

# *As Determined by Competent Authority: A Search for Institutional Stability in Determining Whether a Mark is “Well-Known”*

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## I. THE “WELL-KNOWN” MARK

### *A. From Known to Well-Known*

A “mark” is defined under Section 121 of the Intellectual Property Code (IP Code)<sup>1</sup> as “any visible sign capable of distinguishing the goods (trademark) or

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services (service mark) of an enterprise and shall include a stamped or marked container of goods.”<sup>2</sup> In *Mirpuri v. Court of Appeals*,<sup>3</sup> trademarks were defined as “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 to distinguish them from those manufactured, sold[,] or dealt in by others.”<sup>4</sup> In the same case, the Court enumerated the three distinct functions of a trademark, *viz*:

- (a) they indicate the origin or ownership of articles to which they are attached;
- (b) they guarantee that those articles come up to a certain standard of quality; and
- (c) they advertise the articles they symbolize.<sup>5</sup>

Additionally, the Court said that the trademarks today are “not merely symbol[s] of origin and goodwill”<sup>6</sup> but are actually “the most effective agent[s] for actual creation and protection of goodwill.”<sup>7</sup>

A mark becomes “well-known” when its reputation and goodwill are detached from national and territorial boundaries, and reach unrelated fields of activity far beyond the scope of the original goods and services in relation to which the mark is used.<sup>8</sup> Simply put, a mark will be considered well-known if it is known to a large part of the relevant public, being associated with the article or the service in the mind of the public, as indicating its origin.<sup>9</sup> The attainment of the status of a well-known mark is therefore a function of awareness, rather than registration or use, although the degree of protection will depend on the latter. Accordingly, a party claiming that his

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1. An Act Prescribing the Intellectual Property Code and Establishing the Intellectual Property Office, Providing for Its Powers and Functions, and for Other Purposes [INTELLECTUAL PROPERTY CODE], Republic Act No. 8293 (1997).
  2. *Id.* § 121.1.
  3. *Mirpuri v. Court of Appeals*, 318 SCRA 516 (1999).
  4. *Id.* at 532 (citing 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, Republic Act No. 166 (1947)).
  5. *Id.* at 532-33.
  6. *Id.* at 535.
  7. *Id.*
  8. FREDERICK W. MOSTERT, *FAMOUS AND WELL-KNOWN MARKS: AN INTERNATIONAL ANALYSIS* 1-6 (2d ed. 2004).
  9. *Id.* at 1-27 (citing *Question 100*, 1991/I INT’L ASSOC. FOR THE PROTECTION OF INDUS. PROPERTY Y.B. (Executive Comm. of Barcelona) 295-97).

or her mark has attained well-known status would have to rely heavily on evidence from which such public recognition can be inferred.

### *B. International Law*

The concept of a “well-known” mark, and the standards for its protection, are provided in two treaties: the Paris Convention for the Protection of Industrial Property (Paris Convention)<sup>10</sup> and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).<sup>11</sup>

Article 6*bis* of the Paris Convention provides:

(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.

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.<sup>12</sup>

The Philippine Supreme Court has held that Article 6*bis* of the Paris Convention is self-executing and therefore does not require legislative enactment to take effect in a member country, thus:

This Article governs the protection of well-known trademarks. Under the first paragraph, each country of the Union bound itself to undertake to refuse or cancel the registration, and prohibit the use of a trademark which is a reproduction, imitation or translation, or any essential part of which trademark constitutes a reproduction, liable to create confusion, of a mark considered by the *competent authority* of the country where the protection is sought, to be well-known in the country as being already the mark of a

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10. Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 21 U.S.T. 1583, 828 U.N.T.S. 305 (last revised July 14, 1967) [hereinafter Paris Convention] (The Philippines concurred with this treaty on May 10, 1965, and became binding on the Philippines by accession on Sep. 27, 1965.).

11. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, 33 I.L.M. 1197, 1869 U.N.T.S. 299 [hereinafter TRIPS Agreement].

12. Paris Convention, *supra* note 10, art. 6*bis* (emphasis supplied).

person entitled to the benefits of the Convention, and used for identical or similar goods.

Article 6*bis* was first introduced at The Hague in 1925 and amended in Lisbon in 1952. *It is a self-executing provision and does not require legislative enactment to give it effect in the member country.* It may be applied directly by the tribunals and officials of each member country by the mere publication of proclamation of the Convention, after its ratification according to the public law of each state and the order for its execution.<sup>13</sup>

Article 16 of the TRIPS Agreement expressly refers to, and incorporates by reference, Article 6*bis* of the Paris Convention, *viz*:

(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.

(2) Article 6*bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.

(3) Article 6*bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.<sup>14</sup>

Notably, Article 16 (3) above makes a distinction between well-known marks that are registered, and those which are not. The protection given to well-known marks that are *registered* in the country of the competent authority extends to goods or services that are not similar to those with respect to which the well-known mark is registered. It is submitted, however, that although the Paris Convention seems to require, at a minimum, that there has been actual local use in commerce of the well-known mark, this does not necessarily refer to use in the actual sale of goods or services. As previously discussed, the distinguishing characteristic of a

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13. *Mirpuri*, 318 SCRA at 542-43 (emphasis supplied).

14. TRIPS Agreement, *supra* note 11, art. 16 (emphasis supplied).

well-known mark is its degree of recognition or awareness in the relevant sector of the public, which may not necessarily be the result of actual use on goods and services. In fact, Article 16 (2) of the TRIPS Agreement expressly recognizes that the awareness of the mark may have been “obtained as a result of the promotion of the trademark” only.

In light of the Philippines’ adherence to both the Paris Convention and the TRIPS Agreement, it became incumbent upon the State to harmonize its domestic legislation with its covenants under these treaties. In *Mirpuri*, the Court pointed out that the Philippines’ accession to the World Trade Organization (WTO) played a large part in the move towards harmonizing Philippine laws with international standards, widening the realm of protection, and internationalizing the subjects of protection.<sup>15</sup> Specifically, the Court said:

The WTO is a common institutional framework for the conduct of trade relations among its members in matters related to the multilateral and plurilateral trade agreements annexed to the WTO Agreement. The WTO framework ensures a ‘single undertaking approach’ to the administration and operation of all agreements and arrangements attached to the WTO Agreement. Among those annexed is the *Agreement on Trade-Related Aspects of Intellectual Property Rights or TRIPs*. Members to this Agreement ‘desire to reduce distortions and impediments to international trade, taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.’ To fulfill these objectives, the members have agreed to adhere to minimum standards of protection set by several Conventions. These Conventions are: the Berne Convention for the Protection of Literary and Artistic Works (1971), the Rome Convention or the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, the Treaty on Intellectual Property in Respect of Integrated Circuits, and the *Paris Convention* (1967), as revised in Stockholm on July 14, 1967.

*A major proportion of international trade depends on the protection of intellectual property rights. Since the late 1970s, the unauthorized counterfeiting of industrial property and trademarked products has had a considerable adverse impact on domestic and international trade revenues. The TRIPs Agreement seeks to grant adequate protection of intellectual property rights by creating a favorable economic environment to encourage the inflow of foreign investments, and strengthening the multi-lateral trading system to bring about economic, cultural[,] and technological independence.*

The Philippines and the United States of America have acceded to the WTO Agreement. This Agreement has revolutionized international business and economic relations among states, and has propelled the world towards trade liberalization and economic globalization. Protectionism and

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15. See *Mirpuri*, 318 SCRA at 554.

isolationism belong to the past. Trade is no longer confined to a bilateral system. There is now 'a new era of global economic cooperation, reflecting the widespread desire to operate in a fairer and more open multilateral trading system.' Conformably, the State must reaffirm its commitment to the global community and take part in evolving a new international economic order at the dawn of the new millennium.<sup>16</sup>

The IP Code took effect on 1 January 1998, and it was evidently meant to serve as the country's chief effort to comply with its undertakings under international law to "grant adequate protection to intellectual property rights." Indeed, the Court noted that "[t]he Code was enacted to strengthen the intellectual and industrial property system in the Philippines as mandated by the country's accession to the Agreement Establishing the World Trade Organization (WTO)."<sup>17</sup>

Prior to the enactment of the IP Code, the Philippines had several laws regulating the acquisition and exercise of intellectual property rights. The IP Code likewise served to streamline and consolidate these laws by including a provision that expressly repealed "all laws that are inconsistent therewith, along with particular laws such as Republic Act No. 165, as amended; Republic Act No. 166, as amended; Articles 188 and 189 of the Revised Penal Code; Presidential Decree No. 49, including Presidential Decree No. 285, as amended."<sup>18</sup> In *Shangri-La International Hotel Management, Ltd. v. Developers Group of Companies, Inc.*,<sup>19</sup> the Court pointed out that the provisions of the IP Code have, for the most part, taken into consideration the Philippines' international undertakings:

The new Intellectual Property Code (IPC), Republic Act No. 8293, undoubtedly shows the *firm resolve of the Philippines to observe and follow the Paris Convention* by incorporating the relevant portions of the Convention such that persons who may question a mark (that is, oppose registration, petition for the cancellation thereof, sue for unfair competition) include persons whose internationally well-known mark, *whether or not registered*, is identical with or confusingly similar to or constitutes a translation of a mark that is sought to be registered or is actually registered.<sup>20</sup>

The problems that arose in *Philip Morris, Inc. v. Court of Appeals*<sup>21</sup> will therefore no longer have any occasion to arise. The *Philip Morris* case is a

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16. *Id.* at 554-57 (emphasis supplied).

17. *Id.* at 555 (citing Emma C. Francisco, *The Policy of Intellectual Property Protection in the Philippines*, THE WORLD BULLETIN, Jan.-June 1996).

18. INTELLECTUAL PROPERTY CODE, § 239.

19. *Shangri-La International Hotel Management, Ltd. v. Developers Group of Companies, Inc.*, 486 SCRA 405 (2006).

20. *Id.* at 428 (emphasis supplied).

21. *Philip Morris, Inc. v. Court of Appeals*, 224 SCRA 576 (1993).

classic example of how a conflict between domestic law and international law may ultimately be detrimental to intellectual property rights. The conflict in this case was between the provisions of the former Trademark Law (R.A. No. 166) and the Paris Convention. On the one hand, under the Trademark Law, actual use in commerce of the mark was a prerequisite for the acquisition of ownership over the same. The Paris Convention, on the other hand, does not require actual use. In resolving the conflict, the Court held that pursuant to Sections 2 and 2-A of the Trademark Law, the determination of whether or not an entity has an exclusive right over their symbol as to justify issuance of the a writ of injunction is dependent on the actual use of the trademarks in the Philippines.<sup>22</sup> The Court rejected the proposition that the provisions of the Paris Convention could prevail over that of the Trademark Law, thus:

Following universal acquiescence and comity, our municipal law on trademarks regarding the requirements of actual use in the Philippines *must subordinate an international agreement* inasmuch as the apparent clash is being decided by a municipal tribunal. ... Withal, the fact that international law has been made part of the law of the land does not by any means imply the primacy of international law over national law in the municipal sphere. Under the doctrine of incorporation as applied in most countries, rules of International Law are given a standing equal, not superior, to national legislative enactments.<sup>23</sup>

Article 6*bis* of the Paris Convention and Article 16 of the TRIPS Agreement were substantially re-enacted in Subsection 123.1 (e) and (f) of the IP Code.<sup>24</sup>

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22. *Id.* at 595.

23. *Id.* (emphasis supplied).

24. INTELLECTUAL PROPERTY CODE, § 123.1 (e) and (f).

123.1. A mark cannot be registered if it:

...

(e) Is identical with, or confusingly similar to, or constitutes a translation of a mark which is considered by the *competent authority of the Philippines* to be well-known internationally and in the Philippines, whether or not it is registered here, as being already the mark of a person other than the applicant for registration, and used for identical or similar goods or services: *Provided*, That in determining whether a mark is well-known, account shall be taken of the knowledge of the relevant sector of the public, rather than of the public at large, including knowledge in the Philippines which has been obtained as a result of the promotion of the mark;

(f) Is identical with, or confusingly similar to, or constitutes a translation of a mark considered well-known *in accordance with the preceding paragraph*, which is registered in the Philippines with respect to goods or services which are *not similar* to those with respect to which

Notably, while the Paris Convention refers to a mark that is well-known in the country involved, the IP Code refers to a mark that is well-known both internationally *and* in the Philippines. This difference is more apparent than real, as Article 16 (2) of the TRIPS Agreement states that “[i]n determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, *including knowledge in the Member concerned* which has been obtained as a result of the promotion of the trademark.”<sup>25</sup> This necessarily implies that under international standards, the well-known status contemplated is that which is attained internationally, and not necessarily locally.

In order to assist the competent authority in determining whether a mark is well-known, guidelines have been set, through national and regional legislations, case law, and trademark office procedures in various jurisdictions.<sup>26</sup>

Article 2 of Part I of the World Intellectual Property Organization (WIPO) Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks provides:

Determination of Whether a Mark is a Well-Known Mark in a Member State

[Factors for Consideration]

(a) In determining whether a mark is a well-known mark, the competent authority shall take into account *any circumstances from which it may be inferred that the mark is well known*.

(b) In particular, the competent authority shall consider information submitted to it with respect to factors from which it may be *inferred* that the mark is, or is not, well known, including, *but not limited to*, information concerning the following:

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registration is applied for: *Provided*, That use of the mark in relation to those goods or services would indicate a connection between those goods or services, and the owner of the registered mark: *Provided further*, That the interests of the owner of the registered mark are likely to be damaged by such use . . . .

*Id.*

25. TRIPS Agreement, *supra* note 11, art. 16 (2) (emphasis supplied).

26. See Lanham (Trademark) Act, 15 U.S.C. §§ 1051-1141, 1125 (1946); Codification of the Andean Subregional Integration Agreement, May 26, 1969, art. 84, 8 ILM 910; Rules and Regulations Implementing the Industrial Property Law of Brazil, § 3; Trade-marks Act, R.S.C., ch. T-10 (1985) (Can.); World Intellectual Property Organization (WIPO), *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, SCT/3/8, (Oct. 7, 1999) [hereinafter WIPO, *Joint Recommendation*].



1. the degree of knowledge or recognition of the mark in the relevant sector of the public;
2. the duration, extent and geographical area of any use of the mark;
3. the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
4. the duration and geographical area of any registrations, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark;
5. the record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognized as well known by competent authorities;
6. the value associated with the mark.

(c) The above factors, which are guidelines to assist the competent authority to determine whether the mark is a well-known mark, are not pre-conditions for reaching that determination. Rather, the determination in each case will depend upon the particular circumstances of that case. In some cases all of the factors may be relevant. In other cases some of the factors may be relevant. In still other cases none of the factors may be relevant, and the decision may be based on additional factors that are not listed in subparagraph (b), above. Such additional factors may be relevant, alone, or in combination with one or more of the factors listed in subparagraph (b), above.<sup>27</sup>

In the Philippines, Rule 102 of the Rules and Regulations on Trademarks, Service Marks, Trade Names and Marked or Stamped Containers (Rules on Trademarks)<sup>28</sup> provides the criteria for determining whether a mark is well-known, *viz*:

Rule 102. *Criteria in determining whether a mark is well-known.* In determining whether a mark is well-known, the following criteria or any combination thereof may be taken into account:

- (a) the duration, extent and geographical area of any use of the mark, in particular, the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
- (b) the market share, in the Philippines and in other countries, of the goods and/or services to which the mark applies;

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27. WIPO, *Joint Recommendation*, *supra* note 26, art. (2) (1) (emphasis supplied).

28. Intellectual Property Office, Rules and Regulations on Trademarks, Service Marks, Trade Names, and Marked or Stamped Containers, Office Order No. 17, rule 203 (Dec. 1, 1998) [hereinafter Rules and Regulations].

- (c) the degree of the inherent or acquired distinction of the mark;
- (d) the quality-image or reputation acquired by the mark;
- (e) the extent by which the mark has been registered in the world;
- (f) the exclusivity of registration attained by the mark in the world;
- (g) the extent to which the mark has been used in the world;
- (h) the exclusivity of use attained by the mark in the world;
- (i) the commercial value attributed to the mark in the world;
- (j) the record of successful protection of the rights in the mark;
- (k) the outcome of litigations dealing with the issue of whether the mark is a well-known mark; and
- (l) the presence or absence of identical or similar marks validly registered for or used on identical or similar goods or services and owned by persons other than the person claiming that his mark is a well-known mark.<sup>29</sup>

These various criteria, which are non-exclusive, further enforce the position that a well-known mark need not be used in local commerce before it can be considered as such. Paragraph (a) above, which appears to have been derived from Article 16 (2) of the TRIPS Agreement and Section 123.1 (e) of the IP Code, explicitly states that the use of the well-known mark may be confined to promotion, advertising, and publicity. Indeed, a perusal of the facts and circumstances embodied in these criteria reveals that the attainment of the status of being well-known is truly a function of the public's awareness of the mark.

Since "awareness" is essentially a state of mind, the establishment of these criteria will rely heavily on evidence, and the ability of the competent authority to effectively weigh such evidence. This begs the question of who (or what) is the "competent authority" that determines whether a mark has become "well-known." In *Mirpuri*, the Court attempted to answer this question when it held that "(t)his competent authority would be either the registering authority if it has the power to decide this, or the courts of the country in question if the issue comes before the court."<sup>30</sup> Moreover, Rule 100 of the Rules on Trademarks defines "competent authority," for the

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29. *Id.* rule 102.

30. *Mirpuri*, 318 SCRA at 543 (citing 2 STEPHEN P. LADAS, PATENTS, TRADEMARKS, AND RELATED RIGHTS, NATIONAL AND INTERNATIONAL PROTECTION 1252-54 (1975 ed.)).

Arguably, the statement of the Court should have very little weight considering that the determination of who the competent authority is was never put into issue. The statement was merely a part of the Court's attempt to give a history or background of Article 6bis of the Paris Convention.

purpose of determining whether a mark is well-known, as “the Court, the Director General, the Director of the Bureau of Legal Affairs, or any administrative agency or office vested with quasi-judicial or judicial jurisdiction to hear and adjudicate any action to enforce the rights to a mark[.]”<sup>31</sup>

Although Rule 100 and the Court’s statement in *Mirpuri* gave some clarity as to who would be in a position to determine the attainment of international fame or the status of being well-known, they also brought to light a more pressing concern in the current framework for intellectual property rights protection in the Philippines — the lack of a binding, uniform and stable system for determining whether or not a mark is well-known. However, before discussing *how* to attain institutional stability, there is a need to address *why* there is a need for such stability.

## II. CONFUSION: THE BENCHMARK FOR TRADEMARK PROTECTION

### A. In General

Institutional stability in the regulatory framework for intellectual property rights is indispensable to the protection of trademarks, whether ordinary or well-known, against three types of violations: (1) trademark infringement, (2) unfair competition, and (3) spurious trademark registration.

#### I. Trademark Infringement

Section 155 of the IP Code provides that trademark infringement is committed as follows:

Sec. 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

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31. Rules and Regulations, rule 100.

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.<sup>32</sup>

In *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*,<sup>33</sup> the Court laid down the elements necessary to establish Trademark Infringement, namely:

- (a) the validity of the plaintiff's trademark;
- (b) the plaintiff's ownership of the trademark; and
- (c) there is a *likelihood of confusion* arising from the use or imitation by the defendant of the plaintiff's trademark.<sup>34</sup>

## 2. Unfair Competition

The offense of Unfair Competition is defined under Section 168 of the IP Code as follows:

Sec. 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

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32. INTELLECTUAL PROPERTY CODE, § 155 (emphasis supplied).

33. *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*, 437 SCRA 10 (2004) [hereinafter *L.C. Big Mak Burger, Inc.*].

34. *Id.* at 24.

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.<sup>35</sup>

In *In-N-Out Burger, Inc. v. Sehwan, Inc.*,<sup>36</sup> the Court enumerated the elements of Unfair Competition as follows:

- (a) [there is] confusing similarity in the general appearance of the goods; and
- (b) [there is] intent to deceive the public or to defraud a competitor.<sup>37</sup>

### 3. Spurious Trademark Registration

Likelihood of confusion is also important in determining the registrability of a trademark. Subsection 123.1 of the IP Code provides thus:

Sec. 123. Registrability. —

123.1. A mark cannot be registered if it:

...

- (d) is identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date, in respect of:
  - (i) The same goods or services, or
  - (ii) Closely related goods or services, or
  - (iii) If it nearly resembles such a mark as to be *likely to deceive or cause confusion*;
- (e) is *identical with, or confusingly similar to, or constitutes a translation of a mark which is considered by the competent authority of the Philippines to be well-known internationally and in the Philippines*, whether or not it is registered here, as being already the mark of a person other than the

35. INTELLECTUAL PROPERTY CODE, § 168 (emphasis supplied).

36. *In-N-Out Burger, Inc. v. Sehwan, Inc.*, 575 SCRA 535 (2008).

37. *Id.* at 564-65 (Note that an action for Unfair Competition may be brought by a person who has long used a particular mark, even if such person has not yet procured a registration therefore.). See VICENTE B. AMADOR, INTELLECTUAL PROPERTY FUNDAMENTALS 182 (2007 ed.) (citing *Seinosuke Ogura v. Sotero Chua*, 59 SCRA 471 (1934)).

applicant for registration, and used for identical or similar goods or services: *Provided*, That in determining whether a mark is well-known, account shall be taken of the knowledge of the relevant sector of the public, rather than of the public at large, including knowledge in the Philippines which has been obtained as a result of the promotion of the mark;

- (f) *is identical with, or confusingly similar to, or constitutes a translation of a mark considered well-known in accordance with the preceding paragraph, which is registered in the Philippines with respect to goods or services which are not similar to those with respect to which registration is applied for: Provided*, That use of the mark in relation to those goods or services would indicate a connection between those goods or services, and the owner of the registered mark: *Provided further*, That the interests of the owner of the registered mark are likely to be damaged by such use;
- (g) *is likely to mislead the public, particularly as to the nature, quality, characteristics[,] or geographical origin of the goods or services[.]*<sup>38</sup>

Thus, in *Pagasa Industrial Corp. v. Court of Appeals*,<sup>39</sup> the Court affirmed the Director of Patent's cancellation of Pagasa Industrial's "YKK" mark which was identical to Yoshida Kogyo Kabushiki Kaisha on the ground that the same has caused confusion, mistake, and deception.<sup>40</sup> Likewise, in *Marvex Commercial Co., Inc. v. Petra Hawpia & Co.*,<sup>41</sup> the Court stated that "LIONPAS" cannot be registered as a trademark for medicated plasters as it is confusingly similar to "SALONPAS."<sup>42</sup>

Note that proof of actual confusion is not necessary in order to establish trademark infringement, as the law merely requires *likelihood of confusion*. It has been held that "[w]hile proof of actual confusion is the best evidence of infringement, its absence is inconsequential."<sup>43</sup>

A person's goodwill, specifically his/her rights in a certain mark, is most likely to fall victim to trademark infringement, unfair competition, or spurious trademark registration. Since likelihood of confusion is an essential element, and is usually the determining factor in each of these cases, it is imperative to elaborate on this concept.

#### *B. Factors and Tests in Determining Confusion*

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38. INTELLECTUAL PROPERTY CODE, § 123 (emphasis supplied).

39. *Pagasa Industrial Corp. v. Court of Appeals*, 131 SCRA 565 (1984).

40. *Id.* at 567-68.

41. *Marvex Commercial Co., Inc. v. Petra Hawpia & Co.*, 18 SCRA 1178 (1966).

42. *Id.* at 1183-84.

43. *L.C. Big Mak Burger, Inc.*, 437 SCRA at 36 (citing *PACCAR Inc. v. Tele Scan Technologies, L.L.C.*, 319 F.3d 243 (6th Cir. 2003)).

In *Mighty Corporation v. E. & J. Gallo Winery*,<sup>44</sup> it was held that in determining likelihood of confusion, “the Court must consider: (a) the resemblance between the trademarks; (b) the similarity of the goods to which the trademarks are attached; (c) the likely effect on the purchaser[;] and (d) the registrant’s express or implied consent and other fair and equitable considerations.”<sup>45</sup> The Court also observed that

each trademark infringement case presents its own unique set of facts. No single factor is preeminent, nor can the presence or absence of one determine, without analysis of the others, the outcome of an infringement suit. Rather, the court is required to sift the evidence relevant to each of the criteria.<sup>46</sup>

#### 1. Resemblance Between the Trademarks

In determining likelihood of confusion, particularly in reference to resemblance between marks, jurisprudence has developed two tests: the dominancy test and the holistic test. The dominancy test focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion or deception. In contrast, the holistic test requires the court to consider the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity. These tests were discussed extensively in *Emerald Garment Manufacturing Corporation v. Court of Appeals*,<sup>47</sup> thus:

As its title implies, the *test of dominancy* focuses on the similarity of the prevalent features of the competing trademarks which might cause confusion or deception and thus constitutes infringement.

...

If the competing trademark contains the *main or essential or dominant features* of another, and confusion and deception is likely to result, infringement takes place. *Duplication or imitation is not necessary; nor is it necessary that the infringing label should suggest an effort to imitate.* ... The question at issue in cases of infringement of trademarks is whether the use of the marks involved would be likely to cause confusion or mistakes in the mind of the public or deceive purchasers.

...

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44. *Mighty Corporation v. E. & J. Gallo Winery*, 434 SCRA 473 (2004).

45. *Id.* at 504.

46. *Id.* at 511.

47. *Emerald Garment Manufacturing Corporation v. Court of Appeals*, 251 SCRA 600 (1995).

On the other side of the spectrum, the *holistic test* mandates that *the entirety of the marks* in question must be considered in determining confusing similarity.

...

In determining whether the trademarks are confusingly similar, a *comparison of the words is not the only determinant factor*. The trademarks *in their entirety* as they appear in their respective labels or hang tags must also be considered in relation to the goods to which they are attached. *The discerning eye of the observer must focus not only on the predominant words but also on the other features appearing in both labels* in order that he may draw his conclusion whether one is confusingly similar to the other.<sup>48</sup>

The recent trend, however, favors the application of the dominance test over the holistic test. As a matter of fact, the dominance test has become the statutorily mandated test to determine the existence of trademark confusion. Thus, Section 155 of the IP Code provides that trademark infringement occurs when a person uses without the owner's consent a registered mark, including a dominant feature of the mark or colorable imitation of it in commerce, which is likely to cause confusion, mistake or to deceive.<sup>49</sup>

In two recent cases involving the famous *McDonald's* marks, the Supreme Court applied the dominance test and rejected the holistic test.<sup>50</sup>

In *L.C. Big Mak Burger, Inc.*, the Court explained how the dominance test works and why it is preferred over the holistic test:

This Court, however, has relied on the dominance test rather than the holistic test. The dominance test considers the dominant features in the competing marks in determining whether they are confusingly similar. Under the dominance test, courts give greater weight to the similarity of the appearance of the product arising from the adoption of the dominant features of the registered mark, disregarding minor differences. Courts will consider more the aural and visual impressions created by the marks in the public mind, giving little weight to factors like prices, quality, sales outlets[,] and market segments.

Thus, in the 1954 case of *Co Tiong Sa v. Director of Patents*, the Court ruled:

...

It has been consistently held that the question of infringement of a trademark is to be determined by the test of dominance. Similarity in size, form and color, while relevant, is not conclusive. *If the competing trademark contains the main or essential or dominant features of another, and confusion and*

48. *Id.* at 615-16 (emphasis supplied).

49. See INTELLECTUAL PROPERTY CODE, §§ 155.1-155.2.

50. See *L.C. Big Mak Burger, Inc.*, 437 SCRA at 10; *McDonald's Corporation v. MacJoy Fastfood Corporation*, 514 SCRA 95 (2007) [hereinafter *MacJoy Fastfood Corporation*].



deception is likely to result, infringement takes place. Duplication or imitation is not necessary; nor is it necessary that the infringing label should suggest an effort to imitate.<sup>51</sup>

In the 2001 case of *Société Des Produits Nestlé, S.A. v. Court of Appeals*,<sup>52</sup> the Court explicitly rejected the holistic test in this wise:

[T]he totality or holistic test is contrary to the elementary postulate of the law on trademarks and unfair competition that confusing similarity is to be determined on the basis of visual, aural, connotative comparisons[,] and overall impressions engendered by the marks in controversy as they are encountered in the realities of the marketplace.<sup>53</sup>

The test of dominancy is now explicitly incorporated into law in Subsection 155.1 of the Intellectual Property Code which defines infringement as the “colorable imitation of a registered mark or a dominant feature thereof.”

The same ruling was reiterated three years later, in another *McDonald’s* case: *McDonald’s Corporation v. MacJoy Fastfood Corporation*.<sup>54</sup>

The dominancy test basically requires the following analytical steps:

- i. Determine the dominant feature of the plaintiff’s trademark — in some cases, this is quite obvious, e.g., the “Mc” in *McDonald’s* trademarks. In other cases, it is more difficult.
- ii. Determine if such dominant feature is copied by the defendant’s trademark to such an extent that confusion is likely — e.g., in *L.C. Big Mak Burger, Inc.*, the dominant feature “Mc” was copied as “Mak.” In *MacJoy Fastfood Corporation*, the dominant feature “Mc” was copied as “Mac.” Confusion is likely because of aural and visual similarity.
- iii. Disregard “minor differences” — thus, minor differences in spelling (*k* instead of *c*) should not be controlling.

## 2. The Similarity of the Goods

“Confusion of goods is evident where the litigants are actually in competition; but confusion of business may arise between non-competing

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51. *L.C. Big Mak Burger, Inc.*, 437 SCRA at 32-33 (citing *Co Tiong Sa v. Director of Patents*, 95 Phil. 1 (1954)) (emphasis supplied).

52. *Société Des Produits Nestlé, S.A. v. Court of Appeals*, 356 SCRA 207 (2001).

53. *Id.*

54. *McDonald’s Corporation v. MacJoy Fastfood Corporation*, 514 SCRA 95 (2007).

interests as well.”<sup>55</sup> Thus, even non-competing goods may still be related to each other in such a manner that it can be reasonably assumed that they originate from one manufacturer, in which case, confusion can arise out of the use of similar marks.<sup>56</sup>

In *Mighty Corporation*, the Court stated that in resolving whether goods are related, several factors come into play:

- (a) the business (and its location) to which the goods belong;
- (b) the class of product to which the goods belong;
- (c) the product’s quality, quantity, or size, including the nature of the package, wrapper or container;
- (d) the nature and cost of the articles;
- (e) the descriptive properties, physical attributes or essential characteristics with reference to their form, composition, texture or quality;
- (f) the purpose of the goods;
- (g) whether the article is bought for immediate consumption, that is, day-to-day household items;
- (h) the fields of manufacture;
- (i) the conditions under which the article is usually purchased; and
- (j) the channels of trade through which the goods flow, how they are distributed, marketed, displayed[,] and sold.<sup>57</sup>

In addition, the Court held that wines and cigarettes are “not identical, similar, competing, or related goods.” Aside from the fact that they belong to different classes, the Court also considered the following distinctions:

Wines are bottled and consumed by drinking while cigarettes are packed in cartons or packages and smoked. There is a whale of a difference between their descriptive properties, physical attributes or essential characteristics like form, composition, texture and quality.

GALLO cigarettes are inexpensive items while GALLO wines are not. GALLO wines are patronized by middle-to-high-income earners while GALLO cigarettes appeal only to simple folks like farmers, fishermen, laborers and other low-income workers. Indeed, the big price difference of these two products is an important factor in proving that they are in fact unrelated and that they travel in different channels of trade. There is a distinct price segmentation based on vastly different social classes of purchasers.

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55. *Mighty Corporation*, 434 SCRA at 509.

56. *Id.*

57. *Id.* at 510-11.

GALLO cigarettes and GALLO wines are not sold through the same channels of trade. GALLO cigarettes are Philippine-made and petitioners neither claim nor pass off their goods as imported or emanating from Gallo Winery. GALLO cigarettes are distributed, marketed and sold through ambulant and sidewalk vendors, small local sari-sari stores and grocery stores in Philippine rural areas, mainly in Misamis Oriental, Pangasinan, Bohol, and Cebu. On the other hand, GALLO wines are imported, distributed and sold in the Philippines through Gallo Winery's exclusive contracts with a domestic entity, which is currently Andersons. By respondents' own testimonial evidence, GALLO wines are sold in hotels, expensive bars and restaurants, and high-end grocery stores and supermarkets, not through sari-sari stores or ambulant vendors.<sup>58</sup>

In any event, it appears that the myriad of details that distinguish one set of goods from another are no longer relevant in determining confusion due to the Court's and the Legislature's shift from the holistic, to the dominance test, where the dominant feature of the marks will ultimately determine whether or not there is confusion. Moreover, since infringement may happen even in the absence of an actual sale,<sup>59</sup> it is entirely conceivable that there may be confusion of marks even in the absence of actual goods or services.

### 3. The Likely Effect on the Purchaser

The Court has held that "due regard must be given to the goods' usual purchaser's character, attitude, habits, age, training[,] and education."<sup>60</sup> In *Emerald Garment Manufacturing*, the Court held that "the casual buyer (of expensive jeans) is predisposed to be more cautious and discriminating in and would prefer to mull over his purchase."<sup>61</sup> In *Société Des Produits Nestlé*, the Court likewise took the perspective of the ordinary purchaser in ruling that the trademark "Flavor Master" is a colorable imitation of the trademarks "Master Roast" and "Master Blend," thus:

The basis for the Court of Appeals' application of the totality or holistic test is the 'ordinary purchaser' buying the product under 'normally prevalent conditions in trade' and the attention such products normally elicit from said ordinary purchaser. An ordinary purchaser or buyer does not usually make such scrutiny nor does he usually have the time to do so. The average shopper is usually in a hurry and does not inspect every product on the shelf as if he were browsing in a library.

The Court of Appeals held that the test to be applied should be the totality or holistic test reasoning, since what is of paramount consideration is the

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58. *Id.* at 514-15.

59. See INTELLECTUAL PROPERTY CODE, § 155.1.

60. *Mighty Corporation*, 434 SCRA at 512.

61. *Emerald Garment Manufacturing*, 251 SCRA at 616.

[viewpoint of the] ordinary purchaser who is, in general, undiscerningly rash in buying the more common and less expensive household products like coffee, and is therefore less inclined to closely examine specific details of similarities and dissimilarities between competing products.

This Court cannot agree with the above reasoning. If the ordinary purchaser is ‘undiscerningly rash’ in buying such common and inexpensive household products as instant coffee, and would therefore be ‘less inclined to closely examine specific details of similarities and dissimilarities’ between the two competing products, then it would be less likely for the ordinary purchaser to notice that CFC’s trademark FLAVOR MASTER carries the colors orange and mocha while that of Nestle’s uses red and brown. *The application of the totality or holistic test is improper since the ordinary purchaser would not be inclined to notice the specific features, similarities or dissimilarities, considering that the product is an inexpensive and common household item.*

It must be emphasized that the products bearing the trademarks in question are ‘inexpensive and common’ household items bought off the shelf by ‘undiscerningly rash’ purchasers. As such, if the ordinary purchaser is ‘undiscerningly rash’, then he would not have the time nor the inclination to make a keen and perceptive examination of the physical discrepancies in the trademarks of the products in order to exercise his choice.

While this Court agrees with the Court of Appeals’ detailed enumeration of differences between the respective trademarks of the two coffee products, *this Court cannot agree that totality test is the one applicable in this case. Rather, this Court believes that the dominancy test is more suitable to this case in light of its peculiar factual milieu.*<sup>62</sup>

The same type of reasoning was applied by the Court in *Levi Strauss (Phils.), Inc. vs. Tony Lim*,<sup>63</sup> thus:

We cannot subscribe to petitioner’s stance that *Emerald Garment* cannot apply because there was only one point of comparison, i.e., ‘LEE’ as it appears in *Emerald Garment’s* ‘STYLISTIC MR. LEE.’ *Emerald Garment* is instructive in explaining the *attitude of the buyer* when it comes to products that are not inexpensive, such as jeans. In fact, the *Emerald Garment* rationale is supported by *Del Monte Corporation v. Court of Appeals*, where the Court explained that the attitude of the purchaser is determined by the cost of the goods. There is no reason not to apply the rationale in those cases here even if only by analogy.

The rule laid down in *Emerald Garment* and *Del Monte* is consistent with *Asia Brewery, Inc. v. Court of Appeals*, where the Court held that in resolving cases of infringement and unfair competition, the courts should take into consideration several factors which would affect its conclusion, to wit: *the age, training and education of the usual purchaser, the nature and cost of the*

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62. *Id.* at 220-21 (emphasis supplied).

63. *Levi Strauss (Phils.), Inc. v. Tony Lim*, 573 SCRA 25 (2008).

article, whether the article is bought for immediate consumption and also the conditions under which it is usually purchased.<sup>64</sup>

It appears that the Supreme Court is of the opinion that the determination of the application of either the dominancy or the totality test is a function of how the ordinary purchaser is expected to discern the various features of the goods with respect to which the mark is used or registered. On the one hand, if the goods are inexpensive, a buyer is expected to be undiscerningly rash and would therefore not be able to observe all the details and differences between the marks in dispute. The dominancy test would therefore be the proper test to apply in such a case. On the other hand, if the goods are expensive, then an ordinary buyer would be more circumspect in his selection of such goods, and would notice the various differences between the marks involved. This would therefore call for the application of the totality or holistic test.

It is submitted, however, that with the advent of the IP Code, this type of analysis has become unnecessary. As previously discussed, pursuant to Section 155.1 of the IP Code, the only test that should be applied in order to determine the existence of trademark confusion is the dominancy test. Moreover, the courts are not bound to take the perspective of the ordinary purchaser in determining the existence of confusion because the IP Code provides that “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.”<sup>65</sup>

Moreover, in the case of well-known marks in particular, the more appropriate perspective to take is that of the relevant public, but not necessarily the ordinary purchaser. Indeed, the law does not require that well-known marks be used in the actual sale of goods, as advertising and promotion are sufficient uses of the mark. The WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks is instructive in this regard, thus:

(2) [Relevant Sector of the Public]

(a) Relevant sectors of the public shall include, but shall *not necessarily be limited to*:

- (i) *actual and/or potential consumers* of the type of goods and/or service to which the mark applies;
- (ii) persons involved in *channels of distribution* of the type of goods and/or services to which the mark applies;

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64. *Id.* at 45-46 (emphasis supplied).

65. INTELLECTUAL PROPERTY CODE, § 155.2 (emphasis supplied).

(iii) *business circles* dealing with the type of goods and/or services to which the mark applies.<sup>66</sup>

#### 4. Fair and Equitable Considerations

In *Mighty Corporation*, one of the factors considered in rejecting the infringement claim is the fact that it took the plaintiff 20 years before complaining of the alleged infringement.<sup>67</sup> The Court also noted the absence of bad faith or malice on the part of the defendants in using the mark in question.<sup>68</sup>

All told, it appears that aside from the resemblance of the marks, the other factors listed in *Mighty Corporation*, no longer need to be considered in order to determine the existence of likelihood of confusion.

Moreover, in determining the resemblance of the marks, the dominance test is the correct and more equitable test to apply in determining the likelihood of confusion. As the Court noted in *L.C. Big Mak Burger, Inc.*, this dominance is now explicitly incorporated in Section 155.1 of the IP Code.<sup>69</sup> The dominance test limits the comparison and evaluation to the contending marks, and disregards or gives little weight to factors like “prices, quality, sales outlets[,] and market segments.”<sup>70</sup>

The holistic test, in contrast, places too much importance on extraneous factors and circumstances, which are alien to how the marks look or sound. Under the holistic test, there could be instances where a well-known mark may be used so long as the infringer takes care to do it under circumstances which would negate confusion. For example, a well-known car brand such as Toyota may be used for a sauna bath. Or take the example of the well-known double “RR” trademark of Rolls Royce being used on a Volkswagen Beetle. No one will be fooled that the rear-engined, circular-shaped vehicle is indeed a Roll Royce, so the holistic test will condone it. Factors relevant under the holistic test — such as the disparate prices, the likely consumer’s intelligence, and the point of purchase — will theoretically allow such junior use. But under the dominance test, that would be prohibited.

In *246 Corporation v. Judge Daway*,<sup>71</sup> the use of the well-known Rolex mark (famous for watches) for “Rolex Music Lounge, KTV, Disco & Party Club” was disallowed, even if the difference in the goods would absolutely

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66. WIPO, *Joint Recommendation*, *supra* note 26, art. (2) (1) (emphasis supplied).

67. *Mighty Corporation*, 434 SCRA at 520.

68. *Id.* at 520.

69. *L.C. Big Mak Burger, Inc.*, 437 SCRA at 33.

70. *Id.* at 32.

71. *246 Corporation v. Judge Daway*, 416 SCRA 315 (2003).

negate the possibility that patrons of the lounge would mistake it for a product made by the watchmaker.<sup>72</sup> If the holistic test were applied, the use of “Rolex” for the “Rolex Music Lounge” might have been allowed, leading to a clearly absurd and inequitable situation.

These extraneous factors which are taken into consideration under the holistic test supposedly determine the probability that an ordinary purchaser will be confused or deceived into buying a certain product thinking that it is the product of another. However, it fails to recognize that confusion is not limited to confusion of goods.

“Colorable imitation” is related to the concept of “likelihood of confusion.” Simply put, an imitation is said to be “colorable” (and therefore actionable as infringement) if it is similar enough to a registered trademark as to make it likely that there would be confusion between the two. In *Mighty Corporation*, the Court defined colorable imitation as “such similarity in form, content, words, sound, meaning, special arrangement[,] or general appearance of the trademark or trade name in their overall presentation or in their essential and substantive and distinctive parts as would likely mislead or confuse persons in the ordinary course of purchasing the genuine article.”<sup>73</sup>

The latter portion of this ruling is not accurate because, as will be seen later, confusion is not limited to confusion of goods, or to point-of-sale confusion. Indeed, Subsection 155.2 of the IP Code now expressly provides that trademark infringement can be committed “regardless of whether there is actual sale of goods or services using the infringing material.”<sup>74</sup>

It is important to spot a colorable imitation as savvy infringers usually avoid literal reproduction or exact imitation. As the Court observed in *Del Monte Corporation v. Court of Appeals*:<sup>75</sup>

The judge must also be aware of the fact that usually a defendant in cases of infringement does not normally copy but makes only colorable changes. Well has it been said that *the most successful form of copying is to employ enough points of similarity to confuse the public with enough points of difference to confuse the courts.*<sup>76</sup>

### C. Types of Confusion

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72. *Id.* at 322.

73. *Mighty Corporation*, 434 SCRA at 506 (citing RUBEN AGPALO, TRADEMARK LAW AND PRACTICE IN THE PHILIPPINES 41 (1990 ed.)).

74. INTELLECTUAL PROPERTY CODE, § 155.

75. *Del Monte Corporation v. Court of Appeals*, 181 SCRA 410 (1990).

76. *Id.* at 418 (emphasis supplied).

Confusion is not limited to *confusion of goods* (product confusion). It may also take the form of *confusion of business* (source or origin confusion). The Court distinguished these two types of confusion, thus:

[Rudolph] Callman notes two types of confusion. The first is the *confusion of goods* 'in which event the ordinarily prudent purchaser would be induced to purchase one product in the belief that he was purchasing the other.' ... The other is the *confusion of business*: 'Here though the goods of the parties are different, the defendant's product is such as might reasonably be assumed to originate with the plaintiff, and the public would then be deceived either into that belief or into the belief that there is some connection between the plaintiff and defendant which, in fact, does not exist.'<sup>77</sup>

Certain factors (like differences in cost or pricing, targeted markets, packaging, and labeling) may help avoid confusion of goods; but, they may not necessarily prevent confusion of business. These arguments were raised, and ultimately rejected by the Court in *L.C. Big Mak Burger, Inc.*:

Respondents assert that their 'Big Mak' hamburgers cater mainly to the *low-income group* while petitioners' 'Big Mac' hamburgers cater to the *middle and upper income groups*. Even if this is true, the likelihood of confusion of business remains, since the low-income group might be led to believe that the 'Big Mak' hamburgers are the low-end hamburgers marketed by petitioners. After all, petitioners have the exclusive right to use the 'Big Mac' mark. On the other hand, respondents would benefit by associating their low-end hamburgers, through the use of the 'Big Mak' mark, with petitioners' high-end 'Big Mac' hamburgers, leading to likelihood of confusion in the identity of business.

Respondents further claim that petitioners use the 'Big Mac' mark only on petitioners' double-decker hamburgers, while respondents use the 'Big Mak' mark on hamburgers and other products like siopao, noodles and pizza. Respondents also point out that petitioners sell their Big Mac double-deckers in a styrofoam box with the 'McDonald's' logo and trademark in red, block letters at a price more expensive than the hamburgers of respondents. In contrast, respondents sell their Big Mak hamburgers in plastic wrappers and plastic bags. Respondents further point out that petitioners' restaurants are air-conditioned buildings with drive-thru service, compared to respondents' mobile vans.

These and other factors respondents cite cannot negate the undisputed fact that respondents use their 'Big Mak' mark on hamburgers, the same food product that petitioners' sell with the use of their registered mark 'Big Mac.' Whether a hamburger is single, double or triple-decker, and whether wrapped in plastic or styrofoam, it remains the same hamburger food product. *Even respondents' use of the 'Big Mak' mark on non-hamburger food*

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77. *L.C. Big Mak Burger, Inc.*, 437 SCRA at 27 (citing *Sterling Products International, Inc. v. Farbenfabriken Bayer Aktiengesellschaft*, 27 SCRA 1214 (1969)) (emphasis supplied).



*products cannot excuse their infringement of petitioners' registered mark, otherwise registered marks will lose their protection under the law.*

The registered trademark owner may use his mark on the same or similar products, in different segments of the market, and at different price levels depending on variations of the products for specific segments of the market. The Court has recognized that the registered trademark owner enjoys protection in product and market areas that are the normal potential expansion of his business. Thus, the Court has declared:

'Modern law recognizes that the protection to which the owner of a trademark is entitled is not limited to guarding his goods or business from actual market competition with identical or similar products of the parties, but extends to all cases in which the use by a junior appropriator of a trademark or trade-name is *likely to lead to a confusion of source, as where prospective purchasers would be misled into thinking that the complaining party has extended his business into the field* (see 148 ALR 56 et seq; 53 Am. Jur. 576) or is in any way connected with the activities of the infringer; or when it forestalls the normal potential expansion of his business (v. 148 ALR 77, 84; 52 Am. Jur. 576,577).'<sup>78</sup>

#### 1. Initial Interest Confusion

Related to confusion of business is the so-called "initial interest confusion," a relatively recent development in U.S. trademark jurisprudence. In the situation contemplated by initial interest confusion, the use of a copycat trademark does not actually confuse the public into thinking that the goods covered by such imitator are the goods of the senior-trademark owner (e.g., because they are non-competing goods or because the consumer exercises closer scrutiny before making a purchase). However, by imitating the senior mark, the junior mark is able to attract or capture the attention or initial interest of the public or consumers who are already familiar with the senior mark. This type of confusion is considered actionable by U.S. courts, recognizing that it is not acceptable to trade off the goodwill established by another. As explained in *Brookfield Communications, Inc. v West Coast Entertainment Corporation*:<sup>79</sup>

Nevertheless, West Coast's use of 'moviebuff.com' in metatags will still result in what is known as initial interest confusion. Web surfers looking for Brookfield's 'MovieBuff' products who are taken by a search engine to 'westcoastvideo.com' will find a database similar enough to 'MovieBuff' such that a sizeable number of customers who were originally looking for Brookfield's product will simply decide to utilize West Coast's offerings instead. *Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial*

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78. *Id.* at 30-31.

79. *Brookfield Communications, Inc. v. West Coast Entertainment Corporation*, 174 F.3d 1036 (9th Cir. 1999).

interest confusion in the sense that, by using 'moviebuff.com' or 'MovieBuff' to divert people looking for 'MovieBuff' to this web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark. Recently in *Dr. Seuss*, we explicitly recognized that the use of another's trademark in a manner calculated 'to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion, may be still an infringement.'<sup>80</sup>

*Mobil Oil* relied upon its earlier opinion in *Grotrian* .... Analyzing the plaintiff's claim that the defendant, through its use of the 'Grotrian-Steinweg' mark, attracted people really interested in plaintiff's 'Steinway' pianos, the Second Circuit explained:

'We decline to hold, however, that actual or potential confusion at the time of purchase necessarily must be demonstrated to establish trademark infringement under the circumstances of this case.

The issue here is not the possibility that a purchaser would buy a Grotrian-Steinweg thinking it was actually a Steinway or that Grotrian had some connection with Steinway and Sons. The harm to Steinway rather is the likelihood that a consumer, hearing the 'Grotrian-Steinweg' name therefore would attract with 'Steinway,' would consider it on that basis. The 'Grotrian-Steinweg' name therefore would attract potential customers based on the reputation built up by Steinway in this country for many years.'<sup>81</sup>

Both *Dr. Seuss* and the Second Circuit hold that initial interest confusion is actionable under the Lanham Act, which holdings are bolstered by the decision of many other courts which have similarly recognized that the federal trademark and unfair competition laws do protect against this form of consumer confusion.<sup>82</sup>

As an example, assume that there is an antibiotic product marketed under the trademark "Rancomex." It is the product of a major pharmaceutical company with general reputation for quality medicines, and it has been in the market for 20 years and is recognized as the dominant brand for the specific class of antibiotics to which it belongs. Then comes along a similar antibiotic drug using the trademark "Rakomet." Actual source confusion or confusion of goods may not be likely because they are

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80. *Id.* at 1062 (citing *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.* 109 F.3d 1394 (9th Cir. 1997)) (emphasis supplied).

The *Dr. Seuss* court, in recognizing that the diversion of confusing against which the Lanham Act protects, relied upon *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254 (2d Cir. 1987).

*Id.*

81. *Id.* at 1063 (citing *Grotrian v. Steinway & Sons*, 523 F.2d 1331, 1342 (2d Cir. 1975)).

82. *Id.*

dispensed by prescription or because they employ different packaging. However, initial interest confusion is still sufficient to sustain a trademark infringement claim. Rakomet will unjustifiably benefit from the goodwill of Rancomex as it is able to capture the relevant public's attention precisely because of the near similarity. Thus, a physician becomes aware of the drug Rakomet simply because it is closely identical to the dominant brand Rancomex. Even if the physician eventually becomes aware that Rakomet is different from Rancomex, he already became familiar with it and became aware that it is being sold in the market. He can no longer be deprived of such awareness. The maker of Rakomet was able to get a free ride on the goodwill or popularity established by Rancomex.

While there is no Philippine Supreme Court decision which specifically takes up this concept of initial interest confusion, it is submitted that it may also be applied in our jurisdiction since the statutory as well as the analytical bases for such concept also obtain here. Initial interest confusion may be considered as a variation of confusion of business, which has been recognized by the Supreme Court. In the discussion of confusion of business in *L.C. Big Mak Burgers, Inc.*, the Court cited the case of *Ortho Pharmaceuticals Corp. v. American Cyanamid Co.*,<sup>83</sup> which recognized that "subliminal confusion," defined as confusion on a subliminal or subconscious level, causing the consumer to identify the properties and reputation of one product with those of another, although he can identify the particular manufacturer of each, is sufficient to sustain a trademark infringement claim.<sup>84</sup>

## 2. Post-Sales Confusion

The existence of confusion or colorable imitation has traditionally been determined at the point of sale. An old case defines "colorable imitation" as "such resemblance of the infringing mark to the original as to deceive an ordinary purchaser giving such attention as a purchaser usually gives, and to cause him to purchase the one supposing it to be the other."<sup>85</sup> The use of this standard is significant because in determining whether confusion exists at the point of sale, the wrapping or packaging material and other temporary indicators of the identity of the manufacturer are considered.

However, consumers will ordinarily remove the wrapping or packaging material and other temporary indicators of source. Consequently, while no confusion may exist at the point of sale, the act of removing such temporary indicators could cause confusion to exist *after* the point of sale (post-sales).

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83. *Ortho Pharmaceutical Corp. v. American Cyanamid Co.*, 361 F.Supp. 1032 (N.J. 1973)

84. See *Ortho Pharmaceutical*, 361 F.Supp. at 1044; *L.C. Big Mak, Inc.*, 437 SCRA at 28.

85. *Etepha v. Director of Patents*, 16 SCRA 495, 498 (1966).

For example, a brand-new pair of jeans on display in a clothing shop usually comes with packaging, carton labels, and tags indicating its manufacturer. However, when the pair of jeans is bought and before it is worn, those packaging, labels, and tags are normally removed. When this pair of jeans is worn in public, there would be no indicators of source that will alert the public or other consumers as to its true source.

Manufacturers and producers of goods and services associated with status have learned that it is important not only to distinguish their goods and services at the point of sale, but even thereafter. These manufacturers and producers have learned that the marketability and popularity of their goods and services are not only the result of the inherent quality and utility of the product, but also the status which has become associated with the same. Thus, these producers seek to protect their marks from knock-offs or look-a-likes even if point-of-sale confusion is unlikely (because of labels and packaging), because they are aware that confusion will become likely after the sale, when labels, packaging, and other temporary indicators of source have been removed. And this post-sales confusion may tarnish the status, image, or goodwill of the senior brand.

As a consequence of this, the doctrine of “post-sales confusion” had gained acceptance in every U.S. federal circuit by the mid-1980s,<sup>86</sup> requiring that marks should be protected from confusion not only at the point of sale, but even after all the temporary indicators of source have been discarded.

This post-sales confusion is best illustrated in the cases of *Levi Strauss & Co. v. Blue Bell, Inc.*<sup>87</sup> and *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*<sup>88</sup> The first case involves the Levi’s “pocket tab,” which is a folded ribbon sewn in the seam of the rear patch pocket.<sup>89</sup> The second case involves the back pocket stitching design.<sup>90</sup> Both marks are famously associated with Levi’s and are registered.<sup>91</sup> They were copied by competitors of Levi’s in their own brand of jeans.<sup>92</sup> When sued for infringement by Levi’s, these competitors raised the defense that their jeans were clearly labeled to indicate

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86. DM Tichane, *The Maturing Trademark Doctrine of Post-Sales Confusion*, 85 TRADEMARK REP. 399 (1995).

87. *Levi Strauss & Co. v. Blue Bell, Inc.*, 632 F.2d 817 (Cal. 1980) [hereinafter *Blue Bell, Inc.*].

88. *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867 (2d Cir. 1986).

89. *Blue Bell, Inc.*, 632 F.2d at 818.

90. *Lois Sportswear, U.S.A., Inc.*, 799 F.2d at 869.

91. *See Blue Bell, Inc.*, 632 F.2d at 818; *Lois Sportswear, U.S.A., Inc.*, 799 F.2d at 869.

92. *See Blue Bell, Inc.*, 632 F.2d at 818-19; *Lois Sportswear, U.S.A., Inc.*, 799 F.2d at 869.

the source, using a paper billboard identifying the true manufacturer, and therefore a prospective purchaser was not likely to be deceived.<sup>93</sup> The court rejected such arguments which are limited to point-of-sale confusion.<sup>94</sup> The court noted that billboards and other point-of-sale materials are removed by purchasers and will not obviate confusion when the pants are worn.<sup>95</sup>

Again, there is no Philippine Supreme Court decision which specifically adopts this concept of “post-sales confusion.” In fact, in *Lim*, the Court affirmed the Court of Appeals’ rejection of the petitioner’s theory of “post-sales confusion,” thus:

We find *no reason to go beyond the point of sale* to determine if there is probable cause for unfair competition. The CA observations along this line are worth restating:

‘We also find no basis to give weight to petitioner’s contention that the ‘post sale confusion’ that might be triggered by the perceived similarities between the two products must be considered in the action for unfair competition against respondent.

No inflexible rule can be laid down as to what will constitute unfair competition. Each case is, in the measure, a law unto itself. Unfair competition is always a question of fact. The question to be determined in every case is whether or not, as a matter of fact, the name or mark used by the defendant has previously come to indicate and designate plaintiff’s goods, or, to state it in another way, whether defendant, as a matter of fact, is, by his conduct, passing off defendant’s goods as plaintiff’s goods or his business as plaintiff’s business. The universal test question is whether the public is likely to be deceived.

In the case before us, we are of the view that the probability of deception *must be tested at the point of sale* since it is at this point that the ordinary purchaser mulls upon the product and is likely to buy the same under the belief that he is buying another. The test of fraudulent simulation is to be found in the likelihood of deception, or the possibility of deception of some persons in some measure acquainted with an established design and desirous of purchasing the commodity with which that design has been associated.’<sup>96</sup>

It is submitted, however, that the theory of post-sales confusion may also be applied in our jurisdiction since the statutory as well as the analytical bases for such concept also obtain here. Post-sales confusion may be considered as

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93. See *Blue Bell, Inc.*, 632 F.2d at 822; *Lois Sportswear, U.S.A., Inc.*, 799 F.2d at 872.

94. See *Blue Bell, Inc.*, 632 F.2d at 822; *Lois Sportswear, U.S.A., Inc.*, 799 F.2d at 873.

95. See *Blue Bell, Inc.*, 632 F.2d at 822; *Lois Sportswear, U.S.A., Inc.*, 799 F.2d at 873.

96. *Levi Strauss (Phils.), Inc.*, 573 SCRA at 48 (emphasis supplied).

a variation of confusion of business, which has been recognized by the Supreme Court. In the discussion of confusion of business in *L.C. Big Mak Burger, Inc.*, the Court cited the case of *Esercizio v. Roberts*,<sup>97</sup> which recognized that post-sales confusion is sufficient to sustain a trademark infringement claim.<sup>98</sup> The Court noted that the provision in the U.S. Lanham Act which serves as basis of this post-sales confusion doctrine is substantially reproduced in Section 155 of the IP Code on trademark infringement.<sup>99</sup>

Moreover, as previously discussed, pursuant to Subsection 155.1 of the IP Code, the courts should no longer be limited to the perspective of the ordinary purchaser in determining the existence of confusion. The IP Code provides that “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.”<sup>100</sup> The same section also specifically refers to “*preparatory steps* necessary to carry out a sale” as acts that may amount to infringement. Evidently, confusion should not be determined solely at the point of sale as the Court held in *Levi Strauss (Phils.), Inc.*

### 3. Trademark Dilution

The trademark owner has a cause of action even if there is actually no confusion, if the defendant’s use of the plaintiff’s trademark results in the dilution of the latter. In *Levi Strauss & Co. v. Clinton Apparelle, Inc.*,<sup>101</sup> the Court recognized the doctrine of trademark dilution, thus:

Trademark dilution is the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of: (1) competition between the owner of the famous mark and other parties; or (2) likelihood of confusion, mistake or deception. Subject to the principles of equity, the owner of a famous mark is entitled to an injunction ‘against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.’ This is intended to protect famous marks from subsequent uses that blur distinctiveness of the mark or tarnish or disparage it.<sup>102</sup>

Note that the definition above recognizes that there are two forms of trademark dilution: (a) dilution by blurring the distinctiveness of the mark

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97. *Esercizio v. Roberts*, 944 F.2d 1235 (6th Cir. 1991).

98. *L.C. Big Mak Burger, Inc.*, 437 SCRA at 30 (citing *Esercizio*, 944 F.2d at 1245).

99. *Id.*

100. INTELLECTUAL PROPERTY CODE, § 155.

101. *Levi Strauss & Co. v. Clinton Apparelle, Inc.*, 470 SCRA 236 (2005).

102. *Id.* at 255.

and (b) dilution by tarnishing or disparaging the mark. Examples of *dilution by blurring*: the use of “Tiffany” in the business of movies dilutes the “Tiffany” mark for jewelry;<sup>103</sup> the use of the “Jaguar” for cologne dilutes the “Jaguar” mark for cars;<sup>104</sup> the use of “Polaroid” for refrigeration systems would dilute the “Polaroid” mark for cameras.<sup>105</sup> Examples of *dilution by tarnishment* (in which the reputation of the mark is harmed or defamed): the use of the distinctive Coca-Cola script for a poster stating “Enjoy Cocaine;”<sup>106</sup> the use of the distinctive Dallas Cowboy Cheerleader uniform for scenes in the “Debbie Does Dallas” pornographic film.<sup>107</sup>

In *Levis Strauss & Co.*, however, the Court appears to have applied only the second form of dilution (dilution by tarnishment), when the proper form of dilution should have been dilution by blurring. Partly because of such misapplication, the Court held that dilution was not proved:

Based on the foregoing, to be eligible for protection from dilution, there has to be a finding that: (1) the trademark sought to be protected is famous and distinctive; (2) the use by respondent of ‘Paddocks and Design’ began after the petitioners’ mark became famous; and (3) *such subsequent use defames petitioners’ mark*. In the case at bar, petitioners have yet to establish whether ‘Dockers and Design’ has acquired a strong degree of distinctiveness and whether the other two elements are present for their cause to fall within the ambit of the invoked protection. The Trends MBL Survey Report which petitioners presented in a bid to establish that there was confusing similarity between two marks is not sufficient proof of any dilution that the trial court must enjoin.<sup>108</sup>

While both registered ordinary and well-known marks may be the subject of infringement or unfair competition, the very nature of a registered well-known mark makes it even more vulnerable to attack, and therefore in need of greater protection. Section 123.1 of the IP Code provides in subsection (e) that a mark cannot be registered if it is “identical with, or confusingly similar to, or constitutes a translation of a mark which is considered by the *competent authority of the Philippines* to be well-known internationally and in the Philippines, whether or not it is registered here” and in subsection (f) that a mark cannot be registered if it is “identical with, or confusingly similar to, or constitutes a translation of a mark considered well-known *in accordance with the preceding paragraph*, which is *registered* in the

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103. *Tiffany & Co. v. Tiffany Productions, Inc.*, 264 NYS 459, 460-61 (1932).

104. *Jaguar Cars Ltd. v. Skandrani*, 711 F.Supp. 1178, 1179 (Fla. 1991).

105. *Polaroid Corp. v. Polaroid Inc.*, 319 F.2d 830, 831-32 (7th Cir. 1963).

106. *The Coca-Cola Company v. Gemini Rising, Inc.*, 346 F.Supp. 1183, 1186 (N.Y. 1972).

107. *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 202 (2d Cir. 1979).

108. *Levis Strauss & Co.*, 470 SCRA at 255-56.

Philippines with respect to goods or services *which are not similar to those with respect to which registration is applied for.*<sup>109</sup>

The protection accorded to a registered well-known mark extends to goods that are *not similar* to the goods with respect to which the well-known mark is registered. It follows that the normal or reasonable zone of expansion of the business of an owner of a well-known mark is much broader in scope than that of an ordinary trademark owner. Accordingly, the mere use of the registered well-known mark, or a colorable imitation thereof, with respect to *unrelated* goods would already amount to “confusion of business.” However, it would be difficult to prosecute all these “infringers” due to the sheer multitude of instances, not to mention the relative ease, by which the registered well-known mark can be infringed. The owner of the registered well-known mark is therefore in a more precarious situation than the owner of an ordinary mark, and in most instances would only be able to monitor the use of its mark with respect to “related” or “similar” goods.

### III. WHO IS “COMPETENT” AMONG THE AUTHORITIES: A FRAGMENTED REGULATORY LANDSCAPE

As previously discussed, the Court held in *Mirpuri* that “(t)his competent authority [to determine whether or not a mark is ‘well-known’] would be either the *registering authority* if it has the power to decide this, or the *courts* of the country in question if the issue comes before the court.”<sup>110</sup> Similarly, Rule 100 of the Rules on Trademarks defines “competent authority” as the Court, Director General, Director of the Bureau of Legal Affairs, or any administrative agency or office with the mandated quasi-judicial or judicial jurisdiction.<sup>111</sup>

We now examine in more detail the current regulatory framework for intellectual property rights protection in the Philippines, specifically for determining whether or not a mark is well-known.

#### A. Courts of General Jurisdiction

The issue of whether a mark is well-known is not a novel issue to Philippine judicial tribunals. In their resolution of trademark infringement and unfair competition cases, many courts have found the occasion to make a factual determination of whether a mark has achieved international fame. The IP Code, indeed, confers upon courts original jurisdiction over several causes of action involving intellectual property rights violations, which include

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109. INTELLECTUAL PROPERTY CODE, § 123.1 (e) and (f) (emphasis supplied).

110. *Mirpuri*, 318 SCRA at 543 (emphasis supplied).

111. Rules and Regulations, rule 100.



Trademark Infringement,<sup>112</sup> the Determination of the Right to Registration,<sup>113</sup> Actions for False or Fraudulent Declaration,<sup>114</sup> for Unfair Competition,<sup>115</sup> and for False Designation of Origin and False Description or Representation.<sup>116</sup> Courts also exercise appellate jurisdiction over the decisions of the Bureau of Patents, Trademarks and Technology Transfer, pursuant to Section 1, Rule 43 of the Revised Rules of Court.<sup>117</sup> There is no doubt that the Courts have shaped the regulatory landscape for trademarks and other intellectual property rights.

*Mirpuri* cemented the Court's role in the internationally well-known marks discourse. The case arose from an opposition filed by Barbizon Corporation to the application for registration of the trademark "Barbizon" filed by Lolita Escobar.<sup>118</sup> The application was later assigned to a certain Pribhdas Mirpuri.<sup>119</sup> The issue that had to be resolved was whether the opposition of the Corporation was already barred by *res judicata* considering that Escobar's earlier application for registration had already been given due course by the Director of Patents.<sup>120</sup> The Director of Patents found that the rule on *res judicata* applied, and accordingly, dismissed the Barbizon Corporation's opposition, and gave due course to the application for registration.<sup>121</sup> On appeal, the Court of Appeals reversed the decision of the Director of Patents and remanded the case for further proceedings on the opposition.<sup>122</sup> The Court sustained the Court of Appeals' finding that *res judicata* did not bar the second opposition considering that new causes of action were the basis of the second opposition.<sup>123</sup> One of these causes of action was based on Article 6*bis* of the Paris Convention on internationally well-known marks.<sup>124</sup>

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112. See INTELLECTUAL PROPERTY CODE, §§ 155, 165 & 168. (These are provisions regarding provisions on actions involving registered marks, trade and business names, and collective marks.).

113. *Id.* § 161.

114. *Id.* § 162.

115. *Id.* § 168.

116. *Id.* § 169.

117. 1997 REVISED RULES OF CIVIL PROCEDURE, rule 43, § 1.

118. *Mirpuri*, 318 SCRA at 525.

119. *Id.*

120. *Id.* at 529.

121. *Id.* at 530.

122. *Id.* at 531.

123. *Id.* at 557.

124. *Mirpuri*, 318 SCRA at 551.

Citing *Mirpuri*, the Court in *Sehwani, Inc. v. In-N-Out Burger, Inc.*<sup>125</sup> affirmed a court's authority to make a determination of whether or not a mark was internationally well-known. The *Sehwani* case arose from an administrative complaint filed by In-N-Out Burger against Sehwani, Inc. before the Bureau of Legal Affairs (BLA) of the Intellectual Property Office.<sup>126</sup> The BLA Director found that In-N-Out Burger had legal capacity to sue and that it is the owner of the internationally well-known trademarks.<sup>127</sup> She accordingly cancelled the Certificate of Registration of Sehwani over the mark "In-N-Out" (the inside of the letter "O" formed like a star) and ordered Sehwani to cease and desist from using the marks "In-N-Out" and "In-N-Out Burger Logo."<sup>128</sup> However, she held that Sehwani was not guilty of unfair competition.<sup>129</sup> In ruling that In-N-Out Burger had the requisite personality to maintain the suit, the Court held as follows:

The question of whether or not respondent's trademarks are considered 'well-known' is *factual in nature*, involving as it does the appreciation of evidence adduced before the BLA-IPO. The settled rule is that the factual findings of quasi-judicial agencies, like the IPO, which have acquired expertise because their jurisdiction is confined to specific matters, are generally accorded not only respect, but, at times, even finality if such findings are supported by substantial evidence.<sup>130</sup>

*Sehwani* shows that the Court will not shy away from the task of determining whether a mark is internationally well-known when given the opportunity to do so. However, it also reveals how the Court tempers its own authority to answer the question. By characterizing the issue of whether respondent's trademarks are considered well-known as a question of fact, the court deferred to the authority of the Intellectual Property Office, whose factual findings are generally accorded respect and in some cases even accorded finality.

#### *B. Securities and Exchange Commission*

There is no surprise that the Securities and Exchange Commission (SEC) may likewise be confronted with the issue of whether or not a mark is internationally well-known. Trademarks are now greatly used as advertising tools and are attached not only to the product being marketed, but also to

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125. *Sehwani, Inc. v. In-N-Out Burger, Inc.*, 536 SCRA 225 (2007).

126. *Id.* at 230.

127. *Id.* at 231.

128. *Id.*

129. *Id.*

130. *Id.* at 237-38 (emphasis supplied).

the name of the entity marketing the same. In *Mirpuri*, the Court remarked that:

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.<sup>131</sup>

In another case, the Court commented on the relationship between a trademark and the corporate name, to wit: "The two concepts of corporate name or business name and trademark or service mark, are not mutually exclusive. It is common, *indeed likely, that the name of a corporation or business is also a trade name, trademark[,] or service mark.*"<sup>132</sup>

Section 18 of the Corporation Code<sup>133</sup> confers jurisdiction upon the SEC to regulate a corporation's use of a corporate name. It prohibits the use of a corporate name that is confusingly similar to "any other name already protected by law or is patently deceptive, confusing or contrary to existing

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131. *Mirpuri*, 318 SCRA at 535-36.

132. *Shangri-la International Hotel Management, Ltd.*, 486 SCRA at 427 (emphasis supplied).

133. The Corporation Code of the Philippines [CORPORATION CODE], Batas Pambansa 68, § 18 (1980).

No corporate name may be allowed by the Securities and Exchange Commission if the proposed name is confusingly similar to that of any existing corporation; any other name already protected by law; or is patently deceptive, confusing, or contrary to existing laws. When a change in the corporate name is approved, the Commission shall issue an amended certificate of incorporation under the amended name.

*Id.*

laws.”<sup>134</sup> This provision allows parties to seek the cancellation of the registration of another’s corporate name and to plead in support thereof, the protection they are entitled to as owners of well-known marks. In the exercise of its regulatory power over corporate names, the SEC functions as a quasi-judicial tribunal that takes cognizance over a petition for the change of corporate name. The question is whether the SEC, in its exercise of quasi-judicial powers, can be considered a competent authority to determine whether a mark is well-known.

In *Intel Corporation vs. Umali-Paco*,<sup>135</sup> the issue of well-known marks was brought before the SEC *en banc*. However, the SEC did not seem to consider itself the competent authority contemplated in the IP Code and Article 6*bis* of the Paris Convention.<sup>136</sup>

The case stemmed from a petition for change of corporate name filed by Intel Corporation against Intelport Services, Inc. (ISI).<sup>137</sup> The petition was dismissed by the SEC General Counsel on the ground that Intel had no exclusive right to use the same.<sup>138</sup> On appeal, the SEC *en banc* agreed with the SEC General Counsel’s finding, and quoting from the case of *Mighty Corporation*, stated that the Court had adopted certain guidelines/conditions<sup>139</sup> before one may invoke the protection accorded under Article 6*bis* of the Paris Convention, to wit:

- (a) the mark must be internationally known;
- (b) the subject of the right must be a trademark, not a patent or copyright or anything else;
- (c) *the mark must be for use in the same or similar kinds of goods*; and
- (d) the person claiming must be the owner of the mark.<sup>140</sup>

The SEC *en banc* ultimately found that the first and third conditions had not been met, namely: (1) the “Intel” trademark was not an internationally

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134. *Id.*

135. *Intel Corporation v. Umali-Paco & Intelport Services, Inc.*, SEC En Banc Case No. 07-06-83 (July 2009).

136. *Id.*

137. *Id.*

138. *Id.*

139. The *Mighty Corporation* case actually quoted a Memorandum of then Minister of Trade and Industry, Hon. Roberto V. Ongpin, dated Oct. 25, 1983 (Ongpin Memorandum). The Ongpin Memorandum laid down guidelines for the implementation of Article 6*bis* of the Paris Convention.

140. *Mighty Corporation*, 434 SCRA at 519 (citing Dr. Bogsch, *The Parties Convention Commentary on the Paris Convention* (1985)) (emphasis supplied).

well-known mark; and (2) the mark was not used for goods that were the same or similar to those of Intel.<sup>141</sup>

With respect to the first condition, the SEC *en banc* chose not to make an independent factual determination of whether the Intel mark was indeed well-known. Instead, it relied on Intel's failure to introduce evidence that a competent authority had deemed the Intel mark to be internationally well-known, thus:

Despite its allegation, *petitioner was not able to show* both in the proceedings a quo and herein that the 'Intel' mark was *internationally well-known, as determined by a competent domestic/local authority*, at the time the respondent was incorporated in 1975. It failed to proffer proof of such determination/declaration by a competent domestic/local authority such as the Minister of Trade (as in the case of *La Chemise Lacoste, S.A. vs. Fernandez*), or the proper court in the adjudication of infringement or unfair competition cases or the pertinent department of the Intellectual Property Office in the exercise of its quasi-judicial powers in [*inter-partes*] and [*ex-parte*] cases.<sup>142</sup>

The SEC clearly did not deem itself to be a competent authority to determine whether or not a mark is well-known.

As for the third requirement, Intel argued that the protection accorded to internationally well-known marks under the IP Code was not limited to the "same or similar goods" because the Intel mark was not only well-known, but *registered* as well.<sup>143</sup> The SEC *en banc* did not agree, thus:

A reading of Section 123.1 (e) and (f) of the IP Code clearly indicates that a well-known mark is, under certain conditions, protected even with respect to dissimilar goods/services *as long as the same is registered in the Philippines*; otherwise, if it is not so registered, the protection is with respect only to identical or similar goods/services. Considering that the earliest trademark registration of 'Intel' in the country was issued in the year 1997 only, the protection to petitioner on the basis of the well-known mark doctrine at the time the respondent was incorporated in 1975, if any, would have been with respect to identical or similar goods/services.<sup>144</sup>

It bears emphasis that the above ruling of the SEC *en banc* unduly restricted the broad protection afforded to registered well-known marks. To reiterate, subsection 123 (e) of the IP Code states that a mark cannot be registered if it is "identical with, or confusingly similar to, or constitutes a translation of a mark which is considered by the competent authority of the Philippines to be well-known internationally and in the Philippines, whether

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141. *Intel Corporation*, SEC En Banc Case No. 07-06-83 (July 2009).

142. *Id.* (emphasis supplied).

143. *Id.*

144. *Id.* (emphasis supplied).

or not it is registered here,” and subsection 123 (f) provides that a mark cannot be registered if “identical with, or confusingly similar to, or constitutes a translation of a mark considered well-known in accordance with the preceding paragraph, *which is registered in the Philippines* with respect to goods or services which are not similar to those with respect to which registration is applied for.”<sup>145</sup>

By comparing the first date of registration of the Intel mark (1997) and the date of incorporation of ISI (1975), the SEC *en banc* effectively held that the broader protection afforded to a registered well-known mark only covers acts that occur *after registration*. Yet, there is nothing in the words of Section 123 (f) that supports this position. On the contrary, it is submitted that as long as the well-known mark is registered in the Philippines, the broader protection afforded to it should *retroact* to the date the mark acquired international fame. Indeed, it is the *acquisition* of the status of being well-known that is primarily protected under Section 123 (e) and (f) of the IP Code, and *not* the registration of the mark, or the declaration by a competent authority that the mark has indeed acquired international fame.

That aside, *Intelport* illustrates how a determination of the status of a mark as being well-known may breed an unstable environment for the protection of intellectually property rights.

### C. Intellectual Property Office

Just two years before the SEC *en banc* decision in *Intelport*, the Intellectual Property Office (IPO) rendered its own decision in the *inter partes* case between Intel Corporation and Inteltech Resources.<sup>146</sup> In *Inteltech*, Intel opposed the application for trademark registration filed by Inteltech on the ground that it owned the trademark Intel by prior registration, adoption, and widespread use; and that the mark was well-known internationally and in the Philippines as its mark.<sup>147</sup> Although the IPO did not deem it necessary to delve into the issue of the international fame of the Intel mark, it implied that it had the power to rule on this issue,<sup>148</sup> thus:

Based on the evidence consisting of excerpts from magazine articles and articles in publications (Exhibits ‘C’ and ‘D’), the *INTEL mark enjoys fame and popularity*, it being the name of a respected company engaged in the making (sic) of computer chips and processors. The articles submitted depict (sic) INTEL as a leading computer chip maker using advanced technologies in developing the latest chips for usage in personal computers.

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145. INTELLECTUAL PROPERTY CODE, § 123 (emphasis supplied).

146. Intel Corporation v. Inteltech Resources, Decision No. 2007-202 of the IPO in Inter Partes Case No. 14-2007-000168 (December 2007).

147. *Id.*

148. *Id.*

It appears from the articles submitted that INTEL processors have *gained recognition and distinction* in the IT field.

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With regard to opposer's assertion that its mark is well-known, *before evidence showing well-knownness* of the mark is assessed and evaluated, the trademarks in question must be found to be identical or confusingly similar. Inasmuch as this Bureau finds confusing similarity between the subject trademarks in the light of discussions on the evidence adduced and/or presented, *the issue of well-knownness of the mark becomes unnecessary*.

Although this Bureau is convinced that the INTEL mark has gained recognition and acquired goodwill through articles provided as evidence, opposer merely attached photocopies of registrations and articles to the witness' affidavit. The market share through receipts or other evidence was not sufficiently proven. The duration and extent of the use of the INTEL mark to prove not only its commercial use but the manner by which it has achieved the quality image or reputation was not likewise adequately shown.<sup>149</sup>

Notably, the IPO took the occasion to remark that the SEC also recognized the Intel mark as globally well-known and internationally-famous, such that it could not be appropriated in a corporation or partnership's name without the consent of Intel.<sup>150</sup> It said:

Proof of such recognition is the inclusion of the 'INTEL' mark in the list of restricted names in the SEC's 'I-Register system.' The 'INTEL' mark, together with the other core marks of Opposer, have been encoded in the SEC's registration system as globally well-known marks which cannot be used as part of a corporate or partnership name. Hence, the SEC's 'I-Register' system automatically rejects any proposed registration of a company name which bears the 'INTEL' mark, specifically stating that 'INTEL' is a *globally known trade or brand name — it cannot be part of a corporate or partnership name*.<sup>151</sup>

However, by referring to the SEC, the IPO merely considered itself a competent authority, and not "the" competent authority to determine whether or not a mark is well-known. In its very own Rules, the IPO adopted a much broader definition of the competent authority than that provided in *Mirpuri*, — "any administrative agency or office vested with quasi-judicial or judicial jurisdiction to hear and adjudicate any action to enforce the rights to a mark."<sup>152</sup>

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149. *Id.* (emphasis supplied).

150. *Id.*

151. *Id.* (emphasis supplied).

152. Rules and Regulations, rule 100.

It is clear from the foregoing that there is no *binding, uniform, and stable system for determining whether or not a mark is well-known*. Existing law and jurisprudence on the matter seem to perpetuate, rather than solve, the fragmentation in the system. As discussed above, several quasi-judicial agencies, including the IPO and the SEC, and the courts, are not only legally authorized to determine and resolve this issue, but have routinely chosen to exercise such authority as well. The multitude of avenues where the issue of international fame may be raised makes it increasingly difficult, not to mention, expensive, to enforce one's rights in an internationally well-known mark. The determination of whether or not a mark has become well-known also relies heavily on proof of facts and circumstances, which in a fragmented regulatory milieu would likely result in repeated introduction and duplication of evidence. Even when a party succeeds in establishing the international fame or well-known status of his mark before one agency, there is no guaranty that another equally-competent authority or body will recognize or be bound by such determination.

The failure of our current regulatory framework to provide stability in the protection of well-known marks may likewise constitute a breach of our obligations under the TRIPS Agreement "to grant adequate protection of intellectual property rights by creating a favorable economic environment to encourage the inflow of foreign investments, and strengthening the multi-lateral trading system to bring about economic, cultural and technological independence."<sup>153</sup>

One solution to this problem is to vest the power of determining international fame in a single body known as a well-known mark registry.

#### IV. THE WELL-KNOWN MARK REGISTRY: EXPERIENCE IN FOREIGN COUNTRIES

The establishment of well-known mark registries is not a new phenomenon in the field of intellectual property rights regulation and enforcement. Several countries deemed it fit to establish such registries precisely in order to comply with their obligations under the Paris Convention and the TRIPS Agreement. A Paper presented by Jonathan W. Richard and Michael Ballard, American practitioners of intellectual property law at the American Intellectual Property Law Spring Meeting in 2006, *Well-Known Marks*,<sup>154</sup> provides a non-exhaustive list of the various countries who have established

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153. *Mirpuri*, 318 SCRA at 554.

154. John Richards and Michael Ballard, *Well-Known Marks*, available at [http://www.aipla.org/Content/ContentGroups/Speaker\\_Papers/Spring\\_Meeting/200611/richardsDOC.pdf](http://www.aipla.org/Content/ContentGroups/Speaker_Papers/Spring_Meeting/200611/richardsDOC.pdf) (last accessed Mar. 1, 2010). This paper was presented at the Spring Meeting of the American Intellectual Property Law Association on May 4, 2006.



well-known mark registries and their features. The features of these registries are reproduced below.

(a) Brazil

- i. Resolution of January 2004 established procedures for applying WKM [Well-Known Marks] law.
- ii. WKM protection gets protection in all classes, and higher criminal penalties for infringement.
- iii. Can only apply for WKM status when opposition or cancellation filed (unclear if BPTO [Bureau of Patents and Trademarks Office] will refuse registration on WKM status).
- iv. 5-year validity — exempts from further proof on new oppositions/cancellations.
- v. Not mandatory.
- vi. Considered “recordal” not “registration.”
- vii. Requires use in Brazil.
- viii. WKM status can be disputed by third parties.
- ix. Special commission to evaluate.
- x. Opposition/cancellation fees higher when based on WKM grounds.
- xi. Domain names identical to WKM will be refused registration.

(b) China

- i. CTMO [Chinese Trademark Office] and courts have authority to recognize WKMs.
- ii. WKM application can be opposed by third party.
- iii. Application through judicial procedure — combined with lawsuit (two year process).
- iv. CTMO or TRAB [Trademark Review and Adjudication Board] recognition procedure — combined with opposition/cancellation filing or raid on infringer.
- v. Three to five years for recognition through CTMO or TRAB.
- vi. Unregistered or registered.
- vii. TM [Trademark] law identifies factors to consider.
- viii. WKM status can be advertised.

- ix. WKM status can prevent registration of domain name.
- (c) Czech Republic
- i. Informal list of registered and unregistered marks that have been found WKM during opposition/cancellation proceedings.
  - ii. No formal procedure.
- (d) Indonesia
- i. TM Office issued book with WKM list based on court decisions, requests by owners, letters from Embassies.
  - ii. Has not been published since the late 1990s.
  - iii. Was for internal use but has been used by mark owners in court as evidence (persuasiveness not clear).
  - iv. Not mandatory.
- (e) Japan
- i. AIPPI [Association Internationale Pour la Protection de la Propriété Intellectuelle] WKM book (fee paid for examination by AIPPI approved panel).
  - ii. Japanese entity or citizenship, registered, WKM in Japan; persuasive evidence.
  - iii. JPO [Japan Patent Office] database on famous marks — recognized in courts or those with defensive registrations, foreign or Japanese marks; committee examines; no appeal of committee decision; not dispositive (i.e., Patent Office does not rely on the database to refuse registration for marks likely to confuse).
- (f) Russia
- i. ROSPATENT [Russian Federal Service for Intellectual Property, Patents and Trademarks] Declaration of Well-Known Mark Status — special registry.
  - ii. Currently 34 trademarks on the list.
  - iii. Separate fees (\$886 for filing; \$350 for issuance).
  - iv. Denial of WKM status can be appealed to court.
- (g) South Korea
- i. No official registries of WKMs.

- ii. KIPO [Korean Intellectual Property Office] does publish lists of frequently infringed domestic and foreign marks.
- (h) Thailand
- i. July 2005 regulation establishing recordal system for WKM.
  - ii. Identifies eligibility criteria and evidence requirements.
  - iii. Not mandatory.
  - iv. Unregistered or registered mark.
  - v. Used in Thailand or abroad.
  - vi. Factors used to consider WKM status.
- (i) Turkey
- i. 2003 law provides that Turkish Trademark Office can declare a WKM. Legal effect of declaration unclear.
  - ii. Includes factors used to determine notoriety.
  - iii. Denial of status can be appealed.
  - iv. Domestic and foreign marks can be included.
  - v. List doesn't include those marks found WKM by court.
  - vi. Not mandatory for asserting WKM status.
- (j) Ukraine
- (k) Vietnam.<sup>155</sup>

#### V. ADVANTAGES AND DISADVANTAGES OF WELL-KNOWN MARK REGISTRIES

At least three intellectual property rights associations have studied the matter of establishing well-known mark registries and noted their advantages and disadvantages, namely: (1) the International Trademark Association (INTA); (2) the European Communities Trade Mark Association (ECTA); and (3) the Association Des Industries De Marque (AIM) also known as the European Brands Association.

##### A. AIM Position Paper<sup>156</sup>

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155. *Id.* Appendix A.

Although AIM recognized that establishing special registries for well-known marks may seem appealing at first, it stated that these systems may have a number of serious pitfalls,<sup>157</sup> thus:

- (a) They may have a negative impact on the *flexible catalogue* of criteria set forth in the WIPO Recommendation, which may no longer be applied to marks listed in those registers;
- (b) Instead, there would be a risk of *mechanical reliance* on the register: if a trade mark were on the register, it may automatically enjoy the extended protection granted to well-known marks. Conversely, the owner of a trade mark not featured in the register may face the presumption that his mark is not well-known;
- (c) Whether or not something is well-known is a *moving target*: sometimes this notion comes and goes very quickly and brands extend into new sectors whereas the register will remain relatively static;
- (d) Each brand that is well-known may have *several different trade mark elements which may or may not be deserving of the same high level of recognition*. For example, the brand name, brand logo, key brand emblems (etc.) may enjoy differing levels of recognition.

This leads to a number of questions, such as:

- 1) What is the scope of protection of a trade mark on such a register, e.g. in terms of products covered, duration of protection, etc.?
- 2) What criteria will be applied to:
  - a) entry of trademarks onto the register; and
  - b) removal of obsolete trade marks from the register?
- 3) How can decisions be challenged?
- 4) How will the management of the register be funded?
- 5) Will entry onto the register require a fee?
- 6) Will the register be publicly available to interested parties?
- 7) Will the evidence produced to compile the register be available to public scrutiny?
- 8) Will the entry on the register automatically be subject to renewal after a set period of time? If so, will such renewal be used as an opportunity to reassess whether the mark should still be on the register rather than merely a bureaucratic formality?

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156. European Brands Association, AIM Position Paper, *available at* [http://www.aim.be/Documents/Positions\\_IP/IP\\_2007\\_guidelines\\_wellknown.pdf](http://www.aim.be/Documents/Positions_IP/IP_2007_guidelines_wellknown.pdf) (last accessed Mar. 1, 2010).

157. *Id.* at 2.

Attention should also be paid to official reliance on *unofficial lists* of well-known marks (e.g., lists of marks that court or administrative decisions have held to be ‘well-known’). Such lists may play a useful role as part of the evidence or for information purposes but they should not be relied on as the exclusive means to determine whether certain marks are well-known; instead, those responsible for such decisions should apply, on a case-by-case basis, the flexible catalogue of factors provided by the WIPO Recommendation.<sup>158</sup>

#### B. ECTA Position Paper<sup>159</sup>

Similar to the AIM position paper, although ECTA acknowledged that establishing special registers for well-known marks may be advantageous, particularly in the area of enforcement of the well-known marks, and “that the establishment of registers for well-known marks may be perceived to be contrary to Art. 6bis of the Paris Convention,”<sup>160</sup> it nevertheless raised several of its concerns, thus:

However, there are many unresolved questions in connection with the establishment of such special registers for well-known trade marks. It is, in particular, unclear *which criteria* will be applied for the registration of a well-known mark and its removal from the register. *A register is rather static*, while, in fact, the issue whether a mark is well-known can be *moving very fast*. The mark can quickly become well-known and its notoriety may decrease or even disappear in a fairly short period. It would be *hardly possible and very cumbersome* to always update the special register for well-known marks. There is the danger that courts and trade mark offices rely too much on the register and apply the principles for well-known marks which are registered more or less automatically.

Concern has also been expressed that there is the danger that the mark which has not been registered in the special register for well-known marks *is not considered well-known*. The existence of a special register may cause pressure on trade mark holders to obtain the registration to avoid negative consequences for the scope of protection of the mark. It is also not clear how burdensome it will be to obtain a registration of a well-known mark and to maintain it on the register. It is quite likely that substantial evidence has to be submitted, involving considerable efforts and costs.<sup>161</sup>

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158. *Id.* at 3-4 (emphasis supplied).

159. European Communities Trade Mark Association, Position Paper on the Creation of a Special Register of Well-Known Trade Marks, Appendix D available at [http://www.aipla.org/Content/ContentGroups/Speaker\\_Papers/Spring\\_Meeting/200611/richardsDOC.pdf](http://www.aipla.org/Content/ContentGroups/Speaker_Papers/Spring_Meeting/200611/richardsDOC.pdf) (last accessed Mar. 1, 2010).

This position paper was presented in Antwerp, Belgium on Mar. 14, 2005.

160. *Id.*

161. *Id.*

The ECTA noted, however, that “the enforcement of well-known marks — at least in Europe — without having special registries has not caused serious problems” and that “[t]here seems to be no urgent need for establishing a special register for well-known marks.”<sup>162</sup>

*C. INTA Resolution*<sup>163</sup>

The INTA pointed out that the establishment of Well-Known Mark Registries will be a “valuable tool in enforcing trademark rights” and cited the experience in China where the inclusion of a mark in its well-known mark registry would expedite the request for the seizure of counterfeit goods bearing such mark.<sup>164</sup> Other advantages mentioned are the protection of the mark outside its registered classes (Mexico), and the enjoyment of the presumption of fame (civil law countries). However, the INTA mentioned that a well-known mark registry might have the following disadvantages:

[O]thers indicated that well-known mark registries have failed to meet their expectations. In-house counsel described the process as being saddled with *unnecessary formalities*. One brand owner, for example, expressed frustration with respect to its inability to get on a well-known mark registry, despite the fact that its brand is one of the most well-known in the world. Another brand owner noted that in at least one country with a well-known mark registry, the inclusion on the registry appears to have *little or no impact* on the protection of well-known marks in that jurisdiction because of the *government’s lack of enforcement*.<sup>165</sup>

Instead of taking a concrete position on the issue, the INTA decided to propose the following non-exhaustive standards for the establishment of well-known marks registries that the relevant local authorities are free to expand:

1. *Publication of the purpose and benefits of the registry.*

Explanation: It should be clear to mark owners, practitioners, and the public at large how inclusion on the registry may benefit the protection of famous marks and what a particular country intends to be the purpose and legal effect of establishing such a registry.

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<sup>162</sup>. *Id.*

<sup>163</sup>. Intellectual Trademark Association, Well-Known Mark Registries, *available at* [http://www.inta.org/index.php?option=com\\_content&tas=viewed&id=1383&Itemid=153&getcontent=3](http://www.inta.org/index.php?option=com_content&tas=viewed&id=1383&Itemid=153&getcontent=3) (last accessed Mar. 1, 2010). This resolution was adopted pursuant to an action request by the Dilution and Well-Known Marks Committee to the Board of Directors on Nov. 9, 2005 with respect to registries for well-known marks.

<sup>164</sup>. *Id.*

<sup>165</sup>. *Id.*

2. *Publication of the adopted rules setting forth the criteria and procedures* that will be used by the examining authority to determine whether a mark is well-known.

Explanation: Certainty as to the criteria and procedures for inclusion on a well-known mark registry will benefit famous mark owners, the examining authority/government and the public at large. The development and publication of such rules will assist mark owners and practitioners in determining whether a particular mark is an appropriate candidate for inclusion on a well-known mark registry and reduce the number of specious applications the examining authority will have to review.

3. *A set term of 10 years for a well-known mark registration* with the opportunity for the mark owner to apply for renewal.

Explanation: Not all marks retain 'well-known' status indefinitely. A set term of 10 years for registration will provide the owner, registration authority, and the public at large an opportunity for review of the status of the mark under established rules and criteria at set periods. The 10-year term is consistent with the term for conventional trademark registrations in the majority of countries around the world.

4. *Procedures for third parties acting in good faith to oppose the placement* of a mark on a well-known mark registry and to *move for cancellation* of a registration on a well-known mark registry at any time. In drafting procedures, consideration should be given to developing appropriate standing criteria and deadlines for submissions once a proceeding has commenced to ensure that the prosecution of such proceedings is reasonable and expeditious.

Explanation: In order for well-known mark registries to be effective tools without becoming permanent grants of 'well-known' status, the committee recommends that third parties have the opportunity to oppose or cancel registration of a mark that is not (or is no longer) well-known or is otherwise not appropriate for inclusion on the registry (e.g., because it is generic and does not function as a mark or is infringing on prior established rights). To ensure that such proceedings are not used in bad faith to create unfair administrative hurdles to the owners of well-known marks invoking rights granted by law, the committee further recommends the establishment of clear rules and procedures for such proceedings, including standing requirements that take into account the nature of the opposing party and submission deadlines that allow such proceedings to be administered expeditiously, without creating costly and unnecessary delays and other such hurdles.

5. Clarity in the law that, while inclusion on a well-known mark registry may facilitate a trademark-related legal claim, inclusion on the well-known registry is not a prerequisite for bringing a claim; nor should any negative inference be drawn that the mark is not well-known.

Explanation: A well-known mark owner which does not seek or obtain registration on a local well-known mark registry should not be estopped from bringing claims under local laws protecting trademarks. Although inclusion on a country's well-known mark registry may provide the mark

owner with some additional benefits in bringing certain trademark-related claims in that jurisdiction (e.g., a presumption of fame), the mark owner should not be penalized for its failure to be included on the registry and should be able to assert whatever trademark-related claims are available under the local law regardless of the status of its mark on the well-known mark registry. The mark owner should be able to prove fame in any such proceeding.

6. *Confidential treatment of financial and other sensitive business information submitted in support of an application* for inclusion on a well-known mark registry, with disclosure only to those participating in proceedings related to such application and any resulting registration.

Explanation: For well-known mark registries to be useful tools to well-known mark owners there must be assurances that evidence of fame submitted in support of an application — which often includes sensitive financial information — will be treated confidentially. Well-known mark owners may choose not to apply for inclusion on such registries if sensitive information submitted in the application process is available for public review. In order to address this concern, the resolution contemplates making such information available to those participating in proceedings related to an application for a well-known mark registration, but recommends limiting the disclosure of such information to the public at large.

7. Assurance that the right of a trademark owner to seek protection of its trademarks under the laws existing in a particular jurisdiction or under international law, including the right to establish in a litigation or other proceeding that its trademark is well-known, shall *not be adversely impacted by the fact that its trademark is not included on a well-known mark registry*.

Explanation: Well-known mark owners are entitled to the rights afforded to all mark owners under the local laws, whether or not they have sought or obtained registration on the well-known mark registries. Although registration on a well-known mark registry may provide additional benefits to a mark owner, such registration should not serve to diminish otherwise existing protections. In particular, the fact that a mark owner has not sought to be included on the well-known mark registry of a particular country should not affect its ability to seek or obtain well-known mark status in that jurisdiction (or other jurisdictions) through other vehicles, including, where available, litigation.

8. *Adequate training of personnel* assigned to examine applications for inclusion on a well-known mark registry.

Explanation: It is important that decisions regarding applications for inclusion on the registries are consistent, well-considered, and in compliance with the published rules. Well-trained examining personnel will be essential to achieving this goal.<sup>166</sup>

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166. *Id.* (emphasis supplied).



## VI. THE CREATION OF A REGISTRY OF WELL-KNOWN MARKS IN THE PHILIPPINES

Considering that the IPO is the most equipped and competent government agency to determine whether a mark is well-known, there is no reason why it should not be considered “the” competent authority to determine this issue, specifically, through the mechanism of a well-known mark registry.

### A. *Legal Basis under Philippine Law*

To reiterate, Section 123 (e) and (f) of the IP Code provide that one of the requirements for the registrability of a mark is that it must not be identical or confusingly similar to a well-known mark. This protection accorded by the IP Code to well-known marks is in accordance with the Philippines’ obligation under Article 6bis of the Paris Convention and the TRIPS Agreement.

#### 1. The IPO Director General’s Authority to Determine Whether or not a mark is Well-Known

The power to determine whether a trademark is well-known lies in the competent authority of the country of registration or use. According to *Mirpuri*, the competent authority is “either the registering authority if it has the power to decide this, or the courts of the country in question if the issue comes before a court.”<sup>167</sup> Under Rule 100 of the Rules on Trademarks the competent authority is understood as “the Court, *the Director General*, the Director of the Bureau of Legal Affairs, or any administrative agency or office vested with quasi-judicial or judicial jurisdiction to hear and adjudicate any action to enforce the rights to a mark.”<sup>168</sup>

In the Philippines, the registering authority alluded to in *Mirpuri* is the IPO, which is headed by the Director General.<sup>169</sup> Section 7 of the IP Code vests the Director General with the function or power to “[m]anage and direct all functions and activities of the Office, including the promulgation of rules and regulations to implement the objectives, policies, plans, programs[,] and projects of the Office.”<sup>170</sup>

One of the main functions and activities of the IPO is the registration of trademarks.<sup>171</sup> An essential part of the registration process is the determination of the registrability of a trademark. In particular, Section 123

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167. *Mirpuri*, 318 SCRA at 543.

168. Rules and Regulations, rule 100 (emphasis supplied).

169. INTELLECTUAL PROPERTY CODE, § 6.

170. *Id.* § 7.

171. *Id.* § 5.

of the IP Code enumerates the instances when a mark *cannot* be registered. One such instance is if a mark applied for is

identical with, or confusingly similar to, or constitutes a translation of a mark which is considered by the competent authority of the Philippines to be well-known internationally and in the Philippines, whether or not it is registered here, as being already the mark of a person other than the applicant for registration, and used for identical or similar goods or services,<sup>172</sup>

or if it is “identical with, or confusingly similar to, or constitutes a translation of a mark considered well-known in accordance with the preceding paragraph, which is registered in the Philippines with respect to goods or services which are not similar.”<sup>173</sup>

In performing this essential part of the registration process (i.e., determination of a well-known mark), the Director General may be considered as exercising his power to manage and direct the functions and activities of the IPO.

Further, as stated in Section 7 of the IP Code, the power of the Director General includes the “promulgation of rules and regulations to implement the objectives, policies, plans, programs[,] and projects of the Office.” Part of the state policy, which the IPO is mandated “to administer and implement,”<sup>174</sup> is “to streamline administrative procedures of registering ... trademarks ... and to *enhance the enforcement of intellectual property rights in the Philippines.*”<sup>175</sup> There is therefore no need for enabling legislation specifically providing for the establishment of the well-known mark registry in the Philippines.

Evidently, the creation of a registry of well-known marks would streamline the process of registration of trademarks. Such a registry would facilitate the process of checking if the applicant’s mark complies with the registrability requirement of not being identical with, or confusingly similar to, a well-known mark. The examiner can simply refer to the registry instead of determining each time which marks are well-known. An obvious benefit is the avoidance of conflicting decisions of examiners on which marks are well-known, as well as various quasi-judicial and judicial bodies before whom the issue of international fame is raised.

It is equally evident that the creation of a registry of well-known marks would enhance the enforcement of intellectual property rights in the country. A registry would minimize the possibility of fraudulent registration

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<sup>172</sup>. *Id.* § 123.

<sup>173</sup>. *Id.*

<sup>174</sup>. *Id.* § 5.

<sup>175</sup>. INTELLECTUAL PROPERTY CODE, § 2 (emphasis supplied).

of well-known marks by unscrupulous applicants. Owners or holders of well-known marks would also be spared of the burden of presenting voluminous evidence on the international fame of their marks, often involving sensitive financial and strategic information, every time it is raised as an issue (not only in registration and *inter partes* proceedings but also in intellectual property violation cases).

Thus, in prescribing rules for the creation of a registry of well-known marks, the Director General would be within his power to promulgate rules and regulations to implement the objectives and policies of the IPO, specifically, the policy to streamline the trademark registration process as well as to enhance the enforcement of intellectual property rights in the country.

## 2. Precedents

The Director General's power to create a registry of well-known marks is similar to the power of the then Minister of Trade and Industry to determine well-known marks, which was upheld by the Court in the cases of *La Chemise Lacoste, S. A. v. Fernandez*<sup>176</sup> and *Mirpuri*.<sup>177</sup>

In a Memorandum dated 20 November 1980, then Minister of Trade Luis Villafuerte instructed the Director of Patents, pursuant to the Paris Convention, "to reject all pending applications for Philippine registration of signature and other world-famous trademarks by applicants other than its original owners or users."<sup>178</sup>

Three years later, on 25 October 1983, then Minister of Trade Roberto Ongpin issued another Memorandum directing the Director of Patents "to implement measures necessary to effect compliance with our obligations under [the Paris] Convention in general, and, more specifically, to honor our commitment under [Article] *6bis* thereof."<sup>179</sup> This Memorandum did not enumerate well-known trademarks but laid down guidelines for the Director of Patents to observe in determining whether a trademark is well-known.<sup>180</sup>

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176. *La Chemise Lacoste, S.A. v. Fernandez*, 129 SCRA 373 (1984).

177. *Mirpuri*, 318 SCRA at 546-48.

178. See *La Chemise Lacoste, S.A.*, 129 SCRA at 389; *Mirpuri*, 318 SCRA at 543.

The Minister went on to enumerate particular international brand marks such as Lacoste, Jordache, Gloria Vanderbilt, Fila, Gucci, Christian Dior, Oscar de la Renta, Givency, Ralph Lauren, Geoffrey Beene, Lanvin, and Ted Lapidus.

*Id.*

179. *Mirpuri*, 318 SCRA at 545.

180. *Id.* at 547.

The said Memorandum was issued pursuant to Executive Order No. 913<sup>181</sup> dated 7 October 1983 of then President Marcos to strengthen the rule-making and adjudicatory powers of the Minister of Trade and Industry for the purpose of protecting consumers.<sup>182</sup>

The validity of both the Villafuerte and Ongpin Memoranda was sustained by the Court in the 1984 landmark case of *La Chemise Lacoste, S.A.*<sup>183</sup> The Court held that under the provisions of Article 6bis of the Paris Convention, the Minister of Trade and Industry was the competent authority to determine whether a trademark is well-known in the Philippines.<sup>184</sup> The *Lacoste* ruling was reiterated in *Mirpuri*.<sup>185</sup>

It is submitted that it is now the Director General of the Intellectual Property Office who must be considered the competent authority to determine whether a mark is well-known.

At the time the Villafuerte Memorandum and Ongpin Memorandum were issued, it was still the Ministry of Trade and Industry which had primary jurisdiction over intellectual property matters. Although trademark registration was the function of the Philippine Patents Office, which later became the Bureau of Patents, Trademarks, and Technology Transfer (BPTT),<sup>186</sup> the said office was under the supervision of the Ministry of Trade and Industry.<sup>187</sup> Moreover, the Ministry was the primary rule-making administrative office with respect to intellectual property matters.<sup>188</sup> While the Philippine Patents Office was given the power to “promulgate the necessary rules and regulations ... for the conduct of all business in the Patent Office,” such power was “subject to the approval of the Department Head.”<sup>189</sup>

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181. Strengthening the Rule-Making and Adjudicatory Powers of the Minister of Trade and Industry in Order to Further Protect Consumers, Executive Order No. 913 (1983).

182. *Id.*

183. *La Chemise Lacoste, S.A.*, 129 SCRA at 390; *see also Mirpuri*, 318 SCRA at 547.

184. *La Chemise Lacoste, S.A.*, 129 SCRA at 395.

185. *Mirpuri*, 318 SCRA at 547.

186. Reorganizing the Department of Trade and Industry, its Attached Agencies, and for Other Purposes, Executive Order No. 133, § 18 (g) (1987).

187. *See An Act Creating a Patent Office, Prescribing Its Powers and Duties, Regulating the Issuance of Patents, and Appropriating Funds Therefor [PATENT LAW]*, Republic Act No. 165, § 1 (1947).

Section 1 of the Patent Law is read in relation to Section 1 of Republic Act No. 166 (Trademark Law).

188. *See E.O. 913.*

189. PATENT LAW, § 78; Trademark Law, § 1.

The situation changed, however, when the IP Code took effect in 1998. The BPTT was abolished.<sup>190</sup> In its place the IPO was created with the mandate “to administer and implement the State policies” on intellectual property matters.<sup>191</sup> Unlike the former BPTT, the IPO is an attached agency<sup>192</sup> of the Department of Trade and Industry (DTI) and is not under DTI’s supervision. Moreover, the IPO Director General is given rule-making power which is not subject to the DTI’s approval except in certain instances.<sup>193</sup> Thus, under the present state of the law, it is now the IPO, and not the DTI, which has primary jurisdiction over intellectual property matters.

It should also be noted that the Ongpin Memorandum was issued pursuant to the power of the Minister of Trade and Industry under E.O. No. 913 which provides that “[t]he Minister may *promulgate rules and regulations to implement the provision and intent of ‘trade and industry laws.’ This power shall extend to the implementation of the objectives, policies, international agreements, international grants, and the approved plans, projects, and activities of the Ministry.*”<sup>194</sup>

The IPO Director General is given a similar authority to “[m]anage and direct all functions and activities of the Office, including the *promulgation of rules and regulations to implement the objectives, policies, plans, programs[,] and projects of the Office.*”<sup>195</sup> It may be inferred, therefore, that the IPO Director General may likewise exercise this rule-making power to create a system for the determination of well-known marks.

It is also noteworthy that in the Villafuerte Memorandum, the Minister of Trade and Industry simply enumerated certain marks found to be well-known. No explanation was given as to the manner or process by which such determination was made, or the evidence or other factors considered in making such determination.

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190. INTELLECTUAL PROPERTY CODE, § 234.

191. *Id.* § 5.

192. Transferring the Intellectual Property Office (IPO) from the Office of the Executive Secretary to the Department of Trade and Industry, Executive Order No. 346 (2004).

“Attachment” refers to the “lateral relationship between the department or its equivalent and the attached agency or corporation for purposes of policy and program coordination.”

Instituting the Administrative Code of 1987 [ADMINISTRATIVE CODE OF 1987], Executive Order No. 292, Book IV, Ch. 7, § 38 (3) (1987).

193. INTELLECTUAL PROPERTY CODE, § 7.

194. E. O. 913, § 2.

195. INTELLECTUAL PROPERTY CODE, § 7.

Considering that the validity of the Villafuerte Memorandum was upheld, then there is even more reason to sustain the creation of a registry which involves a thorough and systematic procedure for making such determination, requiring the submission of evidence and other factual bases for the determination of international fame.

*B. Basic Procedure for Inclusion in the Proposed Well-Known Mark Registry*

It is here proposed that the IPO adopt a procedure for inclusion in a well-known marks registry, which is similar or analogous to the procedure for the application and registration of trademarks, as provided in the current Trademark Rules.<sup>196</sup> The basic outline of such a procedure is as follows:

1. Application and Preliminary Evidence of Fame

The procedure for inclusion in the well-known marks registry begins with the filing of an application for that purpose and submission of preliminary evidence of fame internationally and in the Philippines. The evidence submitted must be sufficient to establish a *prima facie* case of international fame and fame in the Philippines, all of which will be kept strictly confidential by the IPO. A mere allegation of fame is not sufficient.

Notably, foreign jurisdictions<sup>197</sup> have required the submission of verifiable proof of fame in foreign countries, advertising expenditures relating to the mark sought to be registered, financial statements setting out the volume and value of international sales of the products/services as of the date claimed, and survey evidence. All these requirements are in fact already included in the criteria for determining whether or not a mark is well-known in the Rules on Trademarks.<sup>198</sup>

2. Opposition

After it is determined that the application is sufficient in form and substance and that there is *prima facie* evidence of fame, the application shall be published for opposition. Following such publication, the applicant may choose to submit further evidence to establish the mark's fame internationally and in the Philippines, or rely upon the evidence supporting his application. Any interested party may oppose the application within a given period (e.g., 30 days from publication).

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196. See Rules and Regulations, Part 6: Proceedings in the Examination of an Application for Registration.

197. A particular example of such foreign jurisdiction is the Russian Federation, as provided in its law on Trade Marks, Service Marks, and Appellations of Origin (No. 3520-1 (1992)), and its Rules for Recognizing the Well-Known Status of Trade Marks in the Russian Federation (2000).

198. Rules and Regulations, rule 102.

After the period for opposition, the designated officer of the Director General to make the determination (i.e., the Director of the Bureau of Legal Affairs or Director of Trademarks), considering both the evidence submitted in support of the application, and any oppositions filed by interested parties, must make a final determination of fame, applying the criteria set forth in Rule 102 of the Rules on Trademarks.<sup>199</sup> The burden lies with the applicant in establishing the mark's fame.

There is authority to the effect that in an administrative finding of fame, opposition is not necessary for purposes of due process.<sup>200</sup> However, it is submitted that interested parties should be given an opportunity to oppose applications for inclusion in the well-known mark registry to ensure that there is sufficient evidence and factual basis for such inclusion and to aid the IPO in making a determination of fame.

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199. *Id.* This provides:

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

*Id.*

200. *La Chemise Lacoste S. A.*, 129 SCRA at 396 (citing, with approval, the ruling of the then Intermediate Appellate Court in *Chemise Lacoste, S.A. vs. Ram Sadhwani*, AC-G.R. No. SP-13356, June 17, 1983).

### 3. Registration

A positive finding of fame by the examiner entitles the applicant to a “Certificate of Well-Known Status in the Philippines,” and inclusion in the well-known mark registry. Such finding may be appealed by an oppositor, if any, in the manner provided below. Moreover, since being well-known is essentially a status, and is therefore, dynamic rather than static, the applicant/registrant may be required to periodically file the equivalent of a “declaration of actual use” in order to establish the maintenance of the well-known status of the mark. His failure to do so would amount to the abandonment of the mark, but only for purposes of inclusion in the well-known mark registry. However, the use of the well-known mark does not have to be in the form of the actual sale in the Philippines of goods or services bearing such mark. As long as the awareness and recognition of the relevant sector of the public can be inferred from the nature of the use, such as promotion and advertising, for example, then this should suffice.

The registration as a well-known mark is valid for a specified period (e.g., 10 years). After the lapse of such time, the registrant will have to apply for renewal of registration in the well-known mark registry. The said application will be published for opposition. However, unlike the initial process of application and inclusion, the burden now lies upon the oppositor to show that the registered famous mark is no longer famous.

In the event that the oppositor successfully establishes that the mark is no longer famous, the registrant may appeal the finding in accordance with the procedure described below. Otherwise, the mark shall be entitled to inclusion in the well-known marks registry for the same period, after which, it shall again be subject to opposition.

### 4. Appeal

Meanwhile, a negative finding of fame by the examiner, following the period of publication and opposition described above, may be appealed to the Director of Trademarks, similar to the procedure set forth under Part 11 of the Trademark Rules. The decision of the Director of Trademarks may likewise be appealed to the Director General, which in turn may be brought to the Court of Appeals and ultimately, to the Court, in accordance with Rule 43 and Rule 65 of the Rules of Court.

### 5. Inclusion of the Mark in the IPO Registry of Well-Known Marks other than by Administrative Determination

Courts and other quasi-judicial bodies may also determine that a certain mark is well-known if the issue is brought before them in appropriate cases.<sup>201</sup> A final and executory decision by such tribunals may be submitted

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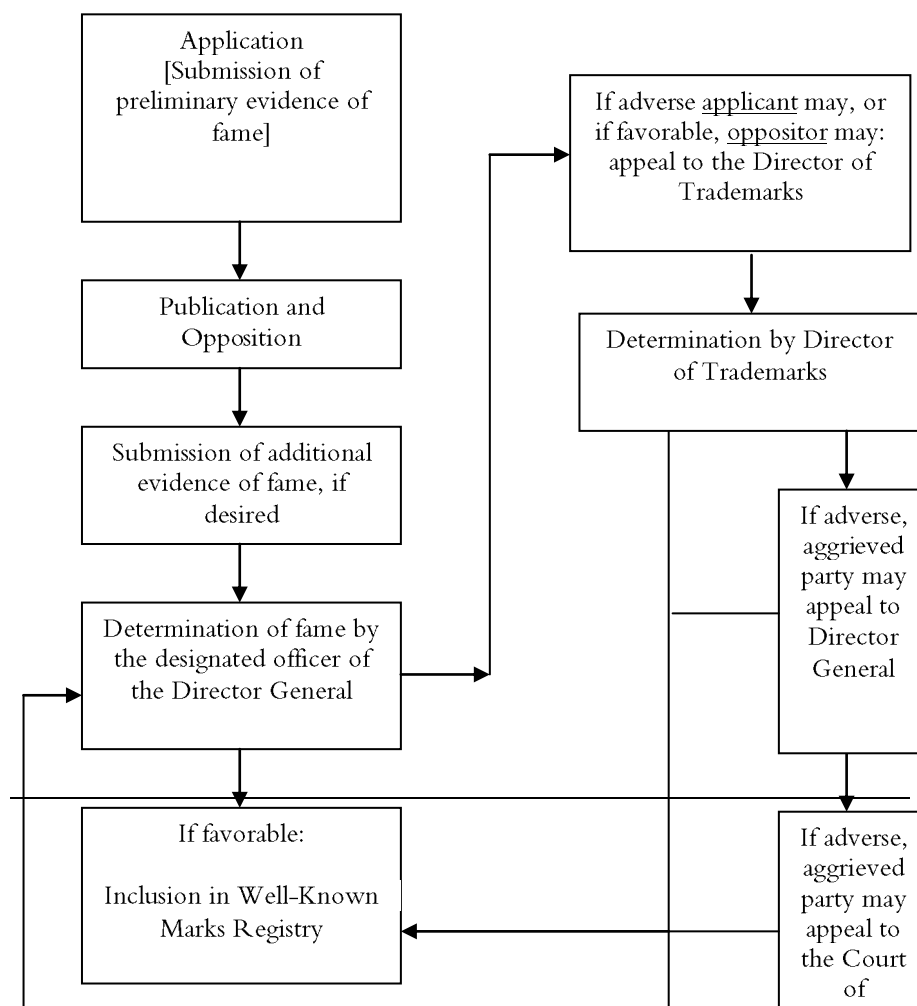
201. See *Mirpuri*, 318 SCRA at 543; see also Rules and Regulations, rule 100 (c).



by an applicant as one of the evidence of international fame, and considered as persuasive authority on the issue of being well-known.

If the determination of international fame is made by the Supreme Court in a case where the issue was squarely raised and ruled upon, the applicant need only present such final and executory decision of the Supreme Court finding international fame to warrant inclusion in the Well-Known Marks Registry.

The proposed procedure is outlined in the next page.



In accordance with the standards proposed by the INTA, it is submitted that the IPO should ensure that the public is fully aware of the procedures for the inclusion of a well-known mark in the well-known mark registry. Accordingly, the public should be given full access to the well-known mark registry. The public must likewise be informed that although the inclusion of one's mark in the registry gives rise to a presumption of being well-known, its non-inclusion does not automatically mean that such mark *is not* well-known. As previously discussed, international fame is a status, and is therefore, dynamic.

It bears emphasis that the inclusion of a mark in the well-known mark registry is not the equivalent of the registration referred to in Article 16 (2) of the TRIPS Agreement and Section 123.1 (f) of the IP Code, which has the effect of extending protection to goods and services "not similar" to those with respect to which the well-known mark has been registered. The registration referred to in these provisions refers to ordinary trademark registration. Nevertheless, a mark can be registered in both the ordinary trademark registry and the well-known mark registry.

In conclusion, the establishment of a well-known mark registry in the Philippines will finally cure the institutional instability in the present regulatory framework for the protection of well-known marks. Whatever obstacles or disadvantages there may be to its establishment, these are not insurmountable, and are definitely worth facing and addressing in order to effectively and adequately protect well-known marks.