsutomu Isaka, the export manager, visited in 1960 (1965) Pagasa's factory which was manufacturing zippers under the Royal brand. Anacleto Chi, Pagasa's president, visited in turn Yoshida's factory in Toyoma, Japan.

The Appellate Court concluded that Pagasa's knowledge that Yoshida was using the YKK trademark precludes the application of the equitable principle of laches, estoppel and acquiescence. It noted that Pagasa acted in bad faith. As observed by Yoshida's counsel, Pagasa's registration of YKK as its own trademark was an act of ingratitude.

x x x x

Pagasa cannot rely on equity because he who comes into equity must come with clean hands. Equity refuses to lend its aid in any manner to one seeking its active interposition who has been guilty of unlawful or inequitable conduct in the matter with relation to which he seeks relief (30 C.J.S. 1009).

"Registration is sufficient prima-facie proof that all acts necessary to entitle the mark to registration were duly performed." (87 C.J.S. 421). Obviously, Yoshida's prior registration is superior and must prevail. [114] (Emphasis and underscoring supplied)

Birkenstock Orthopaedie GmbH and Co. KG v. Phil. Shoe Expo Marketing Corp. [115] also involved a finding that a party was in bad faith because it had known of the existence and use by another person of the mark before said party appropriated and registered the same, viz.:

In view of the foregoing circumstances, the Court finds the petitioner to be the true and lawful owner of the mark "BIRKENSTOCK" and entitled to its registration, and that respondent was in bad faith in having it registered in its name. In this regard, the Court quotes with approval the words of the IPO Director General, viz.:

The facts and evidence fail to show that [respondent] was in good faith in using and in registering the mark BIRKENSTOCK. BIRKENSTOCK, obviously of German origin, is a highly distinct and arbitrary mark. It is very remote that two persons did coin the same or identical marks. To come up with a highly distinct and uncommon mark previously appropriated by another, for use in the same line of business, and without any plausible explanation, is incredible. The field from which a person may select a trademark is practically unlimited. As in all other cases of colorable imitations, the unanswered riddle is why, of the millions of terms and combinations of letters and designs available, [respondent] had to come up with a mark identical or so closely similar to the [petitioner's] if there was no intent to take advantage of the goodwill generated by the [petitioner's] mark. Being on the same line of business, it is highly probable that the [respondent] knew of the existence of BIRKENSTOCK and its use by the [petitioner], before [respondent] appropriated the same mark and had it registered in its name. [116] (Emphasis supplied)

More importantly, however, there is also jurisprudential basis to declare these trademark registrations done in bad faith as void. In the case of Shangri-La International Hotel Management, Ltd. v. Developers Group of Companies,

Inc.[117] (Shangri-la Resolution), the Court classified the respondent's registration as void due to the existence of bad faith and because it failed to comply[118] with the provisions of the Trademark Law, as amended.

While the Court in the Shangri-la Resolution declared the trademark registration as void based on two grounds, i.e., the presence of bad faith and the fact that the mark was registered contrary to provisions of the law, either one of these grounds may be used as sufficient basis for the courts or the IPO to declare trademark registrations as void.

A perusal of the above cancellation provisions in the IP Code and the Trademark Law, as amended, would reveal that these two grounds differ from the others in the sense that, unlike the other grounds for cancellation, they both exist prior to the registration. That is, one can have a registration in bad faith only if he applied for the registration of the mark despite knowing that someone else has created, used, or registered that mark. In the same vein, an unregistrable mark which was mistakenly allowed to be registered was already inherently unregistrable even prior to its registration.[119] Accordingly, because these marks should not have been registered in the first place, the presence of either of these grounds renders them void. Thus, even if these marks subsequently became registered, the registrations do not confer upon their owners the rights under Section 147.1[120] of the IP Code because the marks were registered contrary to the provisions of the same law.[121]

To emphasize, the presence of bad faith alone renders void the trademark registrations. Accordingly, it follows as a matter of consequence that a mark registered in bad faith shall be cancelled by the IPO or the courts, as the case may be, after the appropriate proceedings.

This concept of bad faith, however, does not only exist in registrations. To the mind of the Court, the definition of bad faith as knowledge of prior creation, use and/or registration by another of an identical or similar trademark is also applicable in the use of trademarks without the benefit of registration.

Accordingly, such bad faith use is also appropriately punished in the IP Code as can be seen in its unfair competition provisions.[122]

It is apparent, therefore, that the law intends to deter registrations and use of trademarks in bad faith.

Concurrent with these aims, the law also protects prior registration and prior use of trademarks in good faith.

Being the first-to-file registrant in good faith allows the registrant to acquire all the rights in a mark. This can be seen in Section 122 vis-a-vis the cancellation provision in Section 155.1 of the IP Code. Reading these two provisions together, it is clear that when there are no grounds for cancellation - especially the registration being obtained in bad faith or contrary to the provisions of the IP Code, which render the registration void - the first-to-file registrant acquires all the rights in a mark, thus:

SECTION 122. How Marks are Acquired. - The rights in a mark shall be acquired through registration made validly in accordance with the provisions of this law. (Sec. 2-A, R.A. No. 166a)

x x x x

SECTION 151. Cancellation. - 151.1. A petition to cancel a registration of a mark under this Act may be filed with the Bureau of Legal Affairs by any person who believes that he is or will be damaged by the registration of a mark under this Act as follows:

(a) Within five (5) years from the date of the registration of the mark under this Act.

(b) At any time, if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of this Act, or if the registered mark is being used by, or with the permission of, the

registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used,(n)

(c) At any time, if the registered owner of the mark without legitimate reason fails to use the mark within the Philippines, or to cause it to be used in the Philippines by virtue of a license during an uninterrupted period of three (3) years or longer. (Emphasis and underscoring supplied)

In the same vein, prior users in good faith are also protected in the sense that they will not be made liable for trademark infringement even if they are using a mark that was subsequently registered by another person. This is expressed in Section 159.1 of the IP Code, which reads:

SECTION 159. Limitations to Actions for Infringement. - Notwithstanding any other provision of this Act, the remedies given to the owner of a right infringed under this Act shall be limited as follows:

159.1. Notwithstanding the provisions of Section 155 hereof, a registered mark shall have no effect against any person who, in good faith, before the filing date or the priority date, was using the mark for the purposes of his business or enterprise: Provided, That his right may only be transferred or assigned together with his enterprise or business or with that part of his enterprise or business in which the mark is used. (Underscoring supplied)

III. The resolution of the controversy

At this point, it is important to highlight that the following facts were no longer questioned by both parties: (a) Natrapharm is the registrant of the "ZYNAPSE" mark which was registered with the IPO on September 24, 2007;^[123] (b) Zuneca has been using the "ZYNAPS" brand as early as 2004;^[124] and (c) "ZYNAPSE" and "ZYNAPS" are confusingly similar^[125] and both are used for medicines.

In light of these settled facts, it is clear that Natrapharm is the first-to-file registrant of "ZYNAPSE". Zuneca, on the other hand, is a prior user in good faith of a confusingly similar mark, "ZYNAPS". What remains contentious is Natrapharm's good or bad faith as Zuneca contends that the mark was registered in bad faith by Natrapharm. Indeed, if Zuneca's contention turns out to be true, Natrapharm would not be the owner of "ZYNAPSE" and it would not have the right under Section 147.1 of the IP Code to prevent other entities, including Zuneca, from using confusingly similar marks for identical or similar goods or services. Further, Natrapharm's infringement case would fail because its "ZYNAPSE" registration would then be voided.

To be sure, the finding of good faith or bad faith is a matter of factual determination. Considering that a petition for review on certiorari under Rule 45 should only raise questions of law, it is improper to put into issue at this juncture the existence of bad faith in Natrapharm's registration.

Further, it is a well-recognized rule that the factual findings of the RTC, its calibration of the testimonies of the witnesses, and its assessment of their probative weight are given high respect, if not conclusive effect, unless cogent facts and circumstances of substance, which if considered, would alter the outcome of the case, were ignored, misconstrued or misinterpreted.^[126]

Assuming, however, that the Court should still review this factual issue, it finds no reason to depart from the findings of facts of the RTC, which findings were affirmed by the CA. In fact, the Court also conducted a review of the testimonies and evidence presented by the parties and finds that the RTC and the CA were correct in their

factual findings.

The RTC ruled that there was no sufficient evidence to convince it that Natrapharm had acquired the registration in bad faith.[127] The RTC ruled as follows:

Apparently claiming an exception to the first-to-register rule, the defendants [Zuneca] insist that the plaintiff [Natrapharm] knew of the existence of ["ZYNAPS"] at the time the plaintiff filed its application for registration. The defendants support this position by presenting a copy of the Philippine Pharmaceutical Directory (PPD) where ["ZYNAPS"] is listed on the same page as the other brand names of the plaintiff.

However, defendant Arain admitted on cross[-]examination that even if ["ZYNAPS"] was listed in the PPD, this does not give her complete knowledge of the brand names of the other pharmaceuticals also listed in the same Directory. [Consistent] with this admission, plaintiff should also be accorded the benefit of the doubt that it could not have complete knowledge of the other brand names listed in the PPD.

Likewise, the defendants claim that in some medical conventions where Patriot, the sister company of the plaintiff, attended, the ["ZYNAPS"] product of the defendants was advertised and displayed.

It was, however, clearly shown that Patriot is not the same company as the plaintiff. It could not be safely concluded that [the plaintiff] knew of ["ZYNAPS"] through Patriot.

In both arguments, this Court finds no sufficient evidence to convince it that there was bad faith in the registration made by the plaintiff[128]

The CA thereafter upheld the finding of the RTC that Natrapharm was not aware of the existence of "ZYNAPS" prior to the registration of "ZYNAPSE".[129] The CA quoted and affirmed the foregoing findings of the RTC.

The CA added that Natrapharm's good faith was established through the testimony of Natrapharm's witness, Ravelo, whose testimony essentially contained the following points: (a) Natrapharm had used the BFAD and IPO databases and the Philippine Pharmaceutical Index (PPI) - a research tool accepted by the Philippine pharmaceutical industry which contains pharmaceutical products marketed in the Philippines in determining whether "ZYNAPSE" was confusingly similar to an existing brand name in the market;[130] (b) only Ravelo, Mr. Gasgonia, Natrapharm's Chief Operations Officer, and Mrs. Agnes Casiding, Natrapharm's Regulatory Manager, knew about the launch of the new product;[131] (c) she had based the name "ZYNAPSE" from an internal newsletter in the Philippine Neurological Association as well as from the neurological term "synapse" - the junction between two nerves where they transmit nerve signals - which relates to the neurological problem of stroke;[132] (d) she had checked the PPI as far back as fourth quarter of 2004 and found that there was no confusingly similar name;[133] and (e) she had then submitted the name to Natrapharm's trademark lawyers who had it registered with the IPO[134] and then with the BFAD.[135]

The CA thus concluded that Zuneca failed to prove that Natrapharm had registered "ZYNAPSE" in bad faith, viz.:

This Court would also like to add that even if both Zuneca and Natrapharm have interacted with each other through a convention, it does not automatically mean that Natrapharm already acted in bad faith in registering "ZYNAPSE". First, just like the PPD, it is highly unlikely that the participants would remember each and every medicine or drug exhibited during said convention. Secondly, the convention happened two (2) years prior to the registration of "ZYNAPSE" and it is not proven that those who attended the convention on the part of Natrapharm were the same people who were responsible for the creation of "ZYNAPSE" or that they were still connected with Natrapharm in 2007. As a rule, good faith is always presumed, and upon him who alleges bad faith on the part of a possessor rests the burden of proof. The appellants, however, miserably failed to carry that burden.[136] (Emphasis supplied)

The Court affirms the factual findings of the lower courts. Since Zuneca is making the allegations of bad faith, it

was incumbent on Zuneca to overcome the evidence that Natrapharm was the owner of the mark "ZYNAPSE" and to show that Natrapharm had registered "ZYNAPSE" in bad faith. However, Zuneca failed to show that the registration was made fraudulently or in bad faith. In contrast, Natrapharm was able to convince the lower courts, as it likewise convinces this Court, that it had acted in good faith when it came up with the name "ZYNAPSE" and that it had no knowledge of Zuneca's use of "ZYNAPS" after it had checked the PPI, BFAD, and IPO databases.

Zuneca's evidence clearly falls short of establishing that Natrapharm had knowledge of the prior creation or use by Zuneca of the "ZYNAPS" mark. Zuneca's evidence only tends to prove that there was a possibility that someone from Natrapharm might have known of Zuneca's use of "ZYNAPS" because Natrapharm and Zuneca attended the same conferences and that Zuneca had listed "ZYNAPS" in the PPD publication.

Such possibility is not, however, sufficient to prove bad faith, especially when weighed against Natrapharm's evidence and explanation on how it coined "ZYNAPSE" and the steps it took to ensure that there were no other marks that were confusingly similar to it. Not only was Natrapharm able to explain the origin of the name, it was also able to show that it had checked the IMS-PPI, IPO, and BFAD databases and found that there was no brand name which was confusingly similar to "ZYNAPSE".

Since Natrapharm was not shown to have been in bad faith, it is thus considered to have acquired all the rights of a trademark owner under the IP Code upon the registration of the "ZYNAPSE" mark.

Consequently, Zuneca's counterclaims against Natrapharm were correctly dismissed by the lower courts. To be sure, Zuneca did not have any right to prevent third parties, including Natrapharm, from using marks confusingly similar to its unregistered "ZYNAPS" mark because it is not an "owner of a registered mark" contemplated in Section 147.1 of the IP Code.

In any event, while Natrapharm is the owner of the "ZYNAPSE" mark, this does not, however, automatically mean that its complaint against Zuneca for injunction, trademark infringement, damages, and destruction with prayer for TRO and/or preliminary injunction should be granted. The application of Section 159.1 of the IP Code in the case at bar results in Zuneca's exemption from liability for trademark infringement.

On the interpretation of Section 159.1 of the IP Code, Natrapharm argues that the limitation to actions for infringement under this section means that only acts prior to the filing and/or claim of priority of the registered mark are exempted. The good faith prior user's use of the mark subsequent to the filing and/or registration date is, however, no longer exempted and makes the prior user liable for infringement.[137] This echoes the CA which held that:

Moreover, the supremacy of the prior registrant over the prior user is further elucidated in Section 159.1 of the same law x x x.

x x x x

Based on [said] provision, it is manifest that the prior-registrant (sic) cannot run after the prior-user (sic) for any usage before the registration, but not after, as indicated by the helping verb "was" in the phrase "was using the mark for the purposes of his business or enterprise".[138] (Emphasis supplied)

The Court believes, and so holds, that the above interpretation is erroneous.

If Section 159.1 of the IP Code is only meant to exempt from an action for infringement the use in good faith prior to the filing or priority date of the subsequently registered mark, then this entire provision would be rendered useless and a mere surplusage. Stated otherwise, there is no point in adding Section 159.1 of the IP Code as an

exception under "Limitations to Actions for Infringement" because it merely repeats the general rule that, after the mark has been registered, the registrant may file an infringement case against third parties using an identical or confusingly similar mark in commerce without its consent, when such use results in a likelihood of confusion.[139] Even without Section 159.1 of the IP Code, a third party's prior use of an unregistered mark, if said mark subsequently becomes registered by another, could not be considered as trademark infringement because there was no trademark registration - a requirement for a trademark infringement action to prosper - when the third party was using its mark.

More importantly, the proviso of Section 159.1 of the IP Code states: "[t]hat [the good faith prior user's] right may only be transferred or assigned together with his enterprise or business or with that part of his enterprise or business in which the mark is used." To adhere to the theories of the CA and Natrapharm that the prior user's use of the identical or confusingly similar mark subsequent to the filing or registration date of the registered mark should be considered as trademark infringement renders this proviso useless and nugatory and logically subjects the possible transferee or assignee to inevitable liability for trademark infringement. The lawmakers could not have intended this absurd outcome.

Read as a whole, Section 159.1 of the IP Code clearly contemplates that a prior user in good faith may continue to use its mark even after the registration of the mark by the first-to-file registrant in good faith, subject to the condition that any transfer or assignment of the mark by the prior user in good faith should be made together with the enterprise or business or with that part of its enterprise or business in which the mark is used. The mark cannot be transferred independently of the enterprise and business using it.

From the provision itself, it can be gleaned that while the law recognizes the right of the prior user in good faith to the continuous use of its mark for its enterprise or business, it also respects the rights of the registered owner of the mark by preventing any future use by the transferee or assignee that is not in conformity with Section 159.1 of the IP Code. Notably, only the manner of use by the prior user in good faith - that is, the use of its mark tied to its current enterprise or business - is categorically mentioned as an exception to an action for infringement by the trademark owner. The proviso in Section 159.1 of the IP Code ensures that, despite the transfer or assignment of its mark, the future use by the assignee or transferee will not go beyond the specific confines of such exception. Without the proviso, the prior user in good faith would have the free hand to transfer or assign the "protected use" of its mark for any purpose to a third person who may subsequently use the same in a manner unduly curtailing the rights of the trademark owner. Indeed, this unilateral expansion of the exception by a third person could not have been intended, and is guarded against, by the legislature through the foregoing proviso.

In any event, the application of Section 159.1 of the IP Code necessarily results in at least two entities - the unregistered prior user in good faith or its assignee or transferee, on one hand; and the first-to-file registrant in good faith on the other - concurrently using identical or confusingly similar marks in the market, even if there is likelihood of confusion. While this situation may not be ideal, as eruditely explained in the Concurring Opinion of Justice Perlas-Bernabe, the Court is constrained to apply Section 159.1 of the IP Code as written.

To recall, the RTC imposed on Zuneca the following penalties in light of its finding that Zuneca had committed trademark infringement, which penalties were later affirmed by the CA:

Defendants, jointly and severally, are hereby directed to pay the plaintiff the following amounts, to wit:

One Million Pesos (P1,000,000.00) as damages;

One Million Pesos (P1,000,000.00) as exemplary damages;

Two Hundred Thousand Pesos (P200,000.00) as attorney's

fees;
and the Costs.

Defendants are further enjoined from henceforth using Zynaps or any other variations thereto which are confusingly similar to the plaintiffs Zynapse.

It is likewise ordered that all infringing goods, labels, signs, prints, packages, wrappers, receptacles, and advertisements in possession of the defendants, bearing the registered mark or any reproduction, counterfeit, copy, or colourable imitation thereof, all plates, molds, matrices and other means of making the same, implements, machines, and other items related to the conduct, and predominantly used, by the defendants in such infringing activities, be disposed of outside the channels of commerce or destroyed, without compensation.

The counterclaim of the defendants is DISMISSED for lack of merit.[140]

Because Zuneca is not liable for trademark infringement under Section 159.1 of the IP Code, the Court finds that there is no basis for the above imposition of penalties.

The penalties ordered by the lower courts - that is, the payment of damages, injunction, and destruction of goods of Zuneca - are based on Sections 156 and 157 of the IP Code, which provide:

SECTION 156. Actions, and Damages and Injunction for Infringement. - 156.1. The owner of a registered mark may recover damages from any person who infringes his rights, and the measure of the damages suffered shall be either the reasonable profit which the complaining party would have made, had the defendant not infringed his rights, or the profit which the defendant actually made out of the infringement, or in the event such measure of damages cannot be readily ascertained with reasonable certainty, then the court may award as damages a reasonable percentage based upon the amount of gross sales of the defendant or the value of the services in connection with which the mark or trade name was used in the infringement of the rights of the complaining party. (Sec. 23, first par., R.A. No. 166a)

156.2. On application of the complainant, the court may impound during the pendency of the action, sales invoices and other documents evidencing sales, (n)

156.3. In cases where actual intent to mislead the public or to defraud the complainant is shown, in the discretion of the court, the damages may be doubled. (Sec. 23, first par., R.A. No. 166)

156.4. The complainant, upon proper showing, may also be granted injunction. (Sec. 23, second par., R.A. No. 166a)

SECTION 157. Power of Court to Order Infringing Material Destroyed. - 157.1 In any action arising under this Act, in which a violation of any right of the owner of the registered mark is established, the court may order that goods found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder, or destroyed; and all labels, signs, prints, packages, wrappers, receptacles and advertisements in the possession of the defendant, bearing the registered mark or trade name or any reproduction, counterfeit, copy or colorable imitation thereof, all plates, molds, matrices and other means of making the same, shall be delivered up and destroyed. (Emphasis supplied)

A plain reading of the above provisions reveals that that these remedies may only be ordered by the court if there was a finding that a party had committed infringement. Here, because of the application of Section 159.1 of the IP Code, Zuneca is not liable for trademark infringement. Consequently, it follows that the award of damages, issuance of an injunction, and the disposition and/or destruction of allegedly infringing goods could not be ordered by the court.

Indeed, directing the foregoing remedies despite a finding of the existence of a prior user in good faith would

render useless Section 159.1 of the IP Code, which allows the continued use and, in certain situations, the transfer or assignment of its mark by the prior user in good faith after the registration by the first-to-file registrant. To reiterate, Section 159.1 of the IP Code contemplates a situation where the prior user in good faith and the first-to-file registrant in good faith concurrently use identical or confusingly similar marks in the market, even if there is likelihood of confusion.

While Section 147.1[141] of the IP Code provides that the owner of a registered mark shall have the exclusive right to prevent third parties' use of identical or similar marks for identical or similar goods where such use would result in a likelihood of confusion, this provision should be interpreted in harmony with Section 159.1 of the IP Code, especially the latter's proviso which allows the transfer or assignment of the mark together with the enterprise or business of the prior user in good faith or with that part of his enterprise or business in which the mark is used. The lawmakers intended for the rights of the owner of the registered mark in Section 147.1 to be subject to the rights of a prior user in good faith contemplated under Section 159.1. Essentially, therefore, Section 159.1 is an exception to the rights of the trademark owner in Section 147.1 of the IP Code.

Bearing in mind the current ownership regime based on registration under the IP Code which likewise protects and respects the rights of prior users in good faith, it is thus reasonable to infer that the new system of acquiring ownership effectively protects potential entrants in the market. Consistent with the expressed State policy[142] under the law, the system under the IP Code encourages potential market entrants who may lack resources to venture into business with the assurance that their intellectual property rights are protected and may be enforced under the law, especially if they register their marks.

By having a uniform, easily-verifiable system of acquiring ownership, potential entrepreneurs have the guarantee that once they avail in good faith of the relatively inexpensive procedure of registration with the IPO, they already have the upper-hand against someone who could make a claim of ownership based on a supposed "prior use" - an issue that may entail expensive and extensive litigation effectively favoring those who have more resources. As explained, due to the change in the language of Section 123.1 of the IP Code, the registered owners in good faith who dutifully maintain their registrations generally do not have to worry that their rights over the registered mark may one day be subject to a cancellation proceeding by someone with claims of prior actual use. This uniform system of ownership also gives a sense of stability to potential foreign entrepreneurs wanting to offer their products and services in the Philippines because, if they register their marks in good faith and diligently maintain said marks, they no longer have to worry about their ownership over the mark being attacked by someone appearing out of the blue claiming to be a local prior user of the mark all along. Such sense of stability given by the current system of acquiring trademark ownership is in consonance with the expressed State policy that describes an effective intellectual and industrial property system as one that "attracts foreign investments." [143]

In the same vein, those who do not have the resources to apply for trademark registrations are protected from infringement cases and may exercise certain rights under the law, albeit their rights under the IP Code are more limited compared to the owners of the mark.

Lastly, as additional rationale for initiating the complaint for trademark infringement against Zuneca and presumably to prevent the coexistence of the subject marks in the market, Natrapharm points out the dire consequence of the possibility of medical switching in the case at bar, especially since "ZYNAPSE" and "ZYNAPS" are admitted to be confusingly similar.[144] Allegedly, if a stroke patient who is supposed to take citicoline ("ZYNAPSE") mistakenly ingests carbamazepine ("ZYNAPS"), said patient will not only be not cured of stroke but also be exposed to the risk of suffering Stevens-Johnson syndrome, a side effect of carbamazepine, which is a serious systemic body-wide allergic reaction with a characteristic rash which attacks and disfigures the skin and mucous membrane.[145]

While there is no issue as to the likelihood of confusion between "ZYNAPSE" and "ZYNAPS", the Court believes that the evil of medical switching will likely not arise, considering that the law requires the generic names of drugs to be written in prescriptions.

R.A.6675[146] (Generics Act of 1988), as amended by R.A. 9502[147] or the Universally Accessible Cheaper and Quality Medicines Act of 2008, reads:

SEC. 6. Who Shall Use Generic Terminology. - (a) All government health agencies and their personnel as well as other government agencies shall use generic terminology or generic names in all transactions related to purchasing, prescribing, dispensing and administering of drugs and medicines.

(b) All medical, dental and veterinary practitioners, including private practitioners, shall write prescriptions using the generic name. The brand name may be included if so desired. (Emphasis supplied)

Pertinently, the said law also provides for the appropriate penalties for failure to comply with these requirements. Section 12 of the Generics Act of 1988, as amended, reads:

SEC. 12. Penalty. - (A) Any person who shall violate Section 6(a) or 6(b) of this Act shall suffer the penalty graduated hereunder, viz.:

(a) for the first conviction, he shall suffer the penalty of reprimand which shall be officially recorded in the appropriate books of the Professional Regulation Commission.

(b) for the second conviction, the penalty of fine in the amount of not less than Ten thousand pesos (Php10,000.00) but not exceeding Twenty- five thousand pesos (Php25,000.00), at the discretion of the court.

(c) for the third conviction, the penalty of fine in the amount of not less than Twenty-five thousand pesos (Php25,000.00) but not exceeding Fifty thousand pesos (Php50,000.00) and suspension of his license to practice his profession for sixty (60) days at the discretion of the court.

(d) for the fourth and subsequent convictions, the penalty of fine of not less than One hundred thousand pesos (Php100,000.00) and suspension of his license to practice his profession for one (1) year or longer at the discretion of the court.

x x x x

(C) The Secretary of Health shall have the authority to impose administrative sanctions such as suspension or cancellation of license to operate or recommend suspension of license to practice profession to the Professional Regulation Commission as the case may be for the violation of this Act.

The administrative sanctions that shall be imposed by the Secretary of the Department of Health shall be in a graduated manner in accordance with Section 12.A.

An administrative case may be instituted independently from the criminal case: Provided, That, the dismissal of the criminal case or the withdrawal of the same shall in no instance be a ground for the dismissal of the administrative case.

Still, even as the Generics Act of 1988, as amended, provides protection to the consumers - and despite the Court's recognition of the respective rights under the IP Code of the first registrant in good faith and the prior user in good faith - the Court is nonetheless mindful of potential switching of medicines. As amply elaborated by Justice Gesmundo in his Concurring Opinion, the issue on likelihood of confusion on medicines may pose a significant threat to public health, hence, there is a need to improve our intellectual property laws and the government's manner of regulation of drug names to prevent the concurrent use in the market of confusingly similar names for medicines.

To further reduce therefore, if not totally eliminate, the likelihood of switching in this case, the Court hereby orders the parties to prominently state on the packaging of their respective products, in plain language understandable by people with no medical background or training, the medical conditions that their respective drugs are supposed to treat or alleviate and a warning indicating what "ZYNAPS" is not supposed to treat and what "ZYNAPSE" is not supposed to treat, given the likelihood of confusion between the two.

As well, by this Decision, the Court furnishes the Food and Drug Administration a copy of this decision, and accordingly directs it to monitor the continuing compliance by the parties of the above directives.

WHEREFORE, premises considered, the petition is PARTLY GRANTED and the Court hereby declares petitioners ZUNECA PHARMACEUTICAL AND/OR AKRAM ARAIN AND/OR VENUS ARAIN, M.D., AND STYLE OF ZUNECA PHARMACEUTICAL as the prior users in good faith of the "ZYNAPS" mark and accordingly protected under Section 159.1 of the Intellectual Property Code of the Philippines.

The assailed Decision and Resolution of the Court of Appeals in CA-G.R. CV No. 99787, which affirmed the Decision of the Regional Trial Court of Quezon City, Branch 93 dated December 2, 2011, are AFFIRMED insofar as they declared respondent NATRAPHARM, INC. as the lawful registrant of the "ZYNAPSE" mark under the Intellectual Property Code of the Philippines, and are SET ASIDE insofar as they hold petitioners liable for trademark infringement and damages, directed the destruction of petitioners' goods, and enjoined petitioners from using "ZYNAPS". Petitioners' application for the issuance of a Temporary Restraining Order and/or Preliminary Injunction is DENIED.

ZUNECA PHARMACEUTICAL AND/OR AKRAM ARAIN AND/OR VENUS ARAIN, M.D., AND STYLE OF ZUNECA PHARMACEUTICAL and NATRAPHARM, INC. are likewise ORDERED to: (1) indicate on their respective packaging, in plain language understandable by people with no medical background or training, the medical conditions that their respective drugs are supposed to treat or alleviate and a warning indicating what "ZYNAPS" is not supposed to treat and what "ZYNAPSE" is not supposed to treat; and (2) submit to the Court a written report showing compliance with this directive within thirty (30) days from receipt of this Decision.

Let a copy of this Decision be furnished the Food and Drug Administration which is, by this Decision, directed to monitor the parties' continuing compliance with the above directives.

Let copies of this Decision likewise be forwarded to the Senate President, the Speaker of the House of Representatives, and the Intellectual Property Office, for their information and guidance.

SO ORDERED.

Peralta, C.J., Perlas-Bernabe, Leonen, Gesmundo, Reyes, Jr., Hernando[*], Carandang, Lazaro-Javier, Inting, Zalameda, Lopez, Delos Santos, Gaerlan and Baltazar-Padilla[**], JJ., concur.

[*]No part.

[**]On leave.

[1]Mirpuri v. Court of Appeals, 376 Phil. 628, 645-646 (1999).

[2]CONSTITUTION, Art. XIV, Sec. 13.

[3]Rollo, Vol. I, pp. 10-85.

[4]Id. at 87-112A. Penned by Associate Justice Marlene Gonzales-Sison, with Associate Justices Hakim S.

Abdulwahid and Edwin D. Sorongon concurring.

[5]Id. at 114-115.

[6]Id. at 146-156. Penned by Acting Presiding Judge Bernelito R. Fernandez.

[7]SECTION 155. Remedies; Infringement. - Any person who shall, without the consent of the owner of the registered mark:

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

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

[8]AN ACT PRESCRIBING THE INTELLECTUAL PROPERTY CODE AND ESTABLISHING THE INTELLECTUAL PROPERTY OFFICE, PROVIDING FOR ITS POWERS AND FUNCTIONS, AND FOR OTHER PURPOSES (1997).

[9]Rollo, Vol. I, p. 89.

[10]Id.

[11]Id.

[12]Id.

[13]Id.

[14]Id.

[15]Id.

[16]Id.

[17]Id. at 746.

[18]Id. at 90.

[19]Id.

[20]Id.

[21]Id.

[22]Id.

[23]Id.

[24]Id. at 90-91.

[25]Id. at 91.

[26]Id.

[27]Id.

[28]Id.

[29]Id.

[30]Id.

[31]Id. at 91-94.

[32]Id. at 146-156.

[33]Id. at 156.

[34]Id. at 153.

[35]Id.

[36]Id. at 154.

[37]Id.

[38]Id.

[39]Id. at 155.

[40]See id.

[41]Id. at 95-96.

[42]Id. at 87-112A.

[43]Id. at 112.

[44]Id. at 97.

[45]Id.

[46]Id. at 98.

[17]Id.

[48]Id. at 99.

[49]Id.

[50]Id. at 103.

[51]Also stated as Ma. Cristina Arevalo in the CA Decision; see id. at 104.

[52]Rollo, Vol. I, p. 112.

[53]Id.

[54]Id.

[55]Id.

[50]Id. at 114-115.

[57]Id. at 359-360.

[58]Id. at 373-426.

[59]Id. at 487-513.

[60]Rollo, Vol. II, pp. 656-657.

[61]Id. at 745-817.

[62]Id. at 669-744.

[63]Id. at 682.

[64]Id. at 670 and 765.

[65]See IP Code, Sec. 147.1.

[66]620 Phil. 539 (2009).

[67]Id. at 549.

[68]647 Phil. 517 (2010). Penned by Associate Justice Antonio Eduardo B. Nachura, with the following Second Division members concurring: Associate Justices Presbitero J. Velasco, Jr. (additional member in lieu of Associate Justice Antonio T. Carpio), Teresita Leonardo-De Castro (additional member in lieu of Associate Justice Roberto A. Abad), Arturo D. Brion (additional member in lieu of Associate Justice Diosdado M. Peralta), and Jose C. Mendoza.

[69]648 Phil. 572 (2010). Penned by Associate Justice Presbitero J. Velasco, Jr., with the following First Division members concurring: Chief Justice Renato C. Corona and Associate Justices Teresita Leonardo-De Castro, Mariano C. Del Castillo, and Jose P. Perez.

[70]Real decreto de 26 de octubre de 188 found in Legislation historica sobre Propiedad Industrial: España (1759-1929), J. Patricio Saiz Gonzalez, p. 130, accessed on July 27, 2019. Available at <<https://books.google.com.ph/books?id=mJy7cGfNrPUC&printsec=frontcover#v=onepage&q&f=false>>.

[71]AN ACT DEFINING PROPERTY IN TRADE-MARKS AND IN TRADE-NAMES AND PROVIDING FOR THE PROTECTION OF THE SAME, DEFINING UNFAIR COMPETITION AND PROVIDING REMEDIES AGAINST THE SAME, PROVIDING REGISTRATION FOR TRADE-MARKS AND TRADE-NAMES, AND DEFINING THE EFFECT TO BE GIVEN TO REGISTRATION UNDER THE SPANISH ROYAL DECREE OF EIGHTEEN HUNDRED AND EIGHTY-EIGHT RELATING TO THE REGISTRATION OF TRADE-MARKS, AND THE EFFECT TO BE GIVEN TO REGISTRATION UNDER THIS ACT (1903).

[72]AN ACT TO PROVIDE FOR THE REGISTRATION AND PROTECTION OF TRADE-MARKS, TRADE-NAMES AND SERVICE MARKS, DEFINING UNFAIR COMPETITION AND FALSE MARKING AND PROVIDING REMEDIES AGAINST THE SAME, AND FOR OTHER PURPOSES (1947).

[73]The Trademark Law, Sec. 20 reads:

SECTION 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. (Emphasis and underscoring supplied)

[74]AN ACT TO AMEND SECTIONS FOUR AND THIRTY-SEVEN OF, AND TO ADD NEW SECTIONS TWO-A, NINE-A, TEN-A, NINETEEN-A, AND TWENTY-ONE-A, AND NEW CHAPTERS II-A-THE PRINCIPAL REGISTER, AND IV-A-THE SUPPLEMENTAL REGISTER TO REPUBLIC ACT NUMBERED ONE HUNDRED AND SIXTY-SIX, ENTITLED "AN ACT TO PROVIDE FOR THE REGISTRATION AND PROTECTION OF TRADE-MARKS, TRADE-NAMES, AND SERVICE-MARKS, DEFINING UNFAIR COMPETITION AND FALSE MARKING, AND PROVIDING REMEDIES AGAINST THE SAME AND FOR OTHER PURPOSES" (1951).

[75]SECTION 147. Rights Conferred. - 147.1. The owner of a registered mark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.

[76]See Sec. 4 of the Trademark Law, as amended.

[77]See Sec. 2-A of the Trademark law, as amended.

[78]SECTION 239. Repeals. -239.1. All Acts and parts of Acts inconsistent herewith, more particularly Republic Act No. 165, as amended; Republic Act No. 166, as amended; and Articles 188 and 189 of the Revised Penal Code; Presidential Decree No. 49, including Presidential Decree No. 285, as amended, are hereby repealed.

[79]See IP Code, Sec. 122.

[80]See IP Code, Sees. 121.2, 123.1(0, 131.3, 137, 138, 147, 148, 151(c), 155, 156, 157, 158, 167.2(b), 167.3.

[81]Trademark Law, as amended. SECTION 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 the 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 four, 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. (Emphasis supplied)

[82]Dissenting Opinion of Associate Justice Marvic M.V.F. Leonen, pp. 10-11; Dissenting Opinion of Associate Justice Amy C. Lazaro-Javier, pp. 3-7.

[83]SECTION 124.2. The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations within three (3) years from the filing date of the application. Otherwise, the application shall be refused or the mark shall be removed from the Register by the

Director.

xxx(Sec. 5, R.A. No. 166a)

[84]SECTION 145. Duration. - A certificate of registration shall remain in force for ten (10) years: Provided, That the registrant shall file a declaration of actual use and evidence to that effect, or shall show valid reasons based on the existence of obstacles to such use, as prescribed by the Regulations, within one (1) year from the fifth anniversary of the date of the registration of the mark. Otherwise, the mark shall be removed from the Register by the Office. (Sec. 12, R.A. No. 166a)

[85]SECTION 138. Certificates of Registration. - A certificate of registration of a mark shall be prima facie evidence of the validity of the registration, the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate. (Sec. 20, R.A. No. 165)

[86]Rule 204 of IPOPHL Memorandum Circular 17-010 (RULES AND REGULATIONS ON TRADEMARKS, Service Marks, Trade Names and Marked or Stamped Containers of 2017), which reads:

RULE 204. Period to File Declaration of Actual Use. - The Office will not require any proof of use in commerce upon filing of an application. All applicants or registrants shall file a Declaration of Actual Use (DAU) of the mark with evidence to that effect and upon payment of the prescribed fee on the following periods:

- (a) Within three (3) years from the filing date of the application;
- (b) Within one (1) year from the fifth anniversary of the registration;
- (c) Within one (1) year from date of renewal;
- (d) Within one (1) year from the fifth anniversary of each renewal;

otherwise, the application shall be refused registration or the registered mark shall be removed from the Register by the Director.

[87]See "How to maintain a registered trademark in the Philippines," (last accessed July 25, 2020).

[88]SECTION 138. Certificates of Registration. - A certificate of registration of a mark shall be prima facie evidence of the validity of the registration, the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate.

[89]See IP Code, Sec. 151.1 (c).

[90]See IP Code, Sec. 151.1(b).

[91]See *Mattel, Inc. v. Francisco*, 582 Phil. 492 (2008) and IP Code, Sees. 124.2 and 145 as well as Rule 204 of IPOPHL Memorandum Circular 17-010, *supra* note 86.

[92]See IP Code, Sec. 151.1(b).

[93]*Id.*

[94]*Id.*

[95]*Id.*

[96]According to the website of the World Trade Organization, the TRIPS Agreement is the most comprehensive multilateral agreement on intellectual property. Available at

<https://www.wto.org/english/tratop_e/trips_e/intel2_e.htm>. One of the minimum standards stated in Article 15(3) of the TRIPS Agreement is that use of a trademark shall not be a condition for filing an application for registration. Said standard was incompatible with the Trademark Law, as amended; World Trade Organization, Trade-Related Aspects of Intellectual Property Rights (unamended version) (1995). Available at .

[97]Record of the Senate, October 8, 1996, Vol. II, No. 29, pp. 131-132; rollo, Vol. I, pp. 436-437.

[98]Dissenting Opinion of Associate Justice Marvic M.V.F. Leonen, pp. 20-21.

[99]Berris Agricultural Co., Inc. v. Abyadang, supra note 68, at 524-526.

[100]N.B. In disposing the ownership issue, the Court stated: "Therefore, Berris, registrant, is the owner of the mark 'D-10 80 WP.'" (Underscoring supplied). Id. at 530.

[101]Footnote number 24 in the case of Berris Agricultural Co., Inc. v. Abyadang, reads: "Agpalo, R.E. The Law on Trademark, Infringement and Unfair Competition, 1st Ed. (2000), pp. 8-11, citing Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft, 27 SCRA 1214 (1969) and Chung Te v. Ng Kian Giab, 18 SCRA 747 (1966). (Emphasis supplied). Id. at 526.

[102]Berris Agricultural Co., Inc. v. Abyadang, id. at 525. Emphasis supplied.

[103]The pertinent provisions of the IP Code are:

SECTION 124.2. The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations within three (3) years from the filing date of the application. Otherwise, the application shall be refused or the mark shall be removed from the Register by the Director.

x x x x

SECTION 145. Duration. - A certificate of registration shall remain in force for ten (10) years: Provided, That the registrant shall file a declaration of actual use and evidence to that effect, or shall show valid reasons based on the existence of obstacles to such use, as prescribed by the Regulations, within one (1) year from the fifth anniversary of the date of the registration of the mark. Otherwise, the mark shall be removed from the Register by the Office.

x x x x

SECTION 151. Cancellation. - 151.1. A petition to cancel a registration of a mark under this Act may be filed with the Bureau of Legal Affairs by any person who believes that he is or will be damaged by the registration of a mark under this Act as follows:

x x x x

(b) At any time, if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned x x x

(c) At any time, if the registered owner of the mark without legitimate reason fails to use the mark within the Philippines, or to cause it to be used in the Philippines by virtue of a license during an uninterrupted period of three (3) years or longer. (Emphasis supplied)

[104]For example, as between a registrant who has not used the mark yet and another person who has actually used an identical or confusingly mark after its registration by the former, the registrant may already exercise its right to prevent the latter's use of the mark.

[105]520 Phil. 935 (2006). Penned by Associate Justice Cancio C. Garcia, with the following Second Division members concurring: Associate Justices Reynato S. Puno, Angelina Sandoval-Gutierrez, Renato C. Corona, and

Adolfo S. Azcuna.

[106]E. Y. Industrial Sales, Inc. et al. v. Shen Dar Electricity and Machinery Co., Ltd., supra note 69, at 592- 594.

[107]Shangri-la International Hotel Management, Ltd. v. Developers Group of Companies, Inc., supra note 105, at 954, 961-962.

[108]See rollo, Vol. II, p. 718.

[109]Appeal No. 14-06-20, August 29, 2007. Available at <<http://121.58.254.45/ipcaselib-arv/ipcasepdf/IPC140620.pdf>>.

[110]Id.

[111]International Corporate Bank v. Sps. Gueco, 404 Phil. 353, 364 (2001).

[112]Shangri-la International Hotel Management, Ltd v. Developers Group of Companies, Inc., supra note 105, at 956-957.

[113]216 Phil. 533(1984).

[114]Id. at 534-535.

[115]721 Phil. 867(2013).

[116]Id. at 882.

[117]541 Phil. 138(2007).

[118]That is, the registrant did not comply with the requisite 2-month use prior to filing the application. Id. at 142.

[119]N.B. One example of an unregistrable mark is a generic mark (ex. "Coffee" for coffee products). Assuming this mark is registered, the reason why the registration is susceptible to being cancelled had already existed prior to its registration. Even before the registration of the mark, it was already generic.

[120]SECTION 147. Rights Conferred. - 147.1. The owner of a registered mark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.

[121]See IP Code, Sec. 122.

[122]SECTION 168. Unfair Competition, Rights, Regulation and Remedies. - 168.1. A person who has identified in the mind of the public the goods he manufactures or deals in, his business or services from those of others, whether or not a registered mark is employed, has a property right in the goodwill of the said goods, business or services so identified, which will be protected in the same manner as other property rights.

168.2. Any person who shall employ deception or any other means contrary to good faith by which he shall pass off the goods manufactured by him 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.

168.3. In particular, and without in any way limiting the scope of protection against unfair competition, the following shall be deemed guilty of unfair competition:

- (a) Any person, who is selling his goods and gives them the general appearance of goods of another manufacturer or dealer, either as to the goods themselves or in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance, which would be likely to influence purchasers to believe that the goods offered are those of a manufacturer or dealer, other than the actual manufacturer or dealer, or who otherwise clothes the goods with such appearance as shall deceive the public and defraud another of his legitimate trade, or any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose;
- (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.

[123]Rollo, Vol. I, p. 89.

[124]Id. at 90.

[125]Rollo, Vol. II, pp. 670 and 765.

[126]Batistis v. People, 623 Phil. 246, 256 (2009).

[127]Rollo, Vol. I, p. 154.

[128]Id.

[129]Id. at 103.

[130]Id. at 104-105.

[131]See id .at 106.

[132]Id. at 107.

[133]Id. at 108-110.

[134]Id. at 110.

[135]Id. at 111.

[136]Id. at 112.

[137]Rollo, Vol. II, p. 765.

[138]Rollo, Vol. I, pp. 98-99.

[139]SECTION 155. Remedies; Infringement. - Any person who shall, without the consent of the owner of the registered mark:

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

[140]Rollo, Vol. I, p. 156.

[141]SECTION 147. Rights Conferred. - 147.1. The owner of a registered mark shall have the exclusive right to

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

[142]IP Code, SECTION 2. Declaration of State Policy. - The State recognizes that an effective intellectual and industrial property system is vital to the development of domestic and creative activity, facilitates transfer of technology, attracts foreign investments, and ensures market access for our products. It shall protect and secure the exclusive rights of scientists, inventors, artists and other gifted citizens to their intellectual property and creations, particularly when beneficial to the people, for such periods as provided in this Act.

The use of intellectual property bears a social function. To this end, the State shall promote the diffusion of knowledge and information for the promotion of national development and progress and the common good.

It is also the policy of the State to streamline administrative procedures of registering patents, trademarks and copyright, to liberalize the registration on the transfer of technology, and to enhance the enforcement of intellectual property rights in the Philippines, (n)

[143]Id.

[144]Rollo, Vol. II, pp. 670 and 765.

[145]Id. at 747 and 761.

[146]AN ACT TO PROMOTE, REQUIRE AND ENSURE THE PRODUCTION OR AN ADEQUATE SUPPLY, DISTRIBUTION, USE AND ACCEPTANCE OF DRUGS AND MEDICINES IDENTIFIED BY THEIR GENERIC NAME (1988).

[147]AN ACT PROVIDING FOR CHEAPER AND QUALITY MEDICINES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8293 OR THE INTELLECTUAL PROPERTY CODE, REPUBLIC ACT NO. 6675 OR THE GENERICS ACT OF 1988, AND REPUBLIC ACT NO. 5921 OR THE PHARMACY LAW, AND FOR OTHER PURPOSES (2008).

September 8, 2020

CONCURRING OPINION

PERLAS-BERNABE, J.:

I concur. Petitioner Zuneca Pharmaceutical, et al. (Zuneca) should be considered as a prior user in good faith of the trademark "ZYNAPS" under the auspices of Section 159.1 (or "prior user in good faith rule") of Republic Act No. (RA) 8293,[1] otherwise known as the "Intellectual Property Code." The provision states:

SECTION 159. Limitations to Actions for Infringement. - Notwithstanding any other provision of this Act, the remedies given to the owner of a right infringed under this Act shall be limited as follows:

159.1. Notwithstanding the provisions of Section 155 hereof, a registered mark shall have no effect against any person who, in good faith, before the filing date or the priority date, was using the mark for the purposes of his business or enterprise: Provided, That his right may only be transferred or assigned together with his enterprise or business or with that part of his enterprise or business in which the mark is used.

x x x x (Emphasis and underscoring supplied)

As aptly discussed in the ponencia, ownership over trademarks under RA 8293 is acquired by registration in good faith and not by use, which, however, is a requirement to maintain ownership.[2] While the general rule is that the registered owner "shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion,"[3] the exception, as per Section 159.1 above, is when the mark has been used in good faith prior to the registration. Thus, Zuneca, being a prior user in good faith, cannot be held liable for trademark infringement nor its use of the said mark be enjoined, notwithstanding the existence of a confusingly similar trademark "ZYNAPSE" which has been duly registered in the name of respondent Natrapharm, Inc. (Natrapharm).

I write, however, to express my sentiments regarding the apparent dissonance between the "prior user in good faith rule" and the current trademark registration regime under the IP Code. To my mind, this rule, while indeed provided for under the IP Code, appears to stray from the overarching impetus of stability and uniformity which had in fact, prompted the shift of our trademark acquisition regime from being based on use to being based on registration.

To recount, under our old "Trademark Law" (RA 166[4]), which was passed on June 20, 1947, and amended by RA 638[5] on June 11, 1951, ownership of trademarks was acquired through actual use:

Sec. 2-A. Ownership of trade-marks, 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 trade-mark, a trade-name, or a service-mark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or services of others. The ownership or possession of a trade-mark, 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 law. (Emphasis supplied)

On August 12, 1965, the Philippines acceded to the Paris Convention for the Protection of Industrial Property (Paris Convention), which entered into force with respect to the Philippines on September 27, 1965.[6] Primarily, the Paris Convention sought to ensure that intellectual works in one's jurisdiction were sufficiently protected in other countries.[7] Further, the Paris Convention highlighted registration as a means of ensuring protection of trademarks across member-states[8] and likewise, mandated the international protection of "well-known marks." [9]

Later, on April 15, 1994, the Philippines adopted the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) in furtherance of the Paris Convention, among other intellectual property treaties.[10] It entered into force with respect to World Trade Organization (WTO) members, including the Philippines, upon the WTO's founding on January 1, 1995. Mainly, the TRIPS Agreement sought "to reduce distortions and impediments to international trade, x x x taking into account the need to promote effective and adequate protection of intellectual property rights x x x,"[11] and recognized the need for new rules and disciplines concerning "adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights." [12] Thus, to this end, the TRIPS Agreement pushed for a shift to a "registration system" as a means of acquiring exclusive rights over trademarks.[13]

As I see it, registration, as compared to use, denotes a standardized procedure to determine, on both domestic and international levels, at what point in time has a person acquired ownership of a trademark to the exclusion of others. Because "registration" is a formal, definite, and concrete act that is processed through official State institutions, whereas "use" is arbitrary individual action that remains subject to evidentiary proof, the protection of

trademark rights is therefore more stable and uniform with the former.

On June 6, 1997, RA 8293 was passed. Among others, it provided for the shift from the old "use-based" system under RA 166, as amended, to a "registration-based" system of acquiring rights over of a trademark. The pertinent provision which reflects this is Section 122 of the IP Code:

Section 122. How Marks are Acquired. - The rights in a mark shall be acquired through registration made validly in accordance with the provisions of this law.

As may be gleaned from the legislative deliberations, the main reason behind abandoning the old rule that use is a pre-requisite for the registration of a trademark was for the Philippines to comply with its international obligations under the foregoing agreements which introduced a system of trademark registration.[14] Likewise, legislators envisioned that the registration system would actually free the Intellectual Property Office (IPO) from having to adjudicate the circumstances surrounding the creation of the trademark in order to determine its true owner.[15] Accordingly, it may therefore be discerned that the shift to a trademark acquisition regime based on registration is premised on practical considerations of stability and uniformity. Indeed, while it may be true that intellectual property is a creation of the mind and hence, conceptually acquired through use, our present laws recognize that, by legal fiction, ownership acquisition must be reckoned from the more definite and concrete act of registration; otherwise, trademark ownership may always be subject to adverse claims of other parties who insist that they were the first ones who have thought of and used a certain intellectual property and hence, entrench uncertainty, if not chaos, to the regulatory and even commercial aspects of trademark protection.

Nonetheless, it must be clarified that the shift from the old "use-based" system under RA 166, as amended, to a "registration-based" system of acquiring rights over trademark under RA 8293 did not entirely take away the importance of use in the realm of trademark ownership. For instance, under Section 124.2[16] of RA 8293, the applicant or registrant of a trademark is required, within three (3) years from the filing date of its application, to file before the IPO a declaration of actual use (DAU) of the mark with evidence to that effect. Similarly, Section 145[17] of the same Code requires the filing of the same declaration within one (1) year from the fifth anniversary of the date of registration of such trademark. Alternatively, the applicant/registrant may file a declaration of non-use (DNU) if there are justifiable circumstances for doing so.[18] Failure to file a DAU/DNU within the prescribed period will result in the automatic refusal of the application or cancellation of registration of the mark, as the applicant/registrant is considered to have abandoned and/or withdrawn any right/s that he/she has over the trademark.[19] In all of these regulatory facets, however, use is relevant to maintain ownership of the trademark, as opposed to its acquisition, which, as mentioned, is reckoned upon good faith registration.

At this juncture, it is important to stress that in order to be considered as a valid mode of ownership acquisition, registration of a trademark under the provisions of RA 8293 must be made in good faith. The good faith of the registrant is a legal pre-requisite and delimitation, without which registration is not considered to have been validly made and consequently, nullifies the registrant's ownership acquisition.

Generally speaking, "[g]ood faith is an intangible and abstract quality with no technical meaning or statutory definition, and it encompasses, among other things, an honest belief, the absence of malice and the absence of design to defraud or to seek an unconscionable advantage. It implies honesty of intention, and freedom from knowledge of circumstances which ought to put the holder upon inquiry. The essence of good faith lies in an honest belief in the validity of one's right, ignorance of a superior claim and absence of intention to overreach another." [20]

As applied to trademark registration, one should be considered a registrant in good faith if there is no showing that he knew of any prior creation, use, or registration of another of an identical or similar mark at the time of

registration. Otherwise, if he had such knowledge, then he is not considered as a registrant in good faith, which thus negates his ownership over the trademark registered in his name. To reiterate, when a registration is not in good faith, it is not considered as a valid registration and hence, no ownership rights are acquired in the first place. In this regard, the registrant in bad faith is divested of ownership not because of the oppositor's prior use of the mark, but rather, because the legal requisite of a registration in good faith was not complied with. Simply put, a registration not in good faith is equivalent to no registration at all and hence, no ownership rights were transmitted.

At the risk of belaboring the point, registration was a move towards a more stable and uniform system of trademark protection based on a standardized procedure that is recognized between and among nationals of the member states privy to the TRIPS and the Paris Convention, among others. The regime of registration is a legal fiction that is based on practical considerations of stability and uniformity. Our policy makers needed to devise a way to address the uncertain scenario where any person can loosely assert ownership of trademarks through intellectual creation and use, and thus, perpetually subject another person's intellectual property to an adverse claim.

However, as I have earlier intimated, the "prior user in good faith rule" under Section 159.1 appears to stray from these practical considerations of stability and uniformity. As it is currently formulated, Section 159.1 states that "[notwithstanding the provisions of Section 155 hereof, a registered mark shall have no effect against any person who, in good faith, before the filing date or the priority date, was using the mark for the purposes of his business or enterprise." To be sure, Section 155 of the IP Code enumerates all the rights of a registered owner of a trademark:

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

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

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

"No effect" means that the prior user in good faith is not only completely insulated from a criminal prosecution for trademark infringement, it also means that he can continue to use the mark simultaneous with the registered owner's own use. The only condition given to a prior user in good faith is that "his right may only be transferred or assigned together with his enterprise or business or with that part of his enterprise or business in which the mark is used." [21] To my mind, the concept of good faith underlying Section 159.1 of the IP Code should only go as far as negating the criminal intent of the prior user in good faith and hence, be considered as a defense in a criminal case for infringement. But because of the sweeping language of the law, i.e., no effect, Section 159.1 appears to create an anomalous situation where a person who never registers his mark is still allowed to propagate, on a commercial level, his rights to the trademark even as against a person who has fully complied

with the legally prescribed process of duly registering his rights pursuant to the IP Code.

Indeed, by having a safe harbor provision that cuts across both criminal and civil aspects of an action for infringement, Section 159.1 therefore, on the one hand, practically incentivizes lackadaisical business owners to simply not register their trademarks by conveniently claiming earlier use. On the other hand, vigilant business owners who have duly complied with the law have to suffer the prejudice of having the goodwill of their registered trademarks diluted because of the existence of other unregistered trademarks regardless of whether they cover goods that compete with their own. Not only that, the public is also faced with the quandary of having two confusingly similar trademarks in the market which, pursuant to Section 159.1, would be legally sanctioned. This danger of public confusion is, in fact, greatly magnified in this case because two (2) medicines, i.e., Zuneca's carbamazepine under the trademark "ZYNAPS" and Natrapharm's citicoline under the trademark "ZYNAPSE," are allowed to be publicly sold under confusingly similar trademarks, notwithstanding the difference in their usage, i.e., epilepsy for ZYNAPS and stroke for ZYNAPSE. Clearly, these precarious situations created by Section 159.1 of the IP Code run anathema to the objectives of stability and uniformity which motivated the Philippines' shift from a regime of use to registration as discussed above.

Notably, the "prior user in good faith rule" was part of both House Bill No. 8098 and Senate Bill No. 1719, which were the precursor bills of the IP Code.[22] However, it is interesting to note that after a careful scrutiny of the deliberations, there exists no explicit discussion or interpellation regarding the intent behind Section 159.1 of the IP Code. As above-mentioned, part of the thrust in the shift from the "use" system to the "registration" system is to comply with our obligations under international agreements,[23] and to align ourselves with the majority of countries who are signatories thereto.[24] The goal of the shift is to achieve "a uniform, universal standard insofar as the trademark, the patents, and the copyright laws are concerned,"[25] and to "reduce distortions and impediments to international trade, and [take] into account the need to promote effective and adequate protection of intellectual property rights x x x." [26] However, the prior user exception under Section 159.1, as it is currently framed, does not appear to further this thrust as its application can actually lead to confusion and the dilution of the rights of the actual registered owner. In contemplation, it would have made sense if Section 159.1 was established as a mere transitory provision to bridge the gap between the former "use-based" system and the new "registration-based" system insofar as protecting vested rights that have already been acquired through use, sans registration, under the old law. However, Section 236 of the IP Code,[27] reflecting Article 16, Section 2, Part II of the TRIPS,[28] is the provision which applies to rights acquired in good faith prior to its effectivity. Besides, Section 159.1 makes no mention of prior vested rights as it in fact, condones the continuing and prospective use of the mark priorly used in good faith with the only limitation as follows:

Section 159. Limitations to Actions for Infringemnet. - x x x.

159.1. Notwithstanding the provisions of Section 155 hereof, a registered mark shall have no effect against any person who, in good faith, before the filing date or the priority date, was using the mark for the purposes of his business or enterprise: Provided, That his right may only be transferred or assigned together with his enterprise or business or with that part of his enterprise or business in which the mark is used.

x x x x (Emphasis and underscoring supplied)

Indeed, it would have been enlightening to uncover the intent behind incorporating Section 159.1 but unfortunately, the deliberations are silent on this score. Nevertheless, it is a given fact that Section 159.1 exists and functions as an express exception to trademark infringement. To disregard the same or to attempt to add a further requirement to the law, without any ample textual support, would be clearly tantamount to judicial legislation. Consequently, the Court is constrained to recognize and apply Section 159.1 in its most ordinary

meaning, as the ponencia has done so. The remedy to the dilemma of having a system of trademark ownership though registration, whilst at the same time, diminishing the stability and uniformity of this same system by recognizing the rights of a prior user in good faith under Section 159.1 of the IP Code, rests with Congress. Until such time that this matter is addressed through amendatory legislation, the Court must perform its constitutional mandate of upholding the law as it is.

(Sgd.) ESTELA M. PERLAS-BERNABE

Senior Associate Justice

[1] Entitled "AN ACT PRESCRIBING THE INTELLECTUAL PROPERTY CODE AND ESTABLISHING THE INTELLECTUAL PROPERTY OFFICE, PROVIDING FOR ITS POWERS AND FUNCTIONS, AND FOR OTHER PURPOSES" (January 1, 1998).

[2] See ponencia, pp. 12-20.

[3] Section 147.1 of the IP Code.

[4] Entitled "AN ACT TO PROVIDE FOR THE REGISTRATION AND PROTECTION OF TRADE-MARKS, TRADE- NAMES AND SERVICE-MARKS, DEFINING UNFAIR COMPETITION AND FALSE MARKING AND PROVIDING REMEDIES AGAINST THE SAME, AND FOR OTHER PURPOSES."

[5] Entitled "AN ACT TO AMEND SECTIONS FOUR AND THIRTY-SEVEN OF, AND TO ADD NEW SECTIONS TWO- A, NLNE-A, TEN-A, NLNETEEN-A, AND TWENTY-ONE-A, AND NEW CHAPTERS II-A-THE PRINCIPAL REGISTER, AND IV-A-THE SUPPLEMENTAL REGISTER TO REPUBLIC ACT NUMBERED ONE HUNDRED AND SIXTY-SIX, ENTITLED 'AN ACT TO PROVIDE FOR THE REGISTRATION AND PROTECTION OF TRADE- MARKS, TRADE-NAMES AND SERVICE-MARKS, DEFINING UNFAIR COMPETITION AND FALSE MARKING AND PROVIDING REMEDIES AGAINST THE SAME, AND FOR OTHER PURPOSES.'"

[6] See .

[7]; See Article 2 of the Paris Convention:

Article 2

National Treatment for Nationals of Countries of the Union

(1) Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

x x x x

[8]Article 6 and 6[quinquies] of the Paris Convention read:

Article 6

Marks: Conditions of Registration; Independence of Protection of Same Mark in

Different Countries

(1) The conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation.

x x x x

(3) A mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin.

x x x x

Article 6[quinquies]

Marks: Protection of Marks Registered in One Country of the Union in the Other Countries of the Union

A.

(1) Every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union, subject to the reservations indicated in this Article. Such countries may, before proceeding to final registration, require the production of a certificate of registration in the country of origin, issued by the competent authority. No authentication shall be required for this certificate.

(2) Shall be considered the country of origin the country of the Union where the applicant has a real and effective industrial or commercial establishment, or, if he has no such establishment within the Union, the country of the Union where he has his domicile, or, if he has no domicile within the Union but is a national of a country of the Union, the country of which he is a national.

x x x x

[9]Article 6[bis] of the Paris Convention reads:

Article 6[bis]

Marks: Well-Known Marks

(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

x x x x

[10]Articles 2 and 5 of the TRIPS Agreement read:

ARTICLE 2

Intellectual Property Conventions

1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).

x x x x

ARTICLE 5

Multilateral Agreements on Acquisition or Maintenance of Protection

The obligations under Articles 3 and 4 do not apply to procedures provided in multilateral agreements concluded under the auspices of WIPO relating to the acquisition or maintenance of intellectual property rights.

[11]See preambular statement of the TRIPS.

[12]Id.

[13]See Articles 15 and 16 (1) of the TRIPS Agreement, which read:

ARTICLE 15

Protectable Subject Matter

1. Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.

2. Paragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967).

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

4. The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.

5. Members shall publish each trademark either before it is registered or promptly after it is registered and shall afford a reasonable opportunity for petitions to cancel the registration. In addition, Members may afford an opportunity for the registration of a trademark to be opposed.

ARTICLE 16

Rights Conferred

1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

x x x x (Emphases and underscoring supplied)

[14]Pertinent portions on the House of Representatives deliberations of House Bill No. 8098, the sponsorship speech of Senator Roco for Senate Bill No. 1719, and the fact sheet attached to the committee report on House

Bill No. 8098 respectively read:

Deliberations on House Bill No. 8098

Mr. Gonzales. I was informed, Madam Speaker, that the information of the honorable Gentleman representing the Peasant Sector is not accurate. The provision of the codified IPR is in compliance with TRIPS Agreement, no more and no less.

Mr. Montemayor. Yes. Well, the reason I am raising that, Madam Speaker, is the 1991 agreement between the Philippines and the US is an executive agreement to my knowledge, and, therefore, the legislature is not duty bound to accept everything or even to accept anything in that agreement. Now, subsequently in 1994 a TRIPS Agreement was concluded, the Philippines acceded to it. I just wanted to find out if the provisions in this bill incorporate only that we are duty bound to incorporate under the 1994 TRIPS Agreement.

Mr. Gonzales. That is correct, Madam Speaker, (emphases supplied)

Sponsorship Speech of Senator Roco for Senate Bill No. 1719

Senator Roco. x x x To comply with TRIPS and other international commitments, this bill no longer requires prior use of the mark as a requirement for filing a trademark application. It also abandons the rule that ownership of a mark is acquired through use by now requiring registration of the mark in the Intellectual Property Office.

Unlike the present law, it establishes one procedure for the registration of marks. This feature will facilitate the registration of marks. (Emphasis supplied)

Fact Sheet attached to Committee Report No. 620 on House Bill No. 8098, submitted by the Committee on Economic Affairs and Committee on Trade and Industry

Part III: The Law on Trademarks, Service Marks and Trade Names. The current law governing trademarks, RA 166, which came into force on June 1947, provides that ownership of trademark is acquired through use. However, by virtue of the Lisbon Act of the Paris Convention for the Protection of Industrial Property, our country was obliged to introduce a system of registration of marks of nationals of member countries of the Paris Convention which is based no longer on use in the Philippines but on foreign registration. This procedure is defective in several aspects: first, it provides to a foreign applicant procedure which is less cumbersome compared to that required of local applicants who need to establish prior use as a condition for filing a trademark application; and second, it is incompatible with the "based on use" principle which is followed in RA 166.

Our adherence to the Paris Convention binds us to protect well-known marks. Unfortunately, the provisions of Art 6bis of the Paris Convention on this matter are couched in broad terms which are not defined in the Convention. This has given rise to litigation between local businessmen using the mark and foreigners who own the well-known marks. The conflicting decisions of our courts on this issue aggravates the situation.

The Bill proposes solutions to these problems by mandating that prior use of the mark is no longer a requirement for filing a trademark application. It also abandons the rule that the ownership of a mark is acquired through use but rather through registration of the mark in the BPTTT. Unlike the current regime, it establishes only one procedure in the registration of marks. The removal of prior use as a condition for Filing the application also facilitates greatly the registration of marks. Likewise, the Bill provides that use or registration in the Philippines is not a requirement for the protection of well-known marks there, and if registered in the Philippines, the registration can prohibit its use by another in connection with goods or services that are identical or similar with those in respect to which the registration is applied for. This resolves many of the questions that have remained unanswered by existing statute and jurisprudence.

[15]See House of Representatives Deliberations, House Bill No. 8098, November 12, 1996, p. 499.

[16]Item 124.2, Section 124 of RA 8293 reads:

Section 124. Requirements of Application. - x x x x

x x x

124.2. The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations within three (3) years from the filing date of the application. Otherwise, the application shall be refused or the mark shall be removed from the Register by the Director.

[17]Section 145 of RA 8293 reads:

SECTION 145. Duration. - A certificate of registration shall remain in force for ten (10) years: Provided, That the registrant shall file a declaration of actual use and evidence to that effect, or shall show valid reasons based on the existence of obstacles to such use, as prescribed by the Regulations, within one (1) year from the fifth anniversary of the date of the registration of the mark. Otherwise, the mark shall be removed from the Register by the Office.

[18]See Dissenting Opinion of Associate Justice Lazaro-Javier, p. 7.

[19]See *Birkenstock Orthopaedic GMBH and Co. KG (formerly Birkenstock Orthopaedie GMBH) v. Philippine Shoe Expo Marketing Corporation*, 721 Phil. 867, 878 (2013). See also *ABS-CBN Publishing, Inc. v. Director of the Bureau of Trademarks*, G.R. No. 217916, June 20, 2018, 867 SCRA 244, 263- 264.

[20]*Ochoa v. Apeta*, 559 Phil. 650, 655-656 (2007).

[21]Section 159.1 of the IP Code.

[22]House Bill No. 8098 and Senate Bill No. 1719 provide:

House Bill No. 8098

Section 139. Limitations to Actions for Infringement. - Notwithstanding any other provision of this Act, the remedies given to the owner of a right infringed under this Act shall be limited as follows:

(a) Notwithstanding the provisions of Section 135 hereof, a registered mark shall have no effect against any person (prior user) who, in good faith, before the filing date or, where the priority is claimed, the priority date of the application on which the mark is registered, was using the mark for the purposes of his business or enterprise: Provided, his right may only be transferred or devolved together with his enterprise or business or with that part of his enterprise or business in which the use of the mark has been made thereof.

x x x x

Senate Bill No. 1719

Section 148. Limitations to Actions for Infringement. - Notwithstanding any other provision of this Act, the remedies given to the owner of a right infringed under this Act shall be limited as follows:

148.1 Notwithstanding the provisions of Section 144 hereof, a registered mark shall have no effect against any person who, in good faith, before the filing date or the priority date, was using the mark for the purposes of his business or enterprise: Provided, That his right may only be transferred or assigned together with his enterprise or business or with that part of his enterprise or business in which the mark is used.

x x x x

[23]See Sponsorship Speech of Senator Roco for Senate Bill No. 1719, Senate Records, October 8, 1996, pp. 131-132.

[24]House of Representatives Deliberations, House Bill No. 8098, January 23, 1997, p. 619.

[25]House of Representatives Deliberations, House Bill No. 8098, March 17, 1997, p. 727.

[26]See preambular statement of the TRIPS.

[27]SECTION 236. Preservation of Existing Rights. - Nothing herein shall adversely affect the rights on the enforcement of rights in patents, utility models, industrial designs, marks and works, acquired in good faith prior to the effective date of this Act.

[28]Article 16, Section 2, Part II of the TRIPS pertinently states:

Article 6

Rights Conferred

1. x x x The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

x x x x

DISSENTING OPINION

LEONEN, J.:

The majority correctly stated the general rule. However, with due respect, given the facts, this case presents the exception. We have the opportunity to clarify and give life to the Constitutional precept that the use of property bears a social function and such use should be for the common good. I see no reason why registration with the Intellectual Property Office essentially trumps the elaborate requirements of the Food and Drug Administration for purposes of ensuring the safety, efficacy, and consistency of a drug. Ownership in any jurisdiction is not merely a private commercial construct. It should be a legal concept that performs a truly holistic public function.

While trademarks identifying basic commodities like clothing and appliances may be acquired by registration in accordance with the Intellectual Property Code, a trademark registration for use on medicines requires a broader reading of applicable laws regulating public health and safety in the sale and distribution of such products. Together with ensuring an effective system for the protection of intellectual property rights, the State has the duty to ensure that those engaged in the sale of medicines have complied with the necessary regulations.

In essence, a manufacturer may potentially be liable for infringement when it seeks to register a similar mark, which will tend to cause confusion with another mark already in circulation after prior approval by the Food and Drug Administration. For the label of a drug to be properly registered in good faith, it is not the subjective knowledge of the registrant or corporation that should be examined, but what they should have known as a market participant. An analysis of the parties' rights confined only to who registers first with the Intellectual Property Office would seem callous and agnostic to existing provisions both in the Constitution and in our statute.

We read our laws as a whole. Commercial and civil laws should be read alongside social legislation. In this particular case, the Intellectual Property Code's provisions on trademark ownership should be read in view of the State's Constitutional mandate to ensure that property is used toward the common good. Concurrently, the statutory regulations securing public health and safety must be read together with commercial and civil laws. The right to engage in the business of selling and distributing pharmaceutical products, given the product's social importance, should be qualified by compliance with the necessary safety regulations.

Besides, respondent Natrapharm, Inc. has been proven to have actually known of the existence of petitioner Zuneca Pharmaceutical's drug.

Petitioners Zuneca Pharmaceutical, Akram Arain, and Venus Arain (Zuneca), seek the reversal of the lower courts' rulings that respondent Natrapharm, Inc. (Natrapharm), acquired ownership and all corresponding rights over its "ZYNAPSE" mark by being the first to register it with the Intellectual Property Office of the Philippines.

Zuneca insists that it has been importing generic drugs from Pakistan and marketing them in the Philippines under different brand names since 1999. Among these drugs was carbamazepine, an anti-convulsant for regulating seizures.[1] In order to sell carbamazepine in the Philippines as "ZYNAPS", Zuneca procured a Certificate of Product Registration from the then Bureau of Food and Drugs (now the Food and Drug Administration) on April 15, 2003. Local sales and marketing for ZYNAPS then began sometime in 2004.[2] However, Zuneca was not able to register their mark with the Intellectual Property Office of the Philippines.[3]

On the other hand, Natrapharm registered the trademark "ZYNAPSE" with the Intellectual Property Office of the Philippines on September 24, 2007, which is covered by Certificate of Trademark Registration No. 4-2007-005596.[4] Natrapharm intended to use "ZYNAPSE" to market its stroke treatment drug, citicoline, and conducted a database search for identical or similar "cerebroprotective products"[5] prior to registration. Natrapharm's search yielded negative results. After registering its trademark with the Intellectual Property Office of the Philippines, Natrapharm procured a "Certificate of Product Listing" from the Bureau of Food and Drugs.[6]

Through the course of the parties' respective business operations, they advertised their various products in the same pharmaceutical publications, such as the Philippine Pharmaceutical Directory, and in the same conventions.[7] However, witness testimonies established that Natrapharm's "ZYNAPSE" product, in particular, "[was] not listed in the [Philippine Pharmaceutical Directory]" together with Zuneca's "ZYNAPS" product.[8]

When the parties became aware of the similarity in their marks, they attempted to negotiate a compromise but failed.[9] Thus, Natrapharm filed a Complaint for trademark infringement against Zuneca.[10] The lower courts recognized Natrapharm's right to prevent Zuneca from using and registering the confusingly similar "ZYNAPS" mark, despite Zuneca offering proof of actual use prior to Natrapharm's registration with the Intellectual Property Office.[11] The trial court found that the "first filer in good faith defeats a first user in good faith who did not file any application for registration." [12]

The Court of Appeals reiterated the trial court's ruling, holding that "registration, not prior use, is the mode of acquiring ownership[.]"[13] Further, both lower courts agreed that the presence of Zuneca's "ZYNAPS" mark in the Philippine Pharmaceutical Directory, and in other marketing materials, did not detract from Natrapharm's registration of its "ZYNAPSE" mark in good faith.[14]

The majority affirms the lower courts' findings that rights over a trademark are conclusively acquired solely by prior registration. It then reasons that legislative developments in our intellectual property laws have shifted the regime for acquiring ownership over trademarks from "first-to-use" to "first-to-file[.]"[15] The majority also refers to a Senate sponsorship speech in determining the legislative intent for this shift.[16]

However, a registration "made validly in accordance with the provisions of [Republic Act No.8293]"[17] connotes registration in good faith. With respect to trademarks used on pharmaceutical goods, such as medicines, registration in good faith should refer not only to the provisions of the Intellectual Property Code, but also to the laws regulating the sale and distribution of pharmaceuticals. Thus, the actual sale and distribution of medicines, and therefore, the right to use the trademark on one's products, should be read as conditioned upon the registrant's compliance with the necessary safety regulations.

I

Article XII, Section 6 of the 1987 Constitution provides for the State's duty to regulate the use of property, in view of its inherent social function and the need for such use to contribute to the common good:

SECTION 6. The use of property bears a social function, and all economic agents shall contribute to the common good. Individuals and private groups, including corporations, cooperatives, and similar collective organizations, shall have the right to own, establish, and operate economic enterprises, subject to the duty of the State to promote distributive justice and to intervene when the common good so demands.

This provision has often been cited as basis for the State's exercise of police power in imposing necessary regulations upon the exercise of private property rights. The same language appears in Republic Act No. 8293, or the Intellectual Property Code, as the reasoning behind regulatory measures imposed by the State on the use of intellectual property:

Section 2. Declaration of State Policy. - The State recognizes that an effective intellectual and industrial property system is vital to the development of domestic and creative activity, facilitates transfer of technology, attracts foreign investments, and ensures market access for our products. It shall protect and secure the exclusive rights of scientists, inventors, artists and other gifted citizens to their intellectual property and creations, particularly when beneficial to the people, for such periods as provided in this Act.

The use of intellectual property bears a social function. To this end, the State shall promote the diffusion of knowledge and information for the promotion of national development and progress and the common good.

It is also the policy of the State to streamline administrative procedures of registering patents, trademarks and copyright, to liberalize the registration on the transfer of technology, and to enhance the enforcement of intellectual property rights in the Philippines. (Emphasis supplied)

In recent Decisions, this Court has also used Article XII, Section 6 to justify the regulation of the pharmaceutical industry.[18] A related opinion also discusses how this same underlying policy informs the regulatory requirements imposed on those engaged in manufacturing, distribution, and sale of pharmaceutical products in our jurisdiction:

The approval of any drug as food product destined for public use is not a matter only between the applicant and the regulator. It affects public health. Ultimately, it is the consumers who are affected. Thus, the process of certification and re-certification is burdened with severe public interest.[19] (Emphasis supplied)

This is consistent with the Food and Drug Administration's duty to "(a) protect and promote the right to health of the Filipino people; and (b) help establish and maintain an effective health products regulatory system and undertake appropriate health manpower development and research, responsive to the country's health needs and problems." [20] Furthermore:

The Food and Drug Administration was created by Republic Act No. 3720 to regulate food, drug, and cosmetic manufacturers and establishments. In 1982, the Food and Drug Administration was abolished and its functions were assumed by the Bureau of Food and Drugs. In 2009, the Bureau of Food and Drugs was renamed the Food and Drug Administration. Republic Act No. 9711 outlined the Food and Drug Administration's regulatory capabilities, including the development and issuance of "standards and appropriate authorizations that would cover establishments, facilities and health products. "

Among the authorizations issued by the Food and Drug Administration is the Certificate of Product Registration of all health products or "food, drugs, cosmetics, devices, biologicals, vaccines, in-vitro diagnostic reagents and household/urban hazardous substances and/or a combination of and/or a derivative thereof," consistent with Us mandate to "insure safe and good quality [supplies] of food, drug[s] and cosmetic[s]." [21] (Citations omitted, emphasis supplied)

Thus, the regulations imposed under the Intellectual Property Code and the Food and Drug Administration Act are underscored by the same Constitutional mandate to ensure that the use of property and the exercise of private rights is done in pursuit of the common good.

There is a need to broaden the scope of the laws being considered in determining the rights presently in dispute, as they involve property bearing an inherent social function, geared as they are in direct service to public health and safety.

In view of the serious public interest that must be secured in the distribution and sale of medicines, the right to engage in such a business is subject not only to the rules apportioning private property rights to their respective owners, but also to the regulations ensuring that the undertaking of such a business would not endanger the consuming public.

II

Discussing the legal regime for determining property rights in trademarks requires considering the fundamental reasons for registering trademarks and seeking protection for the property rights therein.

The definition and concept of "property" has proven to be malleable and subject to change based on technological and social innovations. While "property" used to refer to physical and tangible inputs in the process of production, such as land or raw materials, contemporary formulations of "property" have evolved beyond reference to tangible things.[22] The passage of time has seen the creation and protection of private interests ranging from assets previously deemed "outside the law," such as ancestral lands of indigenous peoples, to things that "owe their very existence entirely to the law[.]" such as shares of corporate entities, financial instruments, and intellectual property.[23]

However, a consistent determinant of what may be recognized as "property" pertains to the bundle of valuable rights that may be accorded protection by law.[24] While the changing times have transformed the kinds of assets entitled to legal protection, the extent of protection available to the newly emerging forms of property have remained consistent in according the following benefits to prospective private owners:

"Priority, which ranks competing claims to the same assets; durability, which extends priority claims in time; universality, which extends them in space; and convertibility, which operates as an insurance device that allows holders to convert their ... claims into state money on demand and thereby protect their nominal value[.]"[25] (Citation omitted, emphasis in the original)

With increasingly globalized markets for goods and services, owners of highly developed intellectual properties sought to do business in markets with the same "upgraded" and uniform protections for intellectual property,"[26] in order to preserve their right of priority in foreign markets, and to ensure the durability and universality of their highly valued interests in such property. These larger corporations, particularly those in the United States, have been observed to urge their government to "use the leverage inherent in access to the United States market as a means of stimulating countries to upgrade their level of protection [for intellectual property]."[27]

The Paris Convention and, subsequently, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) were the relevant attempts at creating these "upgraded" protections in other markets. In fact, our current law on intellectual property was enacted "not only to amend certain provisions of existing [intellectual property laws]. . . but also to honor the country's commitments under the [TRIPS Agreement]."[28]

However, these uniform regulations often fail to account for the need to develop protections for smaller industries in local markets.[29] In fact, the institutionalization of global free trade, through the World Trade Organization was observed to have "created major carve-outs from the free trade regime for monopolies under the label of

intellectual property rights.”[30] Simply put, big businesses often seek more expedient ways of excluding other competitors when entering foreign markets, and a purely registration-based regime of acquiring rights to property is indicative of this trend.[31] This often hampers the creation of a conducive “free trade” environment for the intellectual properties of smaller and often local businesses. These competing objectives are a common pitfall in efforts to create uniform protections for intellectual property,[32] and have been observed as an “inherent limitation” therein.[33]

A perusal of our domestic laws shows there is adequate emphasis on the importance of granting legal protection to actual valuable rights, instead of the value created by prioritized exclusion of prospective competitors.

In our jurisdiction, Republic Act No. 8293 defines a “mark” as “any visible sign capable of distinguishing the goods (trademark) or services (service mark) of an enterprise[.]”[34] This definition was derived from Republic Act No. 166, which previously defined trademarks as follows:

The term “trade-mark” 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.”[35] (Emphasis supplied)

Thus, a mark serves the primary purpose of distinguishing one’s goods and services from another’s. *La Chemise Lacoste, S.A. v. Fernandez* provides further clarity:

The purpose of the law protecting a trademark cannot be overemphasized. They are to point out distinctly the origin or ownership of the article to which it is affixed, to secure to him, who has been instrumental in bringing into market a superior article of merchandise, the fruit of his industry and skill, and to prevent fraud and imposition.

The legislature has enacted laws to regulate the use of trademarks and provide for the protection thereof. Modern trade and commerce demands that depredations on legitimate trade marks [sic] of non-nationals including those who have not shown prior registration thereof should not be countenanced. The law against such depredations is not only for the protection of the owner of the trademark but also, and more importantly, for the protection of purchasers from confusion, mistake, or deception as to the goods they are buying.[36] (Citations omitted, emphasis supplied)

Mirpuri v. Court of Appeals also aptly discussed the history behind the development of trademarks as a specific type of property entitled to protection under the law:

A “trademark” is defined under R.A. 166, the Trademark Law, as including “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.” This definition has been simplified in R.A. No. 8293, the Intellectual Property Code of the Philippines, which defines a “trademark” as “any visible sign capable of distinguishing goods.” In Philippine jurisprudence, the function of a trademark is to point out distinctly the origin or ownership of the goods to which it is affixed; to secure to him, who has been instrumental in bringing into the market a superior article of merchandise, the fruit of his industry and skill; to assure the public that they are procuring the genuine article; to prevent fraud and imposition; and to protect the manufacturer against substitution and sale of an inferior and different article as his product.

Modern authorities on trademark law view trademarks as performing three distinct functions: (1) they indicate origin or ownership of the articles to which they are attached; (2) they guarantee that those articles come up to a certain standard of quality, and (3) they advertise the articles they symbolize.

Symbols have been used to identify the ownership or origin of articles for several centuries. As early as 5,000 B.C., markings on pottery have been found by archaeologists. Cave drawings in southwestern Europe show bison with symbols on their flanks. Archaeological discoveries of ancient Greek and Roman inscriptions on

sculptural works, paintings, vases, precious stones, glassworks, bricks, etc. reveal some features which are thought to be marks or symbols. These marks were affixed by the creator or maker of the article, or by public authorities as indicators for the payment of tax, for disclosing state monopoly, or devices for the settlement of accounts between an entrepreneur and his workmen.

In the Middle Ages, the use of many kinds of marks on a variety of goods was commonplace. Fifteenth century England saw the compulsory use of identifying marks in certain trades. There were the baker's mark on bread, bottlemaker's marks, smith's marks, tanner's marks, watermarks on paper, etc. Every guild had its own mark and every master belonging to it had a special mark of his own. The marks were not trademarks but police marks compulsorily imposed by the sovereign to let the public know that the goods were not "foreign" goods smuggled into an area where the guild had a monopoly, as well as to aid in tracing defective work or poor craftsmanship to the artisan. For a similar reason, merchants also used merchants' marks. Merchants dealt in goods acquired from many sources and the marks enabled them to identify and reclaim their goods upon recovery after shipwreck or piracy.

With constant use, the mark acquired popularity and became voluntarily adopted. It was not intended to create or continue monopoly but to give the customer an index or guarantee of quality. It was in the late 18th century when the industrial revolution gave rise to mass production and distribution of consumer goods that the mark became an important instrumentality of trade and commerce. By this time, trademarks did not merely identify the goods; they also indicated the goods to be of satisfactory quality, and thereby stimulated further purchases by the consuming public. Eventually, they came to symbolize the goodwill and business reputation of the owner of the product and became a property right protected by law. The common law developed the doctrine of trademarks and tradenames "to prevent a person from palming off his goods as another's, from getting another's business or injuring his reputation by unfair means, and, from defrauding the public." Subsequently, England and the United States enacted national legislation on trademarks as part of the law regulating unfair trade. It became the right of the trademark owner to exclude others from the use of his mark, or of a confusingly similar mark where confusion resulted in diversion of trade or financial injury. At the same time, the trademark served as a warning against the imitation or faking of products to prevent the imposition of fraud upon the public.

Today, the trademark is not merely a symbol of origin and goodwill; it is often the most effective agent for the actual creation and protection of goodwill. It imprints upon the public mind an anonymous and impersonal guaranty of satisfaction, creating a desire for further satisfaction. In other words, the mark actually sells the goods. The mark has become the "silent salesman," the conduit through which direct contact between the trademark owner and the consumer is assured. It has invaded popular culture in ways never anticipated that it has become a more convincing selling point than even the quality of the article to which it refers. In the last half century, the unparalleled growth of industry and the rapid development of communications technology have enabled trademarks, tradenames and other distinctive signs of a product to penetrate regions where the owner does not actually manufacture or sell the product itself. Goodwill is no longer confined to the territory of actual market penetration; it extends to zones where the marked article has been fixed in the public mind through advertising. Whether in the print, broadcast or electronic communications medium, particularly on the Internet, advertising has paved the way for growth and expansion of the product by creating and earning a reputation that crosses over borders, virtually turning the whole world into one vast marketplace.[37] (Citations omitted, emphasis supplied)

From the above, it is clear that the law protects the owner's right to the mark's value, which is generated by its actual use in commerce. Verily, *W Land Holding, Inc. v. Starwood Hotels and Resorts Worldwide, Inc.* recognized that "[t]he actual use of the mark representing the goods or services introduced and transacted in commerce over a period of time creates that goodwill which the law seeks to protect." [38] This is consistent with the essence of marks as intellectual property, being "creations of the human mind" [39] that "identify the origin of a product." [40]

In view thereof, actual use in commerce remains crucial in actualizing the registrant's rights over a mark. Particularly, Section 138 of the Intellectual Property Code provides that the certificate of registration is only prima facie evidence of the registrant's ownership. The prima facie nature of registration is clarified by Sections 124.2 and 145, which provide specific limitations on the rights accorded by registration:

124.2. The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations within three (3) years from the filing date of the application. Otherwise, the application shall be refused or the mark shall be removed from the Register by the Director.

....

Section 145. Duration. - A certificate of registration shall remain in force for ten (10) years: Provided, That the registrant shall file a declaration of actual use and evidence to that effect, or shall show valid reasons based on the existence of obstacles to such use, as prescribed by the Regulations, within one (1) year from the fifth anniversary of the date of the registration of the mark. Otherwise, the mark shall be removed from the Register by the Office. (Sec. 12, R.A. No. 166a) (Emphasis supplied)

Requiring the registrant to prove actual use indicates its continued importance, if not in acquiring, then in maintaining rights over trademarks. Moreover, in the context of pharmaceuticals, the intent to actually use a trademark remains a catalyst for creating the valuable interests sought to be protected under law. This interplay between registration and actual use also reflects our domestic laws' inclination toward protecting the developing local market for intellectual property, while at the same time laying the groundwork for the freer movement of goods and services brought about by globalization.

At the very least, prior use should remain a factor in determining who has a better right to the trademark in question for this particular case. As discussed, actual use creates the valuable interest sought to be protected by trademark laws. An unused trademark generates no value for its holder despite its registration with the Intellectual Property Office. Thus, it fails to produce the valuable interest in the property that ought to be protected. Trademarks become valuable through actual use in commerce when they become identifiers of a product's quality and, thus, create market traction for the advertised product. While registration does not create value in a trademark, it operationalizes the acquisition of rights by providing a formal process for proving actual use, and thus, one's acquisition of the full set of rights over the registered mark. It is the actual use of a mark that makes it valuable, and the law should secure such value to the person or entity who created it, and thus, has the right to it.

Having clarified the valuable interest which ought to be protected by trademark laws, it is worth noting that those engaged in the sale and distribution of medicines must comply with specific public health and safety regulations before they may enter the market. Consequently, sellers and distributors of medicines may be deemed to have acquired the right to market their products only upon adequate regulatory compliance. Without such compliance, trademarks on medicines cannot be used and thus cannot generate the value sought to be protected by our trademark laws. It is therefore important to also consider the relevant regulations imposed on those engaged in the sale and distribution of medicines and pharmaceutical products.

The competing "ZYNAPS" and "ZYNAPSE" marks are used to market pharmaceutical products, which are regulated by the Food and Drug Administration pursuant to State's policy on the protection of public health.^[41] The Food and Drug Authority was created under Republic Act No. 3720, and subsequently amended by Republic Act No. 9711, which provides:

SECTION 3. It is hereby declared a policy of the State to adopt, support, establish, institutionalize, improve and maintain structures, processes, mechanisms and initiatives that are aimed, directed and designed to: (a) protect and promote the right to health of the Filipino people; and (b) help establish and maintain an effective

health products regulatory system and undertake appropriate health manpower development and research, responsive to the country's health needs and problems. Pursuant to this policy, the State must enhance its regulatory capacity and strengthen its capability with regard to the inspection, licensing and monitoring of establishments, and the registration and monitoring of health products.[42]

While the regulator's guidelines on product registration specify that they were issued independently from the rules on ownership of trademarks,[43] the particular circumstances of this dispute require a harmonious reading of all relevant laws. Pharmaceutical drugs serve a purpose imbued with public interest, which cannot be separated from its commercial importance as a marketable product in the parties' respective businesses. Consequently, a prospective entrant into the pharmaceuticals market will not be allowed to engage in business without first complying with the regulator's requirements. Thus, entities seeking to profit from the sale of pharmaceutical products, and from the growth of the intellectual property attached to their business, are required to follow public safety regulations.

The implementing rules of Republic Act No. 9711 prohibit the "manufacture, importation, exportation, sale, offering for sale, distribution, transfer, non-consumer use, promotion, advertising, or sponsorship of any health product" without certification from the Food and Drug Authority. "Health products" include, but are not limited to the following:

- a. Under the [Center for Cosmetics Research and Regulation], all cosmetic products, household/urban hazardous substances (HUHS), including household/urban pesticides, and toys and childcare articles;
- b. Under the [Center for Drug Regulation and Research], all drugs, including vaccines, biologics, veterinary medicines and animal health products, medical gases, traditional medicine, and herbal medicines;
- c. Under the CDRRHR, all medical devices, radiation-emitting devices, in-vitro diagnostic device and reagents; refurbished medical devices; equipment or devices used for treating sharps, pathological and infectious waste, water treatment devices/systems; and other health-related devices as determined by the FDA; and
- d. Under the CFRR, all processed food products, food supplements, raw materials, ingredients and additives for food.

Further inclusion of health products in the list shall be guided by RA 9711 on the definition of health products.[44] (Emphasis supplied)

As such, all entities engaged in the health products business are required to procure a License to Operate from the Food and Drug Administration, together with the applicable product market authorizations, such as the Certificate of Product Registration and the Certificate of Product Notification.[45]

The issuance of a License to Operate requires the submission of the following requirements:

1. The requirements for applying for [License to Operate] shall be as follows:

A. Initial LTO

- 1) Accomplished e-Application Form with Declaration of Undertaking;
- 2) Proof of Business Name Registration;
- 3) Proof of Income (Latest Audited Financial Statement with Balance Sheet); and
- 4) Payment of Fees.

B. Renewal of LTO

- 1) Accomplished e-Application Form with Declaration of Undertaking; and

2) Payment of Fees.

C. Variation

- 1) Accomplished e-Application Form with Declaration of Undertaking;
- 2) Documentary requirements depending on the variation or circumstances of the establishment or the product as shown in Annex C of this Order; and
- 3) Payment of Fees.

D. For manufacturers and for establishments applying for LTO or for major variations, as applicable, the following documents shall be presented to the FDA inspector for examination or review, when required:

- 1) Risk Management Plan (RMP), which shall be required for medium and large food manufacturers, and all drug, cosmetics, HUFIS, including household/urban pesticides (FIUP) and toys and childcare articles (TCCA), medical device manufacturers, traders, and distributors (importer, exporter and/or wholesaler), among others.
2. Site Master File (SMF), which shall be required for applicants applying for LTO as manufacturers of drugs (CDRR), cosmetic, household/urban hazardous substances, including household/urban pesticides and toys and childcare articles, (CCRR), medical device manufacturers (CDRRFIR), and large and medium food manufacturers (CFRR), among others.[46]

The rules then provide that applications for licenses will be evaluated by the Food and Drug Administration to determine the applicant's technical capacity to undertake the business applied for. Only those entities with a valid License to Operate may apply for a Certificate of Product Registration, which is "the certificate issued to a licensed manufacturer/trader/ importer/distributor for the purpose of marketing or free distribution of a product after evaluation for safety, efficacy and quality." [47] A separate opinion discussed the technical procedure for the issuance of a Certificate of Product Registration for the sale and distribution of medicines:

Considering the highly technical nature of the registration and certification process, the Food and Drug Administration is further subdivided into four (4) research centers: first, the Center for Drug Regulation and Research; second, the Center for Food Regulation and Research; third, the Center for Cosmetic Regulation and Research; and fourth, the Center for Device Regulation, Radiation Health and Research.

Prior to the issuance of a Certificate of Product Registration of an established drug, the Center for Drug Regulation and Research must first review the technical specifications of the drug, in particular:

1. Application Letter
2. Valid License to Operate of manufacturer/trader/ distributor/importer/exporter/wholesaler
3. Certificate of Brand Name Clearance
4. Agreement between Manufacturer and Trader or Distributor-Importer/Exporter
5. General Information - product's proprietary or brand name, official chemical name(s) and generic name(s) of active ingredient(s), molecular or chemical formula and structure, amount of active ingredient per unit dose, pharmaceutical form of the drug, indication, recommended dosage, frequency of administration, route and mode of administration, contraindication, warnings and precautions
6. Unit dose and batch formulation

Must be in full compliance with the latest official monograph (United States Pharmacopeia, British Pharmacopeia, Japanese Pharmacopeia, European Pharmacopeia, International Pharmacopeia); name and edition of the reference may be cited in lieu of submitting a detailed list of limits and tests; when an alternative procedure or limit is used, it shall be equal to or more stringent than the official requirement

For non-official or unofficial substances, separate list of technical specifications of each ingredient must include the ff:

- o Name of substance
- o detailed information on physical and chemical properties

- o ID tests
- o Purity tests
- o Assay

7. Technical/Quality Specifications of all Raw Materials including Packaging Materials

8. Certificate of Analysis of Active Ingredient(s)

9. Technical Specifications of the Finished Product

- a) The appearance of the product (colour, shape dimensions, odour, distinguishing features, etc.)
- b) Identification of the active ingredient(s) (must include the specific identity test for the active moiety)
- c) Quantitative determination of active ingredient(s) (i.e., Assay)
- d) Test of impurities
- e) The appropriate tests concerning the pharmaceutical properties of the dosage form (e.g., pH, content uniformity, dissolution rate, disintegration, etc.)
- f) Tests for safety, sterility, pyrogens, histamine, abnormal toxicity, etc. where applicable
- g) Technical properties of containers
- h) For drug preparations which are subject of an official monograph, the technical/quality specifications of the finished product as stated in the monograph shall be complied with

10. Certificate of Analysis of the Finished Product

11. Pull description of the methods used, the facilities and controls in the manufacture, processing and packaging of the finished product

12. Details of the assay and other test procedures of finished product including data analysis

13. Detailed report of stability studies to justify claimed shelf-life

14. Labeling materials

15. Representative sample

16. For imported products: Duly authenticated Certificate of Free Sale from the country of origin, and Duly authenticated government certificate attesting to the registration status of the manufacturer.

New drugs, on the other hand, require a longer review process before the issuance of a Certificate of Product Registration. The Center for Drug Regulation and Research must first review the following requirements and conduct a series of scientific tests before the issuance of a certification:

1. All requirements for Established Drugs as stated above
2. Certificate of the Medical Director
3. Reference Standard and its corresponding Certificate of Analysis
4. Pre-clinical Data

Before initial human studies are permitted, the full spectrum of pharmacologic properties of the new drug must be extensively investigated in animals. Animal researches are done to provide evidence that the drug has sufficient efficacy and safety to warrant testing in man.

a) Pharmacodynamics

- to identify the primary action of the drug as distinguished from the description of its resultant effects.
- to delineate the details of the chemical interaction between drug and cell or specific receptor site(s), and
- to characterize the full sequence of drug action and effects.

i. Pharmacologic effects - properties relevant to the proposed indication and other effects. Pharmacodynamic data shall demonstrate the primary pharmacologic effect of the drug leading to its development for the intended use(s) or indication(s). It shall also show the particular tissue (s)/organ(s) affected by the drug and any other effect it produces on the various systems of the body.

ii. Mechanism of action including structure-activity relationship (SAR)

b) Pharmacokinetics

Pharmacokinetic data form the basis for prediction of therapeutic doses and suitable dosage regimen.

These data shall demonstrate the following:

- i. the rate and extent of absorption of the drug using the intended route of administration;
- ii. the distribution pattern including a determination of the tissues or organs where the drug and its metabolites are concentrated immediately after administration and the time course of their loss from this [sic] sites;
- iii. the metabolic pathway of the drug or its biotransformation and the biological metabolites;
- iv. the route of excretion of the drug and its principal metabolites and the amount of unchanged substance and metabolites for each route of excretion;
- v. the drug's half-life or the rate that it is eliminated from the blood, plasma or serum.

c) Toxicity data

i. Acute Toxicity

Acute toxicity data shall show the median lethal dose of a drug.

Ideally, the study shall be carried out in at least two (2) species of animals, one (1) rodent and the other non-rodent, using 5 dose levels with the appropriate number of test animals.

ii. Subchronic Toxicity

Subchronic toxicity studies are carried out using repeated daily exposure to the drug over a period of 21-90 days with the purpose of studying the toxic effects on target organs, the reversibility of the effects and the relationship of blood and tissue levels on the test animals.

iii. Chronic Toxicity

Chronic toxicity studies constitute important steps in the analysis of a chemical. The entire lifetime exposure of an individual or animal to the environment or chemical is an on-going process which neither acute nor subchronic toxicity study can provide. The effect on animals when small doses of the drug are given over a long period of time may not be the same as when large doses are given over a short period.

iv. Special Toxicity Studies

v. [sic]

a. Reproduction Tests

1. Multigeneration reproduction study provides information on the fertility and pregnancy in parent animals and subsequent generations. The effects of a potentially toxic substance could be determined by the reproductive performance through successive generations such as adverse effects on the formation of gametes and on fertilization and to detect gross genetic mutations which may lead to fetal death, fetal abnormalities or inadequate development or abnormal reproductive capacity in the F1 generation. This study can also reveal adverse drug effects that occur during pregnancy or during lactation.
2. Teratologic study determines the effect of a chemical on the embryonic and fetal viability and development when administered to the pregnant female rodent (rat) or nonrodent (beagle dog or monkey) during the period of organogenesis.
3. Peri-natal and post-natal study determines the effects of drugs or chemical given to the pregnant animal in

the final one-third of gestation and continued throughout lactation to weaning of pups.

b. Carcinogenicity

Carcinogenicity tests in animals are required when the drug is likely to be given to humans continuously or in frequent short course periods to determine whether chronic administration can cause tumors in animals. Mice and rats are the rodents of choice while dogs or monkeys are preferred non-rodents. These tests may be designed to be incorporated in the protocol for chronic toxicity studies wherein the animals are exposed to the drug after weaning and continued for a minimum of two years. At least 3 dose levels are used with the highest dose approximating the maximal tolerated dose and the route should be similar to that anticipated in man. Repeated expert observation, palpation and thorough examinations of animals for any lumps or masses are essential. All animals must be thoroughly autopsied and histological examination of all organs should be carried out.

c. Mutagenicity

Mutagenicity tests have the primary objective of determining whether a chemical has the potential to cause genetic damage in humans. Animal model systems, both mammalian and non-mammalian together with microbial systems which may approximate human susceptibility, are used in these tests.

5. Clinical Data

a) Certification of an independent institution review board of approval of clinical protocol and monitoring of clinical trial

b) Clinical Investigation Data

i. Phase I Clinical Drug Trial

Phase I Clinical Drug Trial consists of initial testing of the study drug in humans, usually in normal volunteers but occasionally in actual patients. The number of subjects is small (N=15 to [30]). Safety evaluations are the primary objectives and attempt is made to establish the approximate levels of patient tolerance for acute and multiple dosing. Basic data on rates of absorption, degree of toxicity to organs (heart, kidney, liver, hematopoietic, muscular, nervous, vascular) and other tissue, metabolism data, drug concentrations in serum or blood and excretion patterns are also obtained. Subjects shall be carefully screened. Careful monitoring for adverse or untoward effects and intensive clinical laboratory tests are required. This study shall be conducted by an approved or accredited Clinical Pharmacologist. A written informed consent of subject is necessary.

ii. Phase II Clinical Drug Trial

Phase I Clinical Drug Trials are initial studies designed to evaluate efficacy of the study drug in a small number of selected populations or patient for whom the drug is intended which may be open label or single or double blind. Blood levels at various intervals, adverse experiences, and additional Phase I data may be obtained. Small doses are gradually increased until the minimal effective dose is found. All reactions of the subjects are carefully recorded. Preliminary estimates of the dosage, efficacy and safety in man are made. The second part of Phase II consists of pivotal well controlled studied that usually represent the most rigorous demonstrations of a drug efficacy. Relative safety information is also determined in Phase II studies. A larger number of patients are enrolled into the second part (N=60 to 200 subjects). Phase II studies are conducted by accredited Clinical Pharmacologists. Phase II second part studies may be conducted by well qualified practitioners or clinicians who are familiar with the conditions to be treated, the drug used in these conditions to be treated, the drug used in these conditions and the methods of their evaluation. A written informed consent of patients-participants is needed.

iii. Phase III Clinical Drug Trial

Phase III clinical drug trials are studies conducted in patient populations for which the drug is eventually

intended. These studies generate data on both safety and efficacy in relatively large numbers of patients under normal use conditions in both controlled and uncontrolled studies. The number of patients required vary [sic] (1,000 to 10,000). These studies provide much of the information that is needed for the package insert and labelling of the drug.

This phase may be conducted as a multicentric trial among accredited clinicians. The informed consent of participating subject is preferably in written form.

iv. Bioavailability

Bioavailability studies are conducted to determine the rate and extent to which the active substance or therapeutic moiety is absorbed from a pharmaceutical form and becomes available at the site of action.

c) Name of investigator(s) and curriculum vitae

d) Name(s) of center/institution wherein the clinical investigation was undertaken

e) Protocol for local clinical trial⁴⁸ (Emphasis in the original)

The foregoing illustrates the necessary care involved in determining a prospective market entrant's ability to supply safe medicines to the public. In view of the importance of actual use in creating the valuable interest sought to be protected by trademark laws, compliance with the Food and Drug Administration's regulatory requirements is a necessary prerequisite to avail of such legal protections. Thus, adequate regulatory compliance with the Food and Drug Administration's requirements should be read as part of the "good faith" required of those seeking to register their pharmaceutical trademarks with the Intellectual Property Office.

III

From a commercial perspective, the TRIPS Agreement states that a mark's registration may be made dependent on use, but the absence of prior use shall not prevent registration.^[49] Republic Act No. 8293, Section 122 reiterates this principle, as follows:

SECTION 122. How Marks are Acquired. - The rights in a mark shall be acquired through registration made validly in accordance with the provisions of this law. (Emphasis supplied)

Thus, local rules provide that rights in a mark may be acquired by registration, but such registration must conform to the law's relevant provisions on trademark ownership. When read in the context of trademarks used on medicines, prior-registration accords certain rights to the prior registrant, but should not be understood to conclusively grant ownership over the registered mark. Relevant regulatory considerations, together with the nature of the intellectual property sought to be legally protected, should also be taken into account when determining the property rights thereto.

While the majority comprehensively discusses the omissions made in transitioning from the old Trademark Law to the Intellectual Property Code, there is no explicit language granting conclusive ownership to the prior registrant of a trademark. Conversely, such language exists in previous versions of the law, which, barring an express repeal or irreconcilable inconsistency, should be read in consonance with the law's current provisions. If the legislative intent were to conclusively grant ownership to the prior registrant, the text of the law would have reflected it in unequivocal terms.

Proceeding from the discussion above, the majority's interpretation of Republic Act No. 8293's provisions should be reassessed. Particularly, the inherent limitations of deriving legislative intent from the deliberations of the framers^[50] has been aptly discussed by this Court in *Civil Liberties Union v. Executive Secretary*:

While it is permissible in this jurisdiction to consult the debates and proceedings of the constitutional

convention in order to arrive at the reason and purpose of the resulting Constitution, resort thereto may be had only when other guides fail as said proceedings are powerless to vary the terms of the Constitution when the meaning is clear. Debates in the constitutional convention "are of value as showing the views of the individual members, and as indicating the reasons for their votes, but they give us no light as to the views of the large majority who did not talk, much less of the mass of our fellow citizens whose votes at the polls gave that instrument the force of fundamental law. We think it safer to construe the constitution from what appears upon its face" The proper interpretation therefore depends more on how it was understood by the people adopting it than in the framer's understanding thereof.[51] (Citations omitted, emphasis supplied)

The records of legislative deliberations are inherently limited to the opinions of those present, and neither consider the opinions of those who did not or were not able to speak, nor account for changing circumstances. The risk of adopting a very limited interpretation of the law is even greater when relying on the privilege speech of a single senator. However, a contemporaneous approach to doubts in interpretation of a law's text allows for more objectivity, as discussed in a prior opinion:

Discerning constitutional meaning is an exercise in discovering the sovereign's purpose so as to judge the more viable among competing interpretations of the same legal text. The words as they reside in the whole document should primarily provide the clues. Secondarily, contemporaneous construction may aid in illumination if verba legis fails. Contemporaneous construction may also validate the clear textual or contextual meaning of the Constitution.

Contemporaneous construction is justified by the idea that the Constitution is not exclusively read by this court. The theory of a constitutional order founded on democracy is that all organs of government and its People can read the fundamental law. Only differences in reasonable interpretation of the meaning of its relevant text, occasioned by an actual controversy, will be mediated by courts of law to determine which interpretation applies and would be final. The democratic character of reading the Constitution provides the framework for the policy of deference and constitutional avoidance in the exercise of judicial review. Likewise, this is implied in the canonical doctrine that this court cannot render advisory opinions. Refining it further, this court decides only constitutional issues that are as narrowly framed, sufficient to decide an actual case.

Contemporaneous construction engages jurisprudence and relevant statutes in determining the purpose behind the relevant text.

In the hierarchy of constitutional interpretation, discerning purpose through inference of the original intent of those that participated in crafting the draft Constitution for the People's ratification, or discerning the original understanding of the past society that actually ratified the basic document, is the weakest approach.

Not only do these interpretative methodologies allow the greatest subjectivity for this court, it may also be subject to the greatest errors. For instance, those that were silent during constitutional conventions may have voted for a proposition due to their own reasons different from those who took the floor to express their views. It is even possible that the beliefs that inspired the framers were based on erroneous facts.[52] (Citations omitted, emphasis supplied)

Thus, recourse to the text of all relevant provisions, and to cases where such provisions were interpreted, should be sufficient to find consistency between the prior-registration and prior-use regimes. While Republic Act No. 8293 may have superseded certain portions of the old Trademark Law, there was no express repeal of the latter's provisions regarding the acquisition of rights over trademarks. *Samson v. Daway* discussed the nature of Republic Act No. 8293's repealing clause, as follows:

Notably, the aforequoted clause did not expressly repeal R.A. No. 166 in its entirety, otherwise, it would not have used the phrases "parts of Acts" and "inconsistent herewith;" and it would have simply stated "Republic Act No.

165, as amended; Republic Act No. 166, as amended; and Articles 188 and 189 of the Revised Penal Code; Presidential Decree No. 49, including Presidential Decree No. 285, as amended are hereby repealed." It would have removed all doubts that said specific laws had been rendered without force and effect. The use of the phrases "parts of Acts" and "inconsistent herewith" only means that the repeal pertains only to provisions which are repugnant or not susceptible of harmonization with R.A. No. 8293[.][53] (Citations omitted, emphasis supplied)

In view of this implied repeal, there must be a "substantial and irreconcilable conflict"[54] between registration and prior use, for the former to completely exclude the latter as a mode of acquiring rights over trademarks. Since the law's provisions on registration and actual use work together to vest the full set of rights available in a trademark, there is no inconsistency that should lead to the abandonment of prior use.

As aptly observed by the ponente, this interplay between registration and actual use was discussed at length in *Berris Agricultural Co. Inc. v. Abdayang*,[55] and in *E. Y. Industrial Sales, Inc. v. Shen Dar Electricity and Machinery Co. Ltd.*[56]

In *Berris*, this Court determined the parties' right of ownership over the disputed mark in order to resolve the issue of trademark infringement. This Court reasoned that since the provisions of Republic Act No. 8293 require proof of actual use in order to maintain one's rights to the registered mark, the determining factor in acquiring ownership remains actual use of the mark in commerce. Thus, a mark's registration creates a presumption of the "registrant's ownership of the mark," which may be rebutted by proof of another's prior use.[57]

The majority reasons that *Berris* incorrectly applied principles under Republic Act No. 166 to a problem governed solely by Republic Act No. 8293. However, even without the discussion cited by the majority,[58] this Court's ratio in *Berris* explained that Republic Act No. 8293's relevant provisions still recognized prior use as a mode of acquiring rights over trademarks. Moreover, the majority's decision to overturn *Berris* may not have considered the possibility that the relevant provisions of Republic Act No. 166 may be read in consonance with those of Republic Act No. 8293.

The same may be true for the majority's assessment of *E.Y. Industrial*'s applicability. In *E.Y. Industrial*, this Court reiterated the importance of "proof of prior and continuous use"[59] in establishing ownership of a trademark. Notably, *E. Y. Industrial* recognized that Republic Act No. 8293 removed prior use as a prerequisite for registration, consistent with the requirement under section 3 of the TRIPS Agreement.[60]

While I agree with the ponente's astute observation that *E.Y. Industrial* should not have cited *Shangri-la*[61] *E.Y. Industrial*'s issue on ownership was decided primarily by applying the relevant provisions of Republic Act No. 8293:

RA 8293 espouses the "first-to-file" rule as stated under Sec. 123.1 (d) which states:

Section 123. Registrability. - 123.1. A mark cannot be registered if it:

xxx xxx xxx

- (d) Is identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date, in respect of:
 - (i) The same goods or services, or
 - (ii) Closely related goods or services, or
 - (iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion[.]

Under this provision, the registration of a mark is prevented with the filing of an earlier application for registration. This must not, however, be interpreted to mean that ownership should be based upon an earlier filing

date. While RA 8293 removed the previous requirement of proof of actual use prior to the filing of an application for registration of a mark, proof of prior and continuous use is necessary to establish ownership of a mark. Such ownership constitutes sufficient evidence to oppose the registration of a mark.

Sec. 134 of the IP Code provides that "any person who believes that he would be damaged by the registration of a mark . . ." may file an opposition to the application. The term "any person" encompasses the true owner of the mark - the prior and continuous user^[62] (Citations omitted, emphasis supplied)

Again, Republic Act No. 166's provisions were not expressly repealed,^[63] rendering its recognition of prior use as still applicable under Republic Act No. 8293, insofar as it is not substantially in conflict with the latter's provisions. The texts of the two laws are consistent with each other. The presumption of ownership created by prior registration remains « dependent on proof of the claimant's actual use of the mark in commerce.

IV

On the issue of bad faith, the majority rejects the Court of Appeals' interpretation of Section 159.1 of Republic Act No. 8293, which provides for limitations to actions for infringement:

Section 159. Limitations to Actions for Infringement. - Notwithstanding any other provision of this Act, the remedies given to the owner of a right infringed under this Act shall be limited as follows:

159.1. Notwithstanding the provisions of Section 155 hereof, a registered mark shall have no effect against any person who, in good faith, before the filing date or the priority date, was using the mark for the purposes of his business or enterprise: Provided, That his right may only be transferred or assigned together with his enterprise or business or with that part of his enterprise or business in which the mark is used.

According to the majority, the Court of Appeals misapplied this provision when it held that petitioner's continued use of the mark "ZYNAPS" subsequent to respondent's registration of "ZYNAPSE" may expose petitioner to an action for infringement. The majority held that this reading of Section 159.1 would render the provision useless. It ruled that, "a third party's prior use of an unregistered mark, if said mark subsequently becomes registered by another, could not be considered as trademark infringement because there was no trademark registration - a requirement for a trademark infringement action to prosper - when the third party was using its mark"^[64] This is consistent with its reasoned conclusion that all rights in a mark are acquired solely by registration. Thus, it held that there can be no infringement without a registration creating the rights that would be infringed in the first place.

In view of my reservations concerning the source of rights over trademarks, infringement may be committed by one's use of an unregistered mark, if such use was done with knowledge of another's prior use of the same or confusingly similar mark. The acquisition of rights over a mark through a registration "made validly in accordance with the provisions of [Republic Act No. 8293]"^[65] thus connotes registration in good faith.

Consistent with the foregoing discussions on how the provisions of the current and past trademark laws may be harmonized to accommodate the acquisition of a mark by prior use, one's appropriation of a mark which has already been in use by another, should expose the user in bad faith to liability for infringement. With respect to medicines, compliance with the necessary safety regulations required of prospective sellers and distributors must be considered in assessing whether a registrant acted in good faith in registering a prospective mark with the Intellectual Property Office.

Notably, the majority discussed particular interpretations of Republic Act No. 8293, by which all provisions thereof may be given effect. The majority forwards these interpretations in view of its insistence that rights in marks may be acquired only by the first registrant thereof, to the exclusion of a prior user. This also results in the

abandonment of lines of jurisprudence previously recognizing the coexistence of both regimes.

However, a textual reading of the provisions, as interpreted by the cases sought to be abandoned, would allow both regimes to coexist and would have the same effect of creating the uniform protections for intellectual property sought by the majority. The particular circumstances of our developing market for intellectual property would be best served by broadening the scope of protection to include those marks which may already be in use without the benefit of registration. It may be the case that prospective entrants into Philippine markets may already be using their own distinctive marks in trade, but have failed to register the same due to lack of technical knowledge or other necessary resources. These disparities should not disadvantage prior users, acting in good faith.

Imposing a purely registration-based system for acquiring ownership over trademarks equates ownership with the mere fact of registration. This cannot be the intent of our domestic laws. This disconnect is particularly stark when examining intellectual property rights involving the sale and distribution of medicines. As property serving an inherent social function in maintaining public health and safety, giving full effect to the State policy of securing the "exclusive rights of scientists, inventors, artists, and other gifted citizens to their intellectual property and creations"[66] while upholding the Constitutionally recognized social function of property requires a broader reading of the applicable laws in determining intellectual property rights.

ACCORDINGLY, I vote to GRANT the Petition.

(Sgd.)MARVIC M.V.F. LEONEN

Associate Justice

[1]Ponencia, p. 3.

[2]Id. at 4.

[3]Id. at 6.

[4]Id. at 3.

[5]Id. at 5.

[6]Id.

[7]Id. at 6.

[8]Id. at 7.

[9]Id. at 5.

[10]Id. at 3.

[11]Id. at 10-11.

[12]Id. at 7.

[13]Id. at 8.

[14]Id. at 7-9.

[15]Id. at 17.

[16]Id. at 19-20.

[17]Id. at 17.

[18]Drugstores Association of the Philippines, Inc. v. National Council on Disability Affairs, G.R. No. 194561, September 14, 2016, [Per J. Peralta, Third Division] (pertaining to the legality of giving discounts to persons with disabilities); Southern Luzon Drug Corporation v. The Department of Social Welfare and Development, 809 Phil. 315, 315-398 (2017) [Per J. Reyes, En Banc] (pertaining to the legality of discounts and change of tax treatment for senior citizens under Republic Act No. 9257).

[19]J. Leonen, Separate Concurring Opinion, Alliance for the Family Foundation, Philippines, Inc. v. Garin, 809 Phil. 897, 964 (2017) [Per J. Mendoza, Special Second Division].

[20]Republic Act No. 9711, sec. 3.

[21]J. Leonen, Separate Concurring Opinion, Alliance for the Family Foundation, Philippines, Inc. v. Garin, 809 Phil. 897, 936-937 (2017) [Per J. Mendoza, Special Second Division],

[22]Remigius N. Nwabueze, Biotechnology and the Challenge of Property, p. 33 (2007).

[23]Katharina Pistor, The Code of Capital, p. 108(2019).

[24]Remigius N. Nwabueze, Biotechnology and the Challenge of Property, p. 33 (2007).

[25]Katharina Pistor, The Code of Capital, p. 3 (2019).

[26]Michael W. Smith, Bringing Developing Countries' Intellectual Property Laws to TRIPS Standards: Hurdles and Pitfalls Facing Vietnam's Efforts to Normalize an Intellectual Property Regime, 31 Case W. Res. J. Int'l. L. 211, 213 (1999).

[27]Id. at 212-213.

[28]E.I. Dupont De Nemours and Co. v. Emma C. Francisco, 794 Phil. 97, 127 (2016) [Per J. Leonen, Second Division].

[29]Michael W. Smith, Bringing Developing Countries' Intellectual Property Laws to TRIPS Standards: Hurdles and Pitfalls Facing Vietnam's Efforts to Normalize an Intellectual Property Regime, 31 Case W. Res. J. Int'l. L. 211, 212-213 (1999).

[30]Katharina Pistor, The Code of Capital, p. 123 (2019).

[31]Id.

[32]Michael W. Smith, Bringing Developing Countries' Intellectual Property Laws to TRIPS Standards: Hurdles and Pitfalls Facing Vietnam's Efforts to Normalize an Intellectual Property Regime, 31 Case W. Res. J. Int'l. L. 211, 212-213 (1999).

[33]Timothy W. Blakely, Beyond the International Harmonization of Trademark Law: The Community Trade

Mark as a Model of Unitary Transnational Trademark Protection, 149 University of Pennsylvania Law Review 309, 311 (1996).

[34]Republic Act No. 8293 (1997), Part III, sec. 121.1.

[35]Republic Act No. 166 (1947), Chapter XII, sec. 38.

[36]La Chemise Lacoste, S.A. v. Fernandez, 214 Phil. 332, 355-356 (1984) [Per J. Gutierrez, Jr., First Division].

[37]Mirpuri v. Court of Appeals, 376 Phil. 628, 645-649 (1999) [Per J. Puno, First Division].

[38]G.R. No. 22366, December 4, 2017, [Per J. Perlas-Bernabe, Second Division].

[39]World Intellectual Property Organization, Understanding Industrial Property, p. 5; Available at https://www.wipo.int/edocs/pubdocs/en/wipo_pub_895_2016.pdf, last accessed on January 27, 2020.

[40]Timothy W. Blakely, Beyond the International Harmonization of Trademark Law: The Community Trade Mark as a Model of Unitary Transnational Trademark Protection, 149 University of Pennsylvania Law Review 309, 309 (1996).

[41]1987 Const., Art. II, sec. 15.

[42]Republic Act No. 9711, amending Rep. Act No. 3720.

[43]The Scope and Coverage of the Guidelines Governing Brand Names of Products for Registration with the Bureau of Food and Drugs provides that "This Department acknowledges that it is not the gatekeeper in the promotion and regulation of brand names which are often times being used as marketing tools, without any connection or relation whatsoever to the safety, efficacy and quality of the products. In issuing this Order, this Department, through [BFAD], hereby reiterates and consistently adopts its mandate and responsibility to only ensure the safety, efficacy and good quality of products applied for registration.

[44]Department of Health Administrative Order No. 0017-20, Re: Revised Guidelines on the Unified Licensing Requirements and Procedures of the Food and Drug Administration (May 8, 2020), Part III, par. I(a) to (d).

[45]Id. Part V, par. 1.

[46]Department of Health Administrative Order No. 0017-20, Chapter IV(1).

[47]Part IV, par. 2, Administrative Order No. 2005-0016 (General Policies and Guidelines Governing Brand Names of Products for Registration with the Bureau of Food and Drugs).

[48]J. Leonen, Separate Concurring Opinion, Alliance for the Family Foundation, Philippines, Inc. Garin, 809 Phil. 897, 937-944 (2017), [Per J. Mendoza, Special Second Division].

[49]TRIPS Agreement, sec. 2, Article 15(3).

[50]Ponencia, pp. 17-18.

[51]Civil Liberties Union v. Executive Secretary, 272 Phil. 147, 169-170 (1991) [Per J. Feman, En Banc].

[52]J. Leonen. Concurring Opinion, Poe-Llamanzares v. Commission on Elections, 782 Phil. 292. 696-697 (2016) [Per C.J. Sereno, En Banc].

[53]Samson v. Daway, 478 Phil. 784, 790-791 (2004) [Per J. Ynares-Santiago, First Division].

[54]Berris Agricultural Co., Inc. v. Abyadang, 647 Phil. 517, 524 (2010) [Per J. Nachura, Second Division].

[55]647 Phil. 517 (2010) [Per J. Nachura, Second Division].

[56]48 Phil. 572 (2010) [Per J. Velasco, Jr., First Division].

[57]Berris Agricultural Co., Inc., v. Adyadang, 641 Phil. 517, 525 (2010) [Per J. Nachura, Second Division].

[58]Ponencia, p. 20.

[59]E.Y. Industrial Sales, Inc. et al. v. Shen Dar Electricity and Machinery Co. Ltd., 648 Phil. 572, 593 (2010) [Per J. Velasco, Jr., First Division].

[60]Id.

[61]Shangri-la v. Developers Group of Companies, 520 Phil. 935 (2006) [Per J. Garcia, Second Division].

[62]E. Y. Industrial Sales, Inc. et al. v. Shen Dar Electricity and Machinery Co. Ltd., 648 Phil. 572, 592- 593 (2010) [Per J. Velasco, Jr., First Division].

[63]Samson v. Daway, 478 Phil. 784, 790-791 (2004) [Per J. Ynares-Santiago, First Division].

[64]Ponencia, p. 40.

[65]Id. at 2.

[66]Const., art. XIV, sec. 13.

September 8, 2020

SEPARATE CONCURRING OPINION

GESMUNDO, J.:

The State shall protect and promote the right to health of the people and instill health consciousness among them.[1]

The State shall establish and maintain an effective food and drug regulatory system and undertake appropriate health, manpower development, and research, responsive to the country's health needs and problems[2]

I concur with the ponencia. However, I am of the view that for the sake of public interest, the Court should not simply hand a verdict on this occasion, but also express its stand on how the relevant government institutions can move forward. The present decision carries the misfortune of allowing two different drugs with confusingly similar brand names to be sold in the market. This can lead to egregious consequences on public health and safety, as empirical data already show. There is thus a need to amend or supplement existing legislation and regulations to cushion against the decision's harmful effects on our People's wellbeing.

At the onset, it must be emphasized that the misfortune of this decision is not borne of the Court's subjective interpretation of the law, but brought about by its very letter. Section 159.1 of the Intellectual Property Code (IPC) is clear that a registered mark shall have no effect against any person who was using the mark in good faith for his business or enterprise before the filing date.[3] This provision, in turn, appears to have been derived from Article 16(1) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which provides that the rights of a registered trademark owner "shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use." [4] The IPC was enacted in keeping with the country's commitment to international conventions, among which is the TRIPS to which it adhered to in 1995

following its entry into the World Trade Organization.[5] There is thus no gainsaying that the statute states what it intends. The rule is that where the law is clear and unambiguous, it must be taken to mean exactly what it says, and courts have no choice but to see to it that the mandate is obeyed.[6]

Alas, the brand names that the law requires the Court to uphold may have benign effects if they pertain to different goods, but not so when they are both prescription drugs. The names "Zynapse" and "Zynaps" are almost absolutely identical; the letter "e" in the former being a negligible element for differentiation. The concurrent availability of these drugs in the market poses a significant threat to consumer health. In fact, respondent Natrapharm pointed out that if a stroke patient who is supposed to take Zynapse (citicoline) mistakenly ingests Zynaps (carbamazepine) which is an anti-convulsant medication used to control all types of seizure disorders like epilepsy,[7] not only will he not be cured of stroke, he will also be exposed to the risk of suffering Stevens-Johnson syndrome. The latter, a side effect of carbamazepine, is a condition where a person suffers serious systemic body-wide allergic reaction with a characteristic rash that attacks and disfigures the mucous membrane.[8]

Medication errors are the most expected outcome in the coexistence of Zynapse and Zynaps in the market. The World Health Organization (WHO) adopted the United States Food and Drug Administration (US FDA) definition of "medication error" to mean "any preventable event that may cause or lead to inappropriate medication use or patient harm while the medication is in the control of the health-care professional, patient or consumer." [9] In its report entitled *The Philippines Health System Review*, [10] the WHO states that among the factors that contribute to medication errors in the Philippines is incorrect interpretation of the prescription or medication chart. Prescribing and dispensing errors, on the other hand, often occurred because of the unreadable handwriting of the doctor. The report shared a study conducted in public and private hospitals in Quezon City which found that 28% of the sampled patients could not read their doctor's prescriptions well, which led to medical consequences such as improper dosage and even death. Notably, another common cause of medication error reported in the Philippines is the existence of look-alike or sound-alike medication names. Some of the examples given were "Mesulid" versus "Mellaril," "Ceporex" versus "Leponex" and "EMB" versus "EMBR." [11]

Moreover, in a 2010 study [12] of a group of nurses at the Philippine Heart Center, it was revealed that medication errors are found in prescribing (90.85%), order processing (55.7%), dispensing (92.5%) and administering (85.4%). These errors were attributable to increased workload, interruptions or distractions, and high patient to nurse ratio. In a 2016 online article, [13] it was also reported that in the Philippines, 79% of patients experience at least one error during their medication period. Some of the identified causes were: (1) poor communication between healthcare providers; (2) when a physician does not make his patient clearly understand the prescribed medication; and (3) medication names and medical abbreviations that sound alike, which cause confusion and incorrect usage.

It is acknowledged, based on the studies mentioned above, that medication errors are not solely attributable to confusingly similar medication names. However, it is an area that the government can effectively regulate, vis-a-vis human factors such as poor communication among health providers and physicians' illegible handwriting. Allowing confusingly similar medication names to be sold in the market poses a direct challenge to the State's ability to fulfill its constitutional mandate to protect and promote the right to health of the people. [14] Hence, government action is imperative. What is lacking in the law should be made up for by further legislation and regulation.

A good starting point would be to expand the regulatory powers of the Food and Drug Administration (FDA) to cover strict monitoring and registration of medication brand names.

A little bit of history is in order.

In 1963, Republic Act (R.A.) No. 3720 was passed, also known as the Food, Drug, and Cosmetic Act. The law declared it the policy of the State "to ensure safe and good quality supply of food, drug and cosmetic, and to regulate the production, sale, and traffic of the same to protect the health of the people." For that purpose, it created the FDA, which was tasked to administer and supervise the implementation of the law and rules and regulations that will be issued pursuant thereto. Later, Executive Order No. 851[15] was signed, reorganizing the then Ministry of Health. It abolished the FDA and created the Bureau of Food and Drug (BFAD) in its stead.

On November 17, 1986, BFAD Regulation No. 2 was issued, having for its subject the "Assignment of Brand Name and/or Generic Names for a Formulation of a Drug of Pharmaceutical Specialty." It provided that BFAD should issue a clearance for a particular brand name before it may be registered. Pertinent provisions of this regulation state:

1. All drugs and/or pharmaceutical specialties, whether imported or locally manufactured, shall be registered with the Bureau of Food and Drugs (BFAD) under their generic and/or brand name prior to local marketing.

x x x x

3. A drug manufacturer, toll/contract manufacturer, distributor, drug department or licensee can use a brand name and/or generic name for a given formulation of a drug or pharmaceutical specialty with a single active ingredient; Provided however, that brand name will not have an identical or similar name with those previously and/or already registered with this Office.

4. No imported drug or pharmaceutical specialty, though patented and/or registered in other countries, will be registered if there exists an identical or similar brand name already registered with BFAD.

7. Every brand name of a drug or pharmaceutical specialty shall be submitted for name clearance to BFAD prior to registration. The purpose of the name clearance is to prevent similarity of the brand name with other previously registered drug products.

8. The general procedures for clearing brand names are:

- 8.1. brand name must not be confusing in speech, in rhyme or in writing with other registered brand names.

- 8.2. brand name must not be confusingly similar nor identical with the first syllables unless the middle syllables create distinctive appearance and sounds.

- 8.3 brand name must be different either in prefix, middle or suffix syllables if applied to the different generic class of drugs or where the drugs have different indications to prevent confusion.

- 8.4 brand name must not be identical or similar to INN (International Non-proprietary Names).

- 8.5 brand name must not, in any way, conflict with the established guidelines as outlined in MOH Administrative Order No. 76 dated January 24, 1984.

However, on July 23, 1999, Bureau Circular No. 17, series of 1999 was issued, which dealt with the "Transfer of Processing of Brand Name Clearance for Pharmaceutical Products to the Intellectual Property Office (IPO)." The circular reads in full:

To effect a centralized clearing house of all brand names used for consumer products, including foods, drugs, cosmetics and household hazardous substances, the Bureau of Food and Drugs will transfer the function of issuance of certificate of brand name clearance to the Intellectual Property Office (IPO). Such transfer will initially involve pharmaceutical products succeeded by other products generated by the Bureau.

All pharmaceutical companies are therefore advised to secure Certificate of Brand Name Clearance from the said Office to comply with the requirements for registration of branded pharmaceutical products as specified in the Guidelines for the Registration of Pharmaceutical Products issued under Bureau Circular No. 05, s. 1997.

BFAD, therefore, abdicated its authority to approve pharmaceutical brand names in favor of the IPO, and decided to rely on the IPO's issuance of a Certificate of Brand Name Clearance before it registers such name.

It is not clear from the facts whether Zuneca obtained clearance from the IPO before it was granted a Certificate of Product Registration by BFAD for Zynaps on April 15, 2003.[16] Nonetheless, there would not have been an issue, as there appears to be no similar-sounding pharmaceutical brand name that was registered with the fledgling IPO[17] at the time.

On June 21, 2005, the Secretary of the Department of Health (DOH), Francisco T. Duque III, issued Administrative Order (A.O.) No. 2005-0016, which had for its subject "General Policies and Guidelines Governing Brand Names of Products for Registration with the Bureau of Food and Drugs." Through this A.O., the DOH declared that "it is not the gatekeeper" in the regulation of brand names, as its mandate is only to "ensure the safety, efficacy and good quality of products applied for registration." The A.O. stated:

This Department acknowledges that it is not the gatekeeper in the promotion and regulation of brand names which are often times being used as marketing tools, without any connection or relation whatsoever to the safety, efficacy and quality of the products. In issuing this Order, this Department, through BFAD, hereby reiterates and consistently adopts its mandate and responsibility to only ensure the safety, efficacy and good quality of products applied for registration.

A.O. No. 2005-0016 laid down guidelines that did away with the process of obtaining brand name clearances from the IPO. Instead, BFAD decided to rely on its own listing to determine whether a brand name being applied for is identical to one already registered, and consequently be denied registration. This is the regulation in effect at the time Natrapharm obtained its trademark registration with the IPO in 2007, and later a Certificate of Product Listing from the BFAD. One may wonder how or why BFAD registered Natrapharm's brand name, Zynapse, considering that it had already earlier registered an almost identical brand name, Zynaps, in the same product classification, i.e. drugs.[18]

The reason may lie in the fact that, consistent with its stand that it is not a "gatekeeper" of brand names, BFAD adopted a laidback approach in its regulation of pharmaceutical brand names. There is none of the traces of a stringent evaluation of a potential brand name vis-a-vis those already registered in terms of confusing similarity in speech, rhyme or writing, prefixes and syllables, among others, as was present in BFAD Regulation No. 2. While the latter regulation adopted the parameters "identical or similar," the present regulation settled for "identical" and limited the grounds for rejection of a brand name to the following: 1) names that are identical to those already registered with the BFAD in the same product classification, and 2) names that are offensive, obscene, scandalous or otherwise contrary to public morals and policy.[19] More, A.O. No. 2005-0016 indicates a general deference to "proper authorities" who have a final say in the determination of who has a better right over a brand name.[20] Natrapharm's earlier registration of the Zynapse brand with the IPO may have provided sufficient sway for the BFAD to register the name regardless of its confusingly similarity with another name in its database.

It is disconcerting that through A.O. No. 2005-0016, the DOH limited the interpretation of its mandate and responsibility to only ensuring the "safety, efficacy and good quality of products applied for registration," without bearing in mind consumer safety that may be achieved when people are able to access the correct medicine without the element of confusion caused by similar brand names. Note should be taken of the fact that R.A. No. 3720, under which auspices A.O. No. 2005-0016 was created, also declared it the policy of the State "to protect the health of the people." To be sure, this encompasses not only consumers' safety resulting from safe, effective, and good quality pharmaceutical products in the market, but also consumers' safety arising from the minimization, if not elimination, of medication errors borne by confusingly similar drug names. This view gains more significance in light of past experiences where mistakes in the dispensation of medicine brought about by similar

names put patients at risk. For example, the website of the Philippine College of Physicians[21] shared an undated narrative involving the FDA's registration of the same generic name for two (2) different drugs. Thus:

A story of medication error in the hospital.

An oncologist wrote instructions on the hospital chart for the IV administration of the oncolytic drug mesna (brand name Uromitexan), but the nurse mistook it for the respiratory solution also called mesna (brand name Mistabron). The respiratory solution meant for nebulization was injected intravenously for a total of 8 doses over a period of 3 days until the error was discovered.

Patient was never told of the error by the attending physician and was, in fact, sent home on the same night. Some tests were ordered but these were never carried out. Drug industry help was sought on pharmaceutical physico-chemical information but they could not be contacted over the weekend.

The Philippine FDA was informed of the incident on Monday and they were surprised how they managed to register two drugs sharing the same name.

The doctor, in following the Philippine Generics Act of 1988 mandating that the doctor should write the generic name of a prescribed drug, was unclear about his responsibility to indicate the specific product trade name. The nurses (three shifts over three days) did not read the ampoule information prior to administration. The hospital pharmacist sent the ampoules to the floor without an accompanying box or product information leaflet. Patient could not be followed up. (emphasis supplied)

More than 40 years from the enactment of R.A. No. 3720, R.A. No. 9711 took effect. Otherwise known as "The Food and Drug Administration Act of 2009," the law aimed to strengthen and rationalize the regulatory capacity of the Bureau of Food and Drug, which was renamed as the Food and Drug Administration. The reinforced and more encompassing reach of the FDA's regulatory authority is reflected in Section 3 thereof, which declared it the policy of the State to adopt, support, establish, institutionalize, improve and maintain structures, processes, mechanisms and initiatives that are aimed, directed and designed to: (a) protect and promote the right to health of the Filipino people; and (b) help establish and maintain an effective health products regulatory system,[22] among others. Unfortunately, the FDA did not find it necessary to revisit A.O. No. 2005-0016, which is still the regulation currently in place with respect to pharmaceutical brand names subject of registration with the FDA. BFAD Regulation No. 2 would have done a better job in minimizing confusingly similar brand names in the market.

At this point, it would be worthwhile to discuss how certain jurisdictions have taken practical measures to minimize medication errors by regulating proposed drug names.

In December 1999, the Institute of Medicine, a group involved in the examination of public health policy and identifying the medical care, research and education issues in the United States, issued a report entitled *To Err is Human: Building a Safer Health System*. It revealed that an estimated 44,000 to 98,000 people die annually from medical errors, more than the deaths that occur as a result of motor vehicle accidents, breast cancer, or AIDS. It recommended, among others, for the US FDA to increase its attention to public safety, and exert effort to eliminate similar-sounding drug names, as well as confusing labels and packaging that foster mistakes.[23] This and similar other reports that came after it, prompted the US government to enact new laws, and the US FDA to review proposed pharmaceutical trademarks more rigorously and issue new regulations.[24]

At present, the US FDA's approval of medication trade names is mandatory and independent from registration with the US Patent and Trade Office (USPTO).[25] The US FDA compares proposed product names only with product names that it had previously approved, and does not consider the USPTO Register. This has led to scenarios where an owner of a valid trademark registration cannot use it because another party with junior

trademark rights was first to obtain US FDA approval for the corresponding product name.[26] In the recent guidelines it issued,[27] the US FDA requires applicants to submit, among others, two proposed proprietary names for review, their intended pronunciation and an explanation of the derivation of the proposed proprietary name, if any.[28] The safety evaluation of a proposed proprietary name involves multiple methods to identify possibly problematic ones, including a preliminary screening to identify common errors, an orthographic or phonological similarity assessment, and drug database searches.[29]

Similar regulations may be found in Canada and the European Union.

Since the 1990s, there had been concern in Canada with the growing number of drug names that looked and sounded alike, which could have adverse effects on public health and safety. However, there was doubt whether Canada's Food and Drugs Act and related regulations provide legal authority to enforce prohibitions on the use of look-alike/sound-alike trademarks. In 2014, the Food and Drug Regulations were amended by clarifying that Health Canada[30] had authority to consider brand names and adjudicate the question of whether there is likelihood that the proposed drug will be mistaken for a prescription drug in the market due to resemblance between their brand names. Health Canada was given authority to refuse to authorize the sale of a drug if it decides that there is likelihood that the proposed brand name will be mistaken for the name of an existing drug.[31]

Lastly, in the European Union, the European Medicines Agency (EMA) is responsible for evaluating the safety of medical products. Within this agency, the review of brand names is assessed by the Name Review Group (NRG), which was created in 1999 with the objective of ensuring that all medicines available in the EU market are safe, effective, and of high quality. Thus, the NRG may refuse a name which it believes poses a significant risk of generating confusion with marketed medicines, and even medicine products that have been revoked or withdrawn from the market within the five (5)-year period preceding the application submission.[32]

Literature suggests that the above-discussed regulations are not perfect and may be improved in many respects. But the underlying consideration should be the very existence of the effort to regulate, since the danger of medical errors brought about by confusingly similar drug names in the market is very real and cannot be ignored. A mechanism within our own FDA that polices drug names sought to be registered by local manufacturers and importers of pharmaceutical products is essential and serves not only to implement the State policy to protect consumers against hazards to health and safety,[33] but also the constitutional mandate for the State to promote the right to health of the people[34] and establish and maintain an effective food and drug regulatory system.[35]

There is also room for our Intellectual Property Law to be improved in light of the compelling issue of medical errors brought about by similar drug names. The legislature can take a proactive stance by including as parameter for registrability of a pharmaceutical mark its confusing similarity with marks associated with pharmaceutical products already available in the market. A stricter rule in the evaluation of pharmaceutical marks is justified by the serious and disastrous health consequences arising from confusion by both health practitioners and consumers in the prescription, dispensation, and use of similarly named drugs.

Medications are the cornerstone of care provision. The safe use of medications can improve and save the lives of millions, but errors in the use of these substances can lead to equally significant consequences. Apart from harming people physically and psychologically, and in some cases even taking their lives, medication errors also lead to consequences beyond what money can repair. They can seriously damage public confidence and trust in medical services, and they affect the whole of society through lower productivity and decreased levels of population health.[36] It is thus necessary for the government to step up efforts to identify and minimize, if not eradicate, medication errors through, among others, the regulation of drug names. This may be done by amending

legislation and formulating guidelines for the purpose. But since either of this may take time to put in place, the FDA and IPO may start by updating and strengthening their respective databases of registered pharmaceutical products to deter applicants for new drugs from choosing a name similar to one already existing in the market.

Moreover, I agree with the ponencia's directive that the parties should print statements in their respective packaging that would inform stakeholders of the function of the medications involved and what they are used for, and for the FDA to monitor the parties' continuing compliance with the directive. This is a necessary consequence of the failure of our laws to address the circumstances at hand. We have held that when the law has gaps which tend to get in the way of achieving its purpose, the Court is allowed to fill the open spaces therein.[37]

R.A. No. 9711 declared it the policy of the State to promote the right to health of the Filipino people and establish an effective health products regulatory system in the country. This will not be achieved with the current FDA practice that prioritizes the availability of "safe, effective, and good quality pharmaceutical products," while overlooking the potentially adverse consequences on consumers' health of confusingly similar drug names. It is on these occasions that the Court may construe a law by issuing resolutions and/or guidelines in applying it. The purpose is to delineate what the law requires, including prudence and circumspection in its enforcement, or to assist a government agency in its implementation.[38]

Finally, in deciding cases, it is settled that the Court does not matter-of-factly apply and interpret laws in a vacuum. Rather, laws are interpreted always in the context of the peculiar factual situation of each case. All the attendant circumstances are taken in their totality so that justice can be rationally and fairly dispensed, in this case, not only to the parties but also to the Filipino people who are to bear the impact of this decision.[39]

Accordingly, I vote to PARTLY GRANT the petition.

(Sgd.)ALEXANDER G. GESMUNDO

Associate Justice

[1]Article II, Sec. 15, 1987 Constitution.

[2]Article XIII, Sec. 12, 1987 Constitution.

[3]Sec. 159.1 of the IPC states in full:

159.1. Notwithstanding the provisions of Section 155 hereof, a registered mark shall have no effect against any person who, in good faith, before the filing date or the priority date, was using the mark for the purposes of his business or enterprise: Provided, That his right may only be transferred or assigned together with his enterprise or business or with that part of his enterprise or business in which the mark is used.

[4]Article 16(1) of the TRIPS states in full:

1.The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a

likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

[5]<https://www.ipophil.gov.ph/news/the-intellectual-property-system-a-brief-history/> last accessed February 12, 2020.

[6]Abakada Guro Party List v. Ermita, 506 Phil. 1, 113 (2005).

[7]Decision, p. 3.

[8]Decision, p. 40.

[9]"The Philippines Health System Review," Health Systems in Transition, Vol. 8, No. 2, page 243, World Health Organization, 2018, http://apps.searo.who.int/PDS_DOCS/B5438.pdf, last accessed February 12, 2020.

[10]Id.

[11]Id.

[12]Carino, Germ in Dale, et al., Factors that Contribute to Medication Errors in the Philippine Heart Center (2010), abstract found in <https://www.phc.aov.ph/Images/articles/Factors%20that%20Contribute%20to%20Medication%20Errors.pdf>. See also Literatus, Zosimo, Medical errors in the Philippines, SunStar Cebu, <https://www.sunstar.com.ph/article/1808499>, both websites accessed on February 12, 2020.

[13]How Can Patients Prevent Medication Errors, The Philippine Star, December 13, 2016, <https://www.pressreader.com/philippines/the-philippine-star/20161213/282600262514343>, last accessed February 12, 2020.

[14]Art. II, Section 15 of the 1987 Constitution states:

Sec. 15. The State shall protect and promote the right to health of the people and instill health consciousness among them.

[15]Executive Order No. 851, entitled "Reorganizing the Ministry of Health, Integrating the Components of Health Care Delivery into its Field Operations, and for Other Purposes," was signed on December 2, 1982.

[16]Decision, p. 4.

[17]The Intellectual Property Code which established the Intellectual Property Office was approved on June 6, 1997, but took effect on January 1, 1998 in accordance with Section 241 thereof.

[18]A.O. 2005-0016 defines "product classification" as "the separate and distinct classification between and among food, cosmetic, drug, veterinary product, device, diagnostic reagents, and household hazardous substance. This means that the classification for food, etc. is separate and distinct from the classification for cosmetics and the others."

[19]Section 2, A.O. No. 2005-0016.

[20]See the following provisions of A.O. No. 2005-0016:

Section 4. The acceptance by BFAD of the proposed brand name shall not be interpreted or construed as an approval, endorsement or representation that the applicant has the right or privilege to the use of the brand name so submitted.

Section 5. The applicant shall execute an affidavit of undertaking (a) to change the brand name so submitted should the proper authority decides with finality that he/she/it has no right to appropriate and utilize said brand name; and (b) to acknowledge and agree to indemnify and/or hold BFAD free and harmless against any and all third party claims arising from the acceptance of such brand name of the product for registration with BFAD. xxx DISPUTES

Section 1. In the event that any interested party notifies BFAD in writing of any alleged prior or existing intellectual property right over the brand name of the product pending registration, BFAD shall immediately respond to said party, in writing, that intellectual property matters are beyond the legal mandate of BFAD and that their proper recourse should be from the IPO or the appropriate courts of competent jurisdiction. Section 2. Under no circumstance shall the filing of any such notification be the reason or cause to suspend, delay, or otherwise adversely affect the processing of the application for, and the issuance of the CPR/CPL until and unless BFAD is restrained or enjoined by the proper authorities from doing so. In this instance, "proper authority" shall only pertain to the IPO or courts of law with competent jurisdiction over the said subject matter.

[21]<https://www.pcp.org.ph/index.php/component/content/article?id=211:chapter-4->, last accessed on February 13, 2020.

[22]Sec. 3, R.A. No. 9711.

[23]Havens, Debra Hardy, et al., "To Err is Human": A Report from the Institute of Medicine, Legislative News, March/April 2000, [https://www.jpedhc.org/article/S0891-5245\(00\)70009-5/pdf](https://www.jpedhc.org/article/S0891-5245(00)70009-5/pdf), last accessed February 13, 2020.

[24]Pharma: Regulatory Encroachments on Trademark Rights-Is This the Future for Brands? INTABulletin, Vol. 73, No. 2, February 1, 2018, https://www.inta.org/INTABulletin/Pages/Committee_Update_7302.aspx, last accessed February 13, 2020.

[25]Litowitz, Robert, et al., Procedures and Strategies for Pharmaceutical Brands: United States, World Trademark Review, September 6, 2016, <https://www.woiidtrademarkreview.com/procedures-and-strategies-pharmaceutical-brands-united-states>, last accessed on February 13, 2020.

[26]Strobos, Jur, et al., Procedures and strategies for pharmaceutical brands: United States, World Trademark Review, March 13, 2018, <https://www.woiidtrademarkreview.com/anti-counterfeiting/procedures-and-strategies-pharmaceutical-brands-united-states>, last accessed February 13, 2020.

[27]See Contents of a Complete Submission for the Evaluation of Proprietary Names—Guidance for Industry, April 2016, <https://www.fda.gov/media/72144/download>, last accessed February 13, 2020.

[28]Id. at 10.

[29]Id. at 5.

[30]Health Canada is the Federal department responsible for helping Canadians maintain and improve their health. Source: <https://www.canada.ca/en/health-canada/corporate/about-health-canada.html>, last accessed February 14, 2020.

[31]Pharmaceutical Regulatory Encroachments on Trademark Rights-The Canadian Perspective, INTABulletin, Vol. 73, No. 8, May 1, 2018, <https://www.inta.org/INTABulletin/Pages/PhannaRegulatoryvEncroachmentsonTrademarkRights7308.aspx>, last accessed on February 13, 2020.

[32]Pharmaceutical Regulatory Encroachments on Trademark Rights—The European Union Perspective, INTABulletin, Vol. 73, No. 10, June 15, 2018, <https://vwv.inta.org/INTABulletin/Pages/Pharmaceutical>

Regulatory EncroachmentsonTrademarkRightsTheEuropeanUnionPerspective7310. aspx, last accessed on February 13,2020.

[33]Article 2(a) of R.A. No. 7394, otherwise known as the Consumer Act of the Philippines, states: ARTICLE 2. Declaration of Basic Policy. - It is the policy of the State to protect the interests of the consumer, promote his general welfare and to establish standards of conduct for business and industry. Towards this end, the State shall implement measures to achieve the following objectives:

a) protection against hazards to health and safety;

[34]Art. II, Sec. 15 of the 1987 Constitution.

[35]Art. XIII, Sec. 12 of the 1987 Constitution states:

Section 12. The State shall establish and maintain an effective food and drug regulatory system and undertake appropriate health, manpower development, and research, responsive to the country's health needs and problems.

[36]Salmasi, Shahrzad, et al., Medication Errors in the Southeast Asian Countries: A Systematic Review, published online September 4, 2015, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4560405/>, last accessed on February 13, 2020.

[37]Re: Resolution Granting Automatic Permanent Total Disability Benefits to Heirs of Justices and Judges Who Die in Actual Service), 486 Phil. 148, 156 (2004). See also Floresca v. Philex Mining Corporation, 220 Phil. 533,559(1985).

[38]Id. at 156-157.

[39]Philippines Today, Inc. v. National Labor Relations Commission, 334 Phil. 854, 880 (1997).

DISSENTING OPINION

LAZARO-JAVIER, J.:

The ponencia essentially states:

- The deletion of Section 2 [1] and Section 2a[2] of Republic Act No. 166[3] and the enactment of Section 122[4] of Republic Act No. 8293 show the intent of the lawmakers to completely and totally abandon use as a mode of acquiring trademark ownership and to institute registration as the exclusive means of acquiring trademark ownership;

- As a result, actual use is no longer necessary to acquire or perfect ownership of a mark. Rather, actual use of a trademark is only meant to underscore that a registered owner of a trademark must actually use the mark to maintain his or her ownership thereof. In other words, first registrants do not have to demonstrate prior actual use of the trademark, but they may subsequently lose ownership of their trademarks if they fail to prove actual use of the trademark in commerce after specified periods in RA 8293;

- There can be no infringement of an unregistered mark. This is not merely a consequence of the abandonment of the old first-to-use regime, but is in fact a pre-requisite under the law for filing an infringement case under RA 8293; and

- The first user of an unregistered trademark has remedies though the first use does not vest trademark ownership. The first user has the option of enforcing his or her rights administratively by filing an opposition against the trademark application of a bad faith applicant or request for the cancellation of a trademark

registered in bad faith.

Foremost, the ponencia holds that registration exclusively vests trademark ownership. Hence, the element of actual use as a mode of acquiring ownership rights should be totally dismissed.

I dissent.

Registration and actual use together perfect ownership of a trademark. Registration and prior actual use individually creates imperfect ownership of a trademark. Thus, only registration with actual use made in good faith gives the registrant the full rights of ownership attributable to such registration.

I agree with Justice Leonen that our trademark laws are aimed to "protect the owner's right to the mark's value, which is generated by its actual use in commerce." [5] Too, the factual backdrop of this case and its effects are not limited to the fictions of civil and commercial law, but the reality of public health and safety.

The ponencia cites Section 122 of RA 8293 and interprets that this provision commands registration as an exclusive mode of acquiring trademark ownership, thus:

SECTION 122. How Marks are Acquired. - The rights in a mark shall be acquired through registration made validly in accordance with the provisions of this law. (Sec. 2-A, R.A. No. 166a)

Section 122, however, is silent on and does not repudiate property in trademark recognized by common law. Thus, "[t]he right of property in a trade mark is recognized by the common law, and does not in any manner depend for its inceptive existence or support upon statutory law, although its exercise may be limited or controlled by statute." [6] As further held in this opinion:

Does not the Act of 1863, instead of constituting a "complete scheme" for the acquisition and protection of property in trade marks, rather proceed on the theory that this species of property did exist, and might thereafter be acquired, under the rules of the common law, and provide that those securing such right according to the provisions of the act, might have a further or more efficient protection than those who failed to avail themselves of the statute, and relied upon the common law remedies?

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At common law, the remedies for invasions of trade mark property were an action at law for the recovery of damages, and an injunction, in which case pecuniary compensation might be incidentally awarded. Several of the States have, by statute, added a criminal prosecution as a further remedy or protection. The remedies at common law are still left by our statute in those cases where the trade mark has not been registered according to the act, for not only is the right of property recognized and affirmed as it existed at common law, and the common law remedies are not taken away, but the protection afforded by suits at law and bills for injunctions is expressly conceded. Those provisions add nothing to the rights previously possessed by the owner of the trade mark, and are only in affirmance of the common law. But he does not have the aid of a criminal prosecution for his protection.

On the other hand, those owning trademarks, who have filed their claims and affidavits, and paid the fees, have the protection accorded to the other class of cases, and have also that arising from the criminal prosecutions, with penalties, upon conviction, of more than usual severity.

We do not fully agree with counsel for either party in his construction of the act in respect to its relation to and effect upon the common law remedies. The remedies provided by the act, at least those applicable to registered trademarks, are not cumulative to those possessed at common law, but in that respect provision is made by the act for a new case; nor do we think the act forms a "complete scheme" of itself, in the sense that counsel regards it, as requiring all trademarks to be registered under the act, to entitle them to protection; though it may be regarded as a "complete scheme" in the respect that it grants certain remedies in cases of registered

trademarks, and expressly reserves to the owners in other cases the usual remedies enjoyed at common law.[7]

I concur with Justice Leonen that in the absence of an express repeal or a clear and categorical incompatibility between RA 8293 and our jurisprudence echoing common law and the provisions of RA 166, there is no reason to interpret Section 122 as an exclusive mode or a complete scheme of acquiring trademark ownership and to jettison prior actual use as a means to obtain trademark ownership.

I also posit that while Section 122 mentions that registration acquires trademark ownership, besides not stating that registration is the only mode, it does not declare that conclusive and full ownership is vested in the registrant. Further, since registration is indeed a convenient means of establishing trademark imperfect ownership, ultimately its function is a mechanism "to allocate the burden in the trial of an action for infringement." [8]

Surely, actual use remains to be a complementing scheme for perfecting ownership under RA 8293. If actual use is crucial in maintaining trademark ownership, I cannot justify dismissing prior actual use as another mode of attaining trademark ownership.

Too, Section 124.2 of the IP Code requires that a declaration of actual use with evidence to that effect must be filed within three (3) years from the filing date of the application, viz:[9]

The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations within three (3) years from the filing date of the application. Otherwise, the application shall be refused or the mark shall be removed from the Register by the Director.

After the declaration of actual use is filed, the Intellectual Property Office shall issue the registration certificate covering only the particular goods on which the mark is in actual use in the Philippines as disclosed in the declaration.

More, Section 145,[10] provides that the declaration of actual use is an essential requisite in maintaining trademark rights, thus:

SECTION 145. Duration. - A certificate of registration shall remain in force for ten (10) years: Provided, That the registrant shall file a declaration of actual use and evidence to that effect, or shall show valid reasons based on the existence of obstacles to such use, as prescribed by the Regulations, within one (1) year from the fifth anniversary of the date of the registration of the mark. Otherwise, the mark shall be removed from the Register by the Office. (Sec. 12, R.A. No. 166a)

Meanwhile, the Intellectual Property Office issued Office Order No. 056-13[11] amending Rule 205[12] of the Trademark Regulations for the purpose of streamlining administrative procedures in registering trademarks and also to address the need to clarify what will be accepted as proof of use,[13] viz.:

RULE 205. Contents of the Declaration and Evidence of Actual Use. -

(a) The declaration shall be under oath and filed by the applicant or registrant (or the authorized officer in case of a juridical entity) or the attorney or authorized representative of the applicant or registrant. The declaration must refer to only one application or registration, shall contain the name and address of the applicant or registrant declaring that the mark is in actual use in the Philippines, the list of goods or services where the mark is used, the name/s of the establishment and address where the products are being sold or where the services are being rendered. If the goods or services are available only by online purchase, the website must be indicated on the form in lieu of name or address of the establishment or outlet. The applicant or registrant may include other facts to show that the mark described in the application or registration is actually being used in the Philippines. The date of first use shall not be required.

(b) Actual use for some of the goods and services in the same class shall constitute use for the entire class of

goods and services. Actual use for one class shall be considered use for related classes. In the event that some classes are not covered in the declaration, a subsequent declaration of actual use may be filed for the other classes of goods or services not included in the first declaration, provided that the subsequent declaration is filed within the three year period or the extension period, in case an extension of time to file the declaration was timely made. In the event that no subsequent declaration of actual use for the other classes of goods and services is filed within the prescribed period, the classes shall be automatically dropped from the application or registration without need of notice to the applicant or registrant.

(c) The following shall be accepted as proof of actual use of the mark: (1) labels of the mark as these are used; (2) downloaded pages from the website of the applicant or registrant clearly showing that the goods are being sold or the services are being rendered in the Philippines; (3) photographs (including digital photographs printed on ordinary paper) of goods bearing the marks as these are actually used or of the stamped or marked container of goods and of the establishment/s where the services are being rendered; (4) brochures or advertising materials showing the actual use of the mark on the goods being sold or services being rendered in the Philippines; (5) for online sale, receipts of sale of the goods or services rendered or other similar evidence of use, showing that the goods are placed on the market or the services are available in the Philippines or that the transaction took place in the Philippines; (6) copies of contracts for services showing the use of the mark. Computer printouts of the drawing or reproduction of marks will not be accepted as evidence of use.

(d) The Director may, from time to time, issue a list of acceptable evidence of use and those that will not be accepted by the Office. (Emphases and underscoring supplied)

The Intellectual Property Office propounded the significance of requiring actual use to perfect trademark ownership which bolsters the fact that registration is not the sole mode of acquiring trademark rights, thus:

Imagine trademark protection as a similar process to how the human brain works in adopting new skills or knowledge.

The more a person uses and practices a skill or knowledge, the likelier it will be retained in his brain's functions over time, especially as a person ages.

Protection for a registered trademark works in the same vein; A trademark gives its owner particular rights but to keep enjoying those rights, the trademark has to keep being used.

A business owner with a trademark has the exclusive right to make

use of his mark, and prevent others from using the same or similar marks, on identical or related goods or services.

If he fails to maintain his trademark, that is, file a Declaration of Actual Use, he loses those rights, and his trademark is removed from the Intellectual Property Office of the Philippines (IPOP) Register.

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In requiring DAU, the IPOP is filtering trademark-owners who just stockpile marks without genuinely using them, and may just be cutting in the financial gain from owners of identical/confusingly similar trademarks.

The DAU requirement, then works as tool to deter the 'trademark squatting' - when a party registers a trademark in bad faith. This occurs when a party registers another's trademark as his own in a jurisdiction where the original trademark owner has yet to register.

In countries where the trademark system is 'first-to-file', this is problematic as the 'squatter' essentially blocks the registration of the original brand-owner, and may extract benefits from him just so he can register.

Additionally, in the name of competition, removal of marks because of non-compliance with DAU will free up

the same marks to other potential trademark registrants.

A trademark registration is in force for 10 years but, to maintain it, the DECLARATION OF ACTUAL USE of the mark, with accompanying evidence of its use, must be filed with the Intellectual Property Office of the Philippines according to the following schedule:

- DAU filed within three (3) years from the filing date of the trademark application;
- DAU filed within one (1) year from the fifth anniversary of the registration/within one (1) year from the fifth anniversary of the renewal of registration; and
- DAU to be filed within one (1) year from the date of renewal of registration (*This additional requirement applies to all marks due for renewal on 1 January 2017 and onwards, regardless of the filing date of the request for renewal).

A single extension of six months can be requested to file for the 3rd Year DAU, provided the request was made before the three-year period expired, and upon payment of the necessary fees.

But, if a registrant has valid reasons which prohibit him from using the mark, a Declaration of Non-Use may be filed instead of the DAUs. However, the non-use of a mark may only be excused in the following circumstances:

- the registered owner is prevented from using it as a requirement imposed by another government agency
- an existing restraining order or injunction issued by a court, the IPO or other quasi-judicial bodies prevents the use or,
- the mark is the subject of an opposition or cancellation case.[14]

Evidently, the affidavit of actual use or declaration of continued use presupposes that the owner of the registered mark continues the bona fide use of its mark on the goods or services in the course of trade. Failing to satisfy the scrutiny of the respective trademark officers, a registered mark may be cancelled on account of non-use amounting to abandonment. Clearly, the Intellectual Property Law does not reject the fact that prior registration, as indicated under Section 122, actually relies on a claimant's actual use of the mark in commerce.

Section 159.1[15] also recognizes rights to prior actual users of a trademark later on registered, thus:

Notwithstanding the provisions of Section 155 hereof, a registered mark shall have no effect against any person who, in good faith, before the filing date or the priority date, was using the mark for the purposes of his business or enterprise: Provided, That his right may only be transferred or assigned together with his enterprise or business or with that part of his enterprise or business in which the mark is used. (Emphasis supplied)

RA 8293, therefore, does not eliminate prior actual use as a foundation for trademark ownership. Just as Section 122 is not a complete scheme for trademark ownership, Section 159.1 cannot also be interpreted as the only right given to prior actual users.

While Section 138[16] provides that a certificate of registration is a prima facie evidence of the registrant's ownership of the mark, jurisprudence dictates that registration does not confer upon the registrant an absolute right to the registered mark.[17]

The Court in *UFC Philippines, Inc. v. Barrio Fiesta Manufacturing Corporation*[18] clarified that prima facie presumption brought about by the registration of a mark may be challenged and overcome, in an appropriate action, by proof of the nullity of the registration or of non-use of the mark, except when excused.

Corollary thereto, *W Land Holdings, Inc. v. Starwood Hotels and Resorts Worldwide, Inc.*[19] ordained that the actual use of the mark representing the goods or services introduced and transacted in commerce over a period of time creates that goodwill which the law seeks to protect.

Both UFC and W Land Holdings, Inc. (among other jurisprudence) cited Berris which emphasized the important factor of prior actual use in one's claim of trademark ownership which the ponencia wishes to overturn.

Indubitably, actual use cannot be downplayed as an essential element in protecting trademark laws. To be sure, the real value of a trademark lies in its actual use. Trademark is important to commerce, and commerce is about execution and not about abstract and academic steps or procedures.

The trademark dispute here involves not just any other commercial good. The products here relate to the general population's health and safety. Thus, our concern should focus how trademark laws can be better harmonized in the context of determining the rights accorded in the sale and distribution of these medical products bearing specific trademarks. For the protection of trademarks as intellectual property is intended not only to preserve the goodwill and reputation of the business established on the goods bearing the mark through actual use over a period of time, but more importantly, to safeguard the public as consumers.[20]

We have to consider the long history articulating the ownership rights of prior actual users. This shall subsist in the absence of its express repudiation and express good commercial reasons for discarding it.

A final word. The sale and distribution of medicine are not merely commercial in nature even if pharmaceutical giants make handsome profits from these endeavors. Rather, our lens should be widened to equally view medicine trademarks also as a matter of public health and safety.

In its closing statements, the ponencia admits that the issue on likelihood of confusion on medicines may pose a significant threat to public health, and adds that there is a need to improve our intellectual property laws and the government's manner of regulation of drug names to prevent the concurrent use in the market of confusingly similar names for medicines.[21] But why wait when we can already reconcile the existing legal precepts to address this? The 1987 Constitution itself guides us, thus:

Article XII, Section 6. The use of property bears a social function, and all economic agents shall contribute to the common good. Individuals and private groups, including corporations, cooperatives, and similar collective organizations, shall have the right to own, establish, and operate economic enterprises, subject to the duty of the State to promote distributive justice and to intervene when the common good so demands.

As Justice Leonen aptly points out in his Dissenting Opinion, this is the very foundation of regulations behind both the IP Code and the Food and Drug Administration Act.[22] Verily, even with the safeguards of intellectual rights protection and policy in place, and no matter the effectiveness of their enforcement, the truth is that it is human to err. It is not a question of if but when a person will mistake ZYNAPSE for ZYNAPS and suffer its consequences, if only to strictly interpret a legal provision. This myopic reading of IP laws is inconsistent with the demand of the Constitution[23] for a holistic approach on national economic policies in consideration of their social function and the common good.

ACCORDINGLY, I vote to GRANT the petition.

(Sgd.)AMY LAZARO-JAVIER

Associate Justice

[1]Section 2. What are registrable. - Trademarks, tradenames, 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 provisions of this Act: Provided, That said trademarks, tradenames, and service marks are actually in use in commerce and services not less than two months in the Philippines before the time the applications for registrations are filed: And, Provided further, That the country of which the applicant for registration is a citizen grants by law substantially same 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.

[2]Section 2-A. Ownership of trade-marks, 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 trade-mark, a trade-name, or a service-mark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or services of others. The ownership or possession of a trade-mark, 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 law.

[3]AN ACT TO PROVIDE FOR THE REGISTRATION AND PROTECTION OF TRADE-MARKS, TRADE-NAMES AND SERVICE-MARKS, DEFINING UNFAIR COMPETITION AND FALSE MARKING AND PROVIDING REMEDIES AGAINST THE SAME, AND FOR OTHER PURPOSES.

[4]Section 122. How Marks are Acquired. - The rights in a mark shall be acquired through registration made validly in accordance with the provisions of this law. (Sec. 2-A, R.A. No. 166a).

[5]Page 10 of Justice Leonen's Reflections.

[6]Derringer v. Plate, 29 Cal. 293, 294, 1865 Cal. LEXIS 244, *1 (Cal. October 1, 1865).

[7]Derringer v. Plate, 29 Cal. 293, 298-299, 1865 Cal. LEXIS 244, *11-13 (Cal. October 1, 1865).

[8]Excell Consumer Prods, v. Smart Candle LLC, 2013 U.S. Dist. LEXIS 129257, *60, 2013 WL 4828581 (S.D.N.Y. September 10, 2013).

[9]Intellectual Property Code. 124.2. The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations within three (3) years from the filing date of the application. Otherwise, the application shall be refused or the mark shall be removed from the Register by the Director.

[10]Intellectual Property Code. SECTION 145. Duration.

[11]Amendment of the Provisions on Declaration of Actual Use of the Trademark Regulations < <https://www.federislaw.com.ph/wp-content/themes/federis/files/Office%20Order%20No%20%2013-056,%20Series%20of%202013.pdf>; last accessed July 10, 2020.>

[12]RULE 205. Contents of the Declaration and Evidence of Actual Use.-

(a) The declaration shall be under oath and filed by the applicant or registrant (or the authorized officer in case of a juridical entity) or the attorney or authorized representative of the applicant or registrant. The declaration must refer to only one application or registration, shall contain the name and address of the applicant or registrant

declaring that the mark is in actual use in the Philippines, the list of goods or services where the mark is used, the name/s of the establishment and address where the products are being sold or where the services are being rendered. If the goods or services are available only by online purchase, the website must be indicated on the form in lieu of name or address of the establishment or outlet. The applicant or registrant may include other facts to show that the mark described in the application or registration is actually being used in the Philippines. The date of first use shall not be required, x x x x (Emphasis supplied)

[13]See *W Land Holdings, Inc. v. Starwood Hotels and Resorts Worldwide, Inc.*, 822 Phil. 23, 40 (2017).

[14]How to Maintain a Registered Trademark in the Philippines, at <https://www.ipophil.gov.ph/news/how-to-maintain-a-registered-trademark-in-the-philippines/> (last accessed June 23, 2020).

[15]Intellectual Property Code. Section 159.1.

[16]Intellectual Property Code. Section 138.

Certificates of Registration. - A certificate of registration of a mark shall be prima facie evidence of validity of the registration, the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate, x x x.

[17]See *Phillip Morris, Inc. v. Fortune Tobacco Corp.*, 526 Phil. 300, 317 (2006).

[18]See 778 Phil. 763, 790 (2016), citing *Berris Agricultural Co., Inc. v. Abyadang*, 647 Phil. 517, 525-533 (2010).

[19]Supra note 13.

[20]See *UFC Philippine, Inc. v. Barrio Fiesta Manufacturing Corporation*, supra.

[21]Ponencia, p. 43.

[22]J. Leonen Reflections, p. 5.

[23]1987 Constitution, Article XII, Section 6.

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