

# Pruning the Divergence: Examining *Zuneca* and *Kolin* and Their Effects on the Multiverse of Rules Governing Trademarks

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I. INTRODUCTION.....	123
II. MULTIVERSAL RULES REGARDING TRADEMARK OWNERSHIP AND CONFUSING SIMILARITY.....	126
A. <i>Acquisition of Ownership</i>	
B. <i>Test of Confusing Similarity</i>	
III. THE PRIMACY OF THE FIRST-TO-FILE REGISTRANT OVER THE PRIOR USER: THE <i>ZUNECA</i> CASE (8 SEPTEMBER 2020).....	150
A. <i>Factual Antecedents</i>	
B. <i>Ruling</i>	
C. <i>The Aftermath: Subsequent Cases Applying Zuneca</i>	
D. <i>Key Takeaways</i>	
IV. THE DOMINANCE OF THE DOMINANCY TEST OVER THE HOLISTIC TEST: THE <i>KOLIN</i> CASE (9 FEBRUARY 2021).....	180
A. <i>Factual Antecedents</i>	
B. <i>Ruling</i>	
C. <i>The Aftermath: Subsequent Cases Applying Kolin</i>	

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## D. Key Takeaways

V. CONCLUSION..... 191

## I. INTRODUCTION

*Whatever it was, stepping off your path created a nexus event, which, left unchecked, could branch off into madness, leading to another multiversal war. But, don't worry, to make sure that doesn't happen, ... [t]he [Time Variance Authority] has stepped in to fix your mistake and set time back on its predetermined path.*

— Miss Minutes, in Season 1, Episode 1, of the *Loki* television series<sup>1</sup>

Set immediately after the events of the 2019 film *Avengers: Endgame*,<sup>2</sup> the *Loki* television series explores the interplay between free will and predetermined destiny insofar as the branching of timelines and realities is concerned.<sup>3</sup> As depicted in this series, individuals can, by exercising their free will and doing something unexpectedly out of the ordinary, interrupt the sacred timeline through a “nexus event.”<sup>4</sup> These “nexus events” create alternate timelines with those who exercise their free will as individuals becoming “variants” of their original selves.<sup>5</sup>

The show introduced the Time Variance Authority (TVA) into the Marvel Cinematic Universe (MCU),<sup>6</sup> the former being a bureaucratic organization tasked with preserving the so-called “sacred timeline” and preventing temporal anomalies or “alternate timelines” by all means necessary.<sup>7</sup> Thus, to prevent “multiversal” chaos, the TVA “prunes,” said variants from reality, with the alternate timeline or timelines being erased.<sup>8</sup>

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1. *Loki: Glorious Purpose* (Marvel Studios June 9, 2021).

2. See *AVENGERS: ENDGAME* (Marvel Studios & Walt Disney Pictures 2019).

3. See *Loki*, *supra* note 1.

4. *Id.*

5. *Id.*

6. Jamie Jirak, Kevin Feige Reveals Origin of the Phrase “Marvel Cinematic Universe,” *available at* <https://comicbook.com/marvel/news/kevin-feige-reveals-the-origin-of-the-phrase-marvel-cinematic-universe> (last accessed July 31, 2022) [<https://perma.cc/D9P4-RMRV>] (The show’s creators coined the phrase “Marvel Cinematic Universe” or “MCU” to distinguish said films from the continuity in Marvel Comics).

7. Brittany Matter, What Is the Time Variance Authority?, *available at* <https://www.marvel.com/articles/comics/time-variance-authority-in-the-comics-marvel-unlimited> (last accessed July 31, 2022) [<https://perma.cc/4FGF-X2G2>].

8. *Id.* See also *Loki: The Variant* (Marvel Studios June 16, 2021).

*Loki* follows the titular anti-hero of the MCU, Loki Laufeyson.<sup>9</sup> The series' Loki is simply a variant of the "original" Loki character from the "main" MCU timeline.<sup>10</sup> As a result, his very existence was a looming threat to the "sacred timeline" the TVA so vigilantly sought to protect.<sup>11</sup> As such, this version of Loki ultimately gets caught in the crosshairs of the TVA, thus setting up the overarching conflict in the six-episode series.<sup>12</sup>

Incidentally, a similar conflict — albeit certainly less time-space altering — long existed in Philippine trademark law. This conflict notably involves two crucial trademarks issues: (1) how ownership of a trademark is acquired and (2) how confusing similarity between trademarks is determined. This conflict, arising from diverging lines of jurisprudence, has resulted in a "multiverse" of rules.

Regarding trademark ownership, there have been diverging rules on how trademark ownership is acquired.<sup>13</sup> On the one hand, there is the statutory "first-to-file" rule under the present Intellectual Property (IP) Code<sup>14</sup> which prevents the registration of a trademark that is identical to, or confusingly similar to, a registered mark with an earlier filing or priority date.<sup>15</sup> Under this regime, prior use of the trademark is not a prerequisite to registration.<sup>16</sup> Still, actual use subsequent to the application date is a requirement to maintain an existing registration.<sup>17</sup>

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9. Loki Laufeyson is the God of Mischief. He is Thor's (God of Thunder) younger brother and King Odin's (the All-Father) mischievous adopted son. Marvel, Loki Laufeyson, *available at* <https://www.marvel.com/characters/loki/in-comics> (last accessed July 31, 2022) [<https://perma.cc/8PV2-TQ4Q>].
  10. *Loki: The Variant*, *supra* note 8.
  11. Brittany Matter, *supra* note 7.
  12. Hardik Agrawal, Loki Series Review & Summary: Timelines, Madness and the God of Mischief, *available at* <https://themovieculture.com/loki-series-review-and-summary> (last accessed July 31, 2022) [<https://perma.cc/2SYY-LXZU>].
  13. *See* An Act Prescribing the Intellectual Property Code and Establishing the Intellectual Property Office, Providing for Its Powers and Functions, and for Other Purposes [INTELL. PROP. CODE], Republic Act No. 8293 (1997).
  14. *Id.* §§ 122 & 123.1 (d).
  15. *Id.* § 123.1 (d).
  16. *Zuneca Pharmaceutical, et al. v. Natrapharm, Inc.*, G.R. No. 211850, Sept. 8, 2020, at 17-18, *available at* <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/66500> (last accessed July 31, 2022).
  17. *Id.* at 16. *See also* INTELL. PROP. CODE, § 124.2.

On the other hand, there is also the “prior use” rule, which, despite being contrary to the IP Code’s “first-to-file” rule, was recognized by the Philippine Supreme Court in *Berris Agricultural Co., Inc. v. Abyadang*<sup>18</sup> and *E.Y. Industrial Sales, Inc. v. Shen Dar Electricity and Machinery Co., Ltd.*<sup>19</sup> In both these cases, the Court held that a mark’s first user could defeat the rights of a first filer or registrant.<sup>20</sup>

Similarly, there are diverging rules concerning the appropriate test in determining confusing similarity between two marks.<sup>21</sup> Through the years, two jurisprudential tests have been developed to determine competing marks’ resemblance, namely the “dominancy test” and the “holistic test.”<sup>22</sup> The dominancy test focuses only on the similarity of the prevalent or dominant features of the competing trademarks,<sup>23</sup> while the holistic test examines the entirety of the competing marks.<sup>24</sup> Of the two tests, the dominancy test is now explicitly incorporated in the IP Code.<sup>25</sup> However, insofar as the appropriate test to apply in each particular case is concerned, the same still remains unclear, as there have been “contradictory lines of jurisprudence”<sup>26</sup> advocating the use of either the dominancy test, the holistic test, or both.<sup>27</sup>

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18. *Berris Agricultural Co., Inc. v. Abyadang*, G.R. No. 183494, 633 SCRA 196 (2010).
  19. *E.Y. Industrial Sales, Inc. v. Shen Dar Electricity and Machinery Co., Ltd.*, G.R. No. 184850, 634 SCRA 363 (2010).
  20. *Berris Agricultural Co., Inc.*, 633 SCRA at 204-05 & *E.Y. Industrial Sales, Inc.*, 634 SCRA at 386-87.
  21. *UFC Philippines Inc. v. Barrio Fiesta Manufacturing Corporation*, G.R. 198889, 781 SCRA 424, 449 (2016) (citing *Societe Des Produits Nestle, S.A. v. Dy, Jr.*, G.R. No. 172276, 627 SCRA 223, 235 (2010)).
  22. *Id.*
  23. *Id.*
  24. *Mighty Corporation v. E. & J. Gallo Winery*, G.R. No. 154342, 434 SCRA 473, 507 (2004) & *Great White Shark Enterprises, Inc. v. Caralde, Jr.*, G.R. No. 192294, 686 SCRA 201, 207 (2012).
  25. See INTELL. PROP. CODE, § 155.1 & DENNIS B. FUNA, TRADEMARK LAW OF THE PHILIPPINES 308 (2012) (citing *Dermaline, Inc. v. Myra Pharmaceuticals*, G.R. No. 190065, 628 SCRA 356, 365-66 (2010)).
  26. *Kolin Electronics Co., Inc. v. Kolin Philippines International, Inc.*, G.R. No. 228165, Feb. 9, 2021, at 21, available at <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/67171> (last accessed July 31, 2022) & *Kolin Electronics Co., Inc. v. Kolin Philippines International, Inc.*, G.R. No. 228165, Feb. 9, 2021, at 16-21, available at <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/67171> (last accessed July 31, 2022).
  27. *Id.*

To be sure, all these divergent sets of rules have their own respective merits and are backed by either law,<sup>28</sup> jurisprudence,<sup>29</sup> or both. Yet, the legal milieu produced by this multiverse of rules has resulted in heightened uncertainty and, most certainly, promoted more frequent litigation in the field of trademark law.<sup>30</sup> This was the legal zeitgeist, as it were, up until recently — until the Supreme Court, speaking through Associate Justice Alfredo Benjamin S. Caguioa, “pruned” said divergent lines of jurisprudence in the landmark decisions in *Zuneca Pharmaceutical, et al. v. Natrapharm, Inc.*<sup>31</sup> and *Kolin Electronics Co., Inc. v. Kolin Philippines International, Inc.*<sup>32</sup>

In this light, this Article aims to analyze *Zuneca*’s and *Kolin*’s ramifications on trademarks’ recognition and protection moving forward. First, it shall discuss the prevailing “multiversal” legal regime before *Zuneca* and *Kolin*. Next, it shall discuss *Zuneca* and *Kolin* in detail by providing a case brief for each of these cases, followed by the Authors’ key takeaways. Finally, this Article will summarize the new doctrinal rules as “pruned” after *Zuneca* and *Kolin*.

## II. MULTIVERSAL RULES REGARDING TRADEMARK OWNERSHIP AND CONFUSING SIMILARITY

Certitude is one of trademark law’s hallmarks. A trademark registration functions as *prima facie* evidence of the registrant’s ownership over the

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28. INTELL. PROP. CODE, §§ 122 & 155.1. Under the present system in the Intellectual Property Code, “trademarks are acquired through registration and subsequent actual use.” He likewise observes that the dominancy test is “explicitly incorporated into law in Section 155.1 of [the INTELL. PROP. CODE]” which considers as infringement the “[u]se in commerce ... [of a] colorable imitation of a registered mark or ... a dominant feature thereof.” FUNA, *supra* note 25, at 75 & 308.

29. See *Co Tiong Sa v. Director of Patents*, 95 Phil. 1, 4 (1954) (where the dominancy test was first applied); *Mead Johnson & Co v. N.V.J. Van Dorp, Ltd.*, G.R. No. L-17501, 7 SCRA 768, 771 (1963); & *Bristol Myers Co. v. Director of Patents*, G.R. No. L-21587, 17 SCRA 128, 131 (1966). See also *Berris Agricultural Co., Inc.*, 633 SCRA at 204 & *E.Y. Industrial Sales, Inc.*, 634 SCRA at 386-87 (where the rule on “prior use” under the existing regime was recognized by the Supreme Court). The first-to-file rule under the IP Code “would not apply where the prior registration was preceded by a prior use in good faith and in the concept of an owner by another.” FUNA, *supra* note 25, at 59-61 & 309.

30. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 21 & *Zuneca Pharmaceutical*, G.R. No. 211850, at 2.

31. *Zuneca Pharmaceutical*, G.R. No. 211850, at 2.

32. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 21.

registered mark<sup>33</sup> and thereby sufficient to establish a fact unless disproved.<sup>34</sup> Trademark registrations add value and certainty to a trademark owner's rights for investors and buyers.<sup>35</sup> Indeed, "[a]n important purpose underlying trademark law is the protection of the trademark owner's investment in the quality of the mark and the quality of the goods or services the mark identifies."<sup>36</sup> Conversely, in exchange for the benefit of certainty, trademarks fix responsibility on the part of the trademark owner.<sup>37</sup> Trademarks enable consumers to trace mistakes and low-quality products to the seller; thus, trademarks "create an incentive to keep up a good reputation for a predictable quality of goods."<sup>38</sup> Ultimately, therefore, evolving a trademark system that provides certainty and responsibility would mutually benefit both producers and the consuming public.

The foregoing relationship has been aptly described by the Supreme Court in its opening statements in *Zuneca*,<sup>39</sup> to wit —

Businesses generally thrive or perish depending on their reputation among customers. Logically, consumers gravitate towards products and services they believe are of a certain quality and provide perceived benefits. Thus, entrepreneurs and businesses actively seek to set apart their reputation and goodwill from every other enterprise with the goal of being the top-of-mind choice for the consumers. As signs differentiating the wares or services offered by enterprises, trademarks serve this purpose of making the products and services of each business uniquely memorable. Trademarks have several functions: they indicate the origin or ownership of the articles or services in which they are used; they guarantee that the articles or services come up to a certain standard of quality; and they advertise the articles and services they symbolize. Indeed, the goodwill of a business, as symbolized and

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33. INTELL. PROP. CODE, § 138.

34. BLACK'S LAW DICTIONARY 1310 (9th ed. 2004).

35. Maurine L. Knutsson, The Importance of Trademark Registration in a Global Economy, at 11, available at <https://bannerwitcoff.com/wp-content/uploads/2016/05/Knutsson.The-Importance-of-a-Trademark-Registration-in-a-Global-Economy.pdf> (last accessed July 31, 2022) [<https://perma.cc/J9DL-VPDX>].

36. 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2.4 (2009) (citing Publications Intern., Ltd. v. Landoll, Inc., 164 F.3d 337, 339 (7th Cir. 1998) (U.S.)).

37. MCCARTHY, *supra* note 36, § 2.4 (citing RICHARD CRASWELL, TRADEMARKS, CONSUMER INFORMATION AND BARRIERS TO COMPETITION (1979)). See also Roger E. Meiners & Robert J. Staaf, *Patents, Copyrights, and Trademarks: Property or Monopoly?*, 13 HARV. J.L. & PUB. POL'Y 911, 931 (1990).

38. *Id.*

39. *Zuneca Pharmaceutical*, G.R. No. 211850, at 1-2 (citing *Mirpuri v. Court of Appeals*, G.R. No. 114508, 318 SCRA 516, 532-33 (1999)).

distinguished by its trademarks, helps ensure that the enterprise stands out, stays afloat, and possibly flourish amidst the sea of commercial activity where the consumers' continued patronage is a lifebuoy that may determine life or death.<sup>40</sup>

Expectedly, one such issue where (more) certainty is vastly important is the determination of who, among competing interests, owns a trademark.<sup>41</sup> After all, the conclusiveness of one's ownership over a trademark would determine whether he or she can, ultimately, exercise the “[r]ights [c]onferred” upon “[t]he owner of a registered mark” under the IP Code.<sup>42</sup> In fact, the Supreme Court has observed that “considering the extent to which intellectual property rights impact on the viability of businesses, a common controversy in the field of intellectual property law is to whom these [trademark] rights pertain.”<sup>43</sup>

Dispute also arises — and where better clarity and certitude would likewise be crucial — when a determination of the confusing similarity of competing marks is required. For indeed, under the IP Code, a registered mark with an earlier filing or priority date prevents an identical or confusingly similar mark's registration.<sup>44</sup> The likelihood of confusion is considered the keystone of trademark infringement, given that the former is intertwined with the ultimate inquiry in the field.<sup>45</sup>

Yet, as will be further discussed below, jurisprudence had been less than clear regarding the exact rubric to be applied in resolving these two crucial and conjoined issues involving trademark law. The Supreme Court had, for several years, allowed the rules to branch out to a diverse (and to a great extent contradicting) set of rules — until the Court pruned these branches off in *Zuneca* and *Kolin*.

#### *A. Acquisition of Ownership*

The IP Code, which took effect in 1998,<sup>46</sup> explicitly provides that “[t]he rights in a mark shall be acquired through registration made validly in accordance

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40. *Id.*

41. Knutsson, *supra* note 35, at 8.

42. INTELL. PROP. CODE, § 147.

43. *Zuneca Pharmaceutical*, G.R. No. 211850, at 2.

44. INTELL. PROP. CODE, § 123.1 (d).

45. MCCARTHY, *supra* note 36, § 2.8.

46. INTELL. PROP. CODE, § 241.

with the provisions of [the IP Code].”<sup>47</sup> This provision is a restatement of basic principle espoused by the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) which prescribes that while a trademark’s registration may be made dependent on use, the absence of prior use shall not prevent registration.<sup>48</sup>

In like manner, the IP Code also establishes the “first-to-file” rule, which essentially states that a mark cannot be registered if it “[i]s identical with a registered mark belonging to a different proprietor or a mark with an earlier filing date or priority date[.]”<sup>49</sup> The IP Code further provides that only “the owner of a registered mark” shall have “the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.”<sup>50</sup> In other words, under the IP Code’s express terms, the prevailing law governing trademarks and trademark ownership is acquired through registration, and only a registered owner of a trademark may sue for trademark infringement.

Therefore, the IP Code adopts a regime that gives priority and preference to the first registrant of a trademark.<sup>51</sup> This is starkly different from the previous regime under the old Trademark Law,<sup>52</sup> which granted trademark ownership based on prior use, i.e., the person who first used and did not abandon the mark is considered the trademark owner.<sup>53</sup>

This shift from the use-based or “declarative” system to a first-to-file or “constitutive”<sup>54</sup> system of trademark ownership is apparent from a comparison

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47. *Id.* § 122.

48. Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 15 (3), signed Apr. 15, 1994, 1869 U.N.T.S. 299 [hereinafter TRIPS Agreement].

49. INTELL. PROP. CODE, § 123.1 (d) & FUNA, *supra* note 25, at 60 (emphasis omitted).

50. INTELL. PROP. CODE, §147.1.

51. *Zuneca Pharmaceutical*, G.R. No. 211850, at 16.

52. 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 [Trademark Law], Republic Act No. 166 (1947) (as amended).

53. *Zuneca Pharmaceutical*, G.R. No. 211850, at 16.

54. Raden Muriyanto, Legal Protection of the Registered Trademark Owner in the Constitutive System (First to File) in Indonesia, at 2, available at [https://www.shs-conferences.org/articles/shsconf/pdf/2018/15/shsconf\\_icolgas2018\\_06014.pdf](https://www.shs-conferences.org/articles/shsconf/pdf/2018/15/shsconf_icolgas2018_06014.pdf) (last accessed July 31, 2022) [<https://perma.cc/H9X9-KDRN>].



of Sections 122 and 123.1(d) of the IP Code and Sections 2-A and 4 of the old Trademark Law, as amended<sup>55</sup> —

Trademark Law, as amended (R.A. No. 166)	IP Code (R.A. No. 8293)
<p>SEC. 2-A. Ownership of trademarks, trade-names[,] and service-marks; how acquired — Anyone who lawfully produces or deals in merchandise of any kind or who engages in any lawful business, or who renders any lawful service in commerce, by actual use thereof in manufacture or trade, in business, and in the service rendered, may appropriate to his exclusive use a trade-mark, a trade-name, or a service-mark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or services of others. The ownership or possession of a trade-mark, trade-name, service-mark, heretofore or hereafter appropriated, as in this section provided, shall be recognized and protected in the same manner and to the same extent as are other property rights known to the law.<sup>56</sup></p>	<p>SEC. 122. How Marks are Acquired — The rights in a mark shall be acquired through registration made validly in accordance with the provisions of this law.<sup>57</sup></p>
<p>SEC. 4. Registration of Trademarks, Trade-names[,] and Service-marks — The owner of a trade-mark, trade-name or service-mark used to distinguish his goods, business or services from the goods, business or services of others shall have the right to register the same, unless it:</p>	<p>SEC. 123. Registrability — 123.1. A mark cannot be registered if it:</p> <p>...</p> <p>(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:</p>

55. *Zuneca Pharmaceutical*, G.R. No. 211850, at 16-17.

56. Trademark Law, § 2-A.

57. INTELL. PROP. CODE, § 122.

<p>...</p> <p>(d) Consists of or comprises a mark or trade-name which so resembles a mark or trade-name registered in the Philippines or a mark or trade-name previously used in the Philippines by another and not abandoned, as to be likely, when applied to or used in connection with the goods, business[,] or services of the applicant, to cause confusion or mistake or to deceive purchases[.]<sup>58</sup></p>	<p>(i) The same goods or services, or</p> <p>(ii) Closely related goods or services, or</p> <p>(iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion[.]<sup>59</sup></p>
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Notably, under the old Trademark Law, a trademark's ownership was determined "by actual use thereof" in commerce.<sup>60</sup> It also provided that a mark could not be registered if it had resembled another mark "previously used in the Philippines by another and not abandoned,"<sup>61</sup> effectively underscoring that ownership of a trademark was determined through prior use and non-abandonment under this old regime.

In contrast, under the IP Code, a trademark's ownership is no longer determined by actual use; instead, ownership is "acquired through registration."<sup>62</sup> Moreover, it no longer prohibits the registration of a mark which resembles another mark "previously used in the Philippines by another and not abandoned."<sup>63</sup> Instead, the IP Code now states that a mark cannot be registered if it is identical to, or confusingly similar to, "a registered mark ... with an earlier filing or priority date."<sup>64</sup> Hence, after the effectivity of the IP Code, trademark ownership is no longer acquired by prior use (and non-abandonment) but rather by registration.

In this regard, it has been observed in other jurisdictions (which have likewise shifted to a first-to-file system) that a system that provides legal protection to the first user "can cause difficulties in proving ... who the first

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58. *Id.* § 4.

59. INTELL. PROP. CODE, § 122.

60. Trademark Law, § 2-A.

61. *Id.* § 4 (d).

62. INTELL. PROP. CODE, § 122.

63. Trademark Law, § 4 (d).

64. *Id.* § 123.1 (d).

owner [is] actually, thus causing legal uncertainty.”<sup>65</sup> Meanwhile, a trademark system that gives legal protection to the first filer or registrant would provide more certainty to the owner and would be advantageous in the following aspects:

- (1) Legal certainty to determine [the] owner of the trademark[;]
- (2) Legal certainty of proof because it is only based on the fact of registration[;]
- (3) To realize the legal suspicion of who is the owner of the most eligible brand, does not cause controversy between the first user and the first registrant, since [ownership is based] only on the fact of registration[; and]
- (4) Because the basis for determining who the [owner is] is based on [ ] [who] the first registrant [is], ... the settlement of ... dispute[s] [would be] much simpler, quicker[,] and less costly[.]”<sup>66</sup>

In this jurisdiction, Senior Associate Justice Estela M. Perlas-Bernabe, in her concurring opinion in *Zuneca*,<sup>67</sup> similarly remarked that the Philippines’ adoption of the first-to-file system was in furtherance of its obligations under the TRIPS Agreement,<sup>68</sup> in order to “standardize” the procedure on the acquisition of trademark ownership, thus —

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

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65. Agung Sudjatmiko & Ria Setyawati, A Comparison Study of the Registration System of Trademarks in Indonesia and Australia (International Conference on Law, Governance and Globalization 2017 (ICLGG 2017)), at 13, available at <https://www.atlantis-press.com/article/25902319.pdf> (last accessed July 31, 2022) [<https://perma.cc/FFW8-RHMS>].

66. *Id.*

67. *Zuneca Pharmaceutical*, G.R. No. 211850, at 3-5, available at <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/66500> (last accessed July 31, 2022).

68. TRIPS Agreement, *supra* note 48, pmb1.

Agreement pushed for a shift to a ‘registration system’ as a means of acquiring exclusive rights over trademarks.

As I see it, registration, as compared to use, denotes a standardized procedure to determine, on both domestic and international levels, at what point in time has a person acquired ownership of a trademark to the exclusion of others. Because ‘registration’ is a formal, definite, and concrete act that is processed through official [s]tate institutions, whereas ‘use’ is arbitrary individual action that remains subject to evidentiary proof, the protection of trademark rights is therefore more stable and uniform with the former.<sup>69</sup>

Thus, under the current system espoused by the IP Code, prior use — which has been described as an “arbitrary individual action that remains subject to evidentiary proof”<sup>70</sup> — as a means of acquiring trademark ownership has been replaced by prior registration.<sup>71</sup> Registration, unlike use, is a more “formal, definite[,] and concrete act” by which ownership can be proved by the simple expedient of presenting a certificate of registration issued by the Intellectual Property Office (IPO).<sup>72</sup>

The foregoing does not mean that the IP Code completely dispenses with actual use. While the IP Code had abandoned the prior actual use requirement in commerce at the time of (or before) registration,<sup>73</sup> subsequent use, or actual use after the filing of the trademark application, is a requirement to maintain a trademark registration.<sup>74</sup> Sections 124.2 and 145 of the IP Code require the applicant or registrant (as the case may be) to file a declaration of actual use (DAU) with accompanying evidence (or proof of use),<sup>75</sup> respectively: (1) within three years from the filing date, and (2) within one year from the fifth anniversary of the registration to wit —

SEC. 124.2. The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations

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69. *Zuneca Pharmaceutical*, G.R. No. 211850, at 3-5 (J. Perlas-Bernabe, concurring opinion).

70. *Id.*

71. INTELL. PROP. CODE, § 122.

72. *Shangri-La International Hotel Management, Ltd. v. Developers Group of Companies, Inc.*, G.R. No. 159938, 486 SCRA 405, 419 (2006) (The certificate of registration is merely *prima facie* proof that the registrant is the owner of the registered mark or trade name).

73. FUNA, *supra* note 25, at 75 (citing *Shangri-La International Hotel Management, Ltd.*, 486 SCRA at 420 (2006)).

74. Intellectual Property Office of the Philippines, Trademark Maintenance, *available at* <https://www.ipophil.gov.ph/trademark/trademark-maintenance> (last accessed July 31, 2022) [<https://perma.cc/R58A-9Y4R>].

75. INTELL. PROP. CODE, §§ 124.2 & 145. A declaration of actual use, alone, without proof of actual use, would not establish actual use. FUNA, *supra* note 25, at 75.

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

SEC.145. Duration. — A certificate of registration shall remain in force for ten (10) years: Provided, That the registrant shall file a declaration of actual use and evidence to that effect, or shall show valid reasons based on the existence of obstacles to such use, as prescribed by the Regulations, within one (1) year from the fifth anniversary of the date of the registration of the mark. Otherwise, the mark shall be removed from the Register by the Office.<sup>76</sup>

In addition, under the existing Trademark Regulations of the IPO,<sup>77</sup> a DAU with accompanying proof of use must likewise be filed with the IPO within one year from the date of the renewal and within one year from the fifth anniversary of each renewal.<sup>78</sup>

As such, the IP Code's system of trademark ownership has been described as a "Registration and Subsequent Actual Use System."<sup>79</sup> In other words, prior actual use is no longer a prerequisite to registration, and a trademark may be registered based on "mere intent to use."<sup>80</sup> In this case, however, subsequent actual use would be necessary to "maintain" a trademark registration.<sup>81</sup>

To be sure, the present system provides better certitude than the previous prior-use based system — as the issue of who has the better right to a trademark under this regime is easily verifiable from IPO records.<sup>82</sup> Otherwise stated, the mark's owner can easily be determined based on who has the earlier filing or priority date — and not on prior use, which requires extrinsic evidence.<sup>83</sup> Thus, where two competing marks belonging to different proprietors are identical or confusingly similar, and the marks pertain to the same goods or

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76. INTELL. PROP. CODE, §§ 124.2 & 145.

77. Intellectual Property Office of the Philippines, Rules and Regulations on Trademarks, Service Marks, Trade Names and Marked or Stamped Containers of 2017, Memorandum Circular No. 7, Series of 2017 [IPO Memo. Circ. No. 17-010, s. 2017], rule 204 (July 7, 2017).

78. *Id.*

79. FUNA, *supra* note 25, at 75.

80. *Id.* at 77.

81. INTELL. PROP. CODE, § 124.2.

82. IPO Memo. Circ. No. 17-010, s. 2017, rule 200.

83. *Id.* rule 204.

services or are closely related goods or services, “the mark first filed for registration would *prima facie* be the superior registration.”<sup>84</sup>

Notwithstanding the Philippines’ adoption of the “first-to-file” (and subsequent use) system, the IP Code adds a qualification. It provides that a certificate of trademark registration is only *prima facie* evidence of: (1) the validity of the registration, (2) the registrant’s ownership of the mark, and (3) the registrant’s exclusive right to use the same in connection with his or her goods or services.<sup>85</sup> As such, this has raised doubts as to whether the old Trademark Law’s previous prior use-based rule on ownership has indeed been absolutely abandoned under the IP Code.<sup>86</sup>

Thus, some IP law experts have observed that a certificate of trademark registration is not conclusive evidence of ownership and is “not indefeasible unlike a Torrens Title over a real property.”<sup>87</sup> As such, a “trademark registration is no guarantee for protection.”<sup>88</sup> Likewise, the Supreme Court has held that “[p]ossession of the ... Certificate of ... Registration does not conclusively establish its ownership of the disputed trademarks as dominion over trademarks is not acquired by the fact of registration alone; at best, registration merely raises a presumption of ownership that can be rebutted by contrary evidence.”<sup>89</sup>

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84. FUNA, *supra* note 25, at 59-60.

85. INTELL. PROP. CODE, § 138.

86. *Zuneca Pharmaceutical*, G.R. No. 211850, at 18-19.

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

*Id.*

87. FUNA, *supra* note 25, at 225.

88. *Id.* (citing Bienvenido I. Somera, Jr., *Trademark Registration No Guarantee for Protection* (Aug. 25, 2009)).

89. *Superior Commercial Enterprises, Inc. v. Kunnan Enterprises Ltd.*, G.R. No. 169973, 618 SCRA 531, 544 (2010) (citing *Phillip Morris, Inc. v. Court of Appeals*, G.R. No. 91332, 224 SCRA, 576, 595 (1993)).

More recently, *Birkenstock Orthopaedie GMBH and Co. Kg v. Philippine Shoe Expo Marketing Corporation*<sup>90</sup> held that “registration of a trademark, by itself, is not a mode of acquiring ownership.”<sup>91</sup> It declared, to wit —

It must be emphasized that registration of a trademark, by itself, is not a mode of acquiring ownership. If the applicant is not the owner of the trademark, he has no right to apply for its registration. Registration merely creates a *prima facie* presumption of the validity of the registration, of the registrant’s ownership of the trademark, and of the exclusive right to the use thereof. Such presumption, just like the presumptive regularity in the performance of official functions, is rebuttable and must give way to evidence to the contrary.

Clearly, it is not the application or registration of a trademark that vests ownership thereof, but it is the ownership of a trademark that confers the right to register the same. A trademark is an industrial property over which its owner is entitled to property rights which cannot be appropriated by unscrupulous entities that, in one way or another, happen to register such trademark ahead of its true and lawful owner. The presumption of ownership accorded to a registrant must then necessarily yield to superior evidence of actual and real ownership of a trademark.<sup>92</sup>

As such, a deviation from the “main rule” remained. In this regard, this divergent branch, so to speak, is rooted in the Supreme Court’s 2010 rulings in *E.Y. Industrial Sales, Inc.* and *Berris Agricultural Co., Inc.*

In *E.Y. Industrial Sales, Inc.*, Shen Dar Electricity and Machinery Co., Ltd. (Shen Dar) was the first to file for trademark registration for the “VESPA” mark in 1997, while E.Y. Industrial Sales, Inc. (EYIS) merely filed its application in 1999.<sup>93</sup> However, EYIS was the mark’s first user in 1995, as Shen Dar first used the mark in June 1996.<sup>94</sup> In light of these facts, and invoking *Shangri-La International Hotel Management, Ltd. v. Developers Group of Companies, Inc.*,<sup>95</sup> the Court ruled in favor of EYIS, to wit —

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

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90. *Birkenstock Orthopaedie GMBH and Co. KG v. Philippine Shoe Expo Marketing Corporation*, G.R. No. 194307, 710 SCRA 474, 487 (2013) (citing *Shangri-La International Hotel Management, Ltd.*, 486 SCRA at 420-21).

91. *Birkenstock Orthopaedie GMBH and Co. KG*, 710 SCRA at 487.

92. *Id.*

93. *E.Y. Industrial Sales, Inc.*, 634 SCRA at 369-70.

94. *Id.*

95. *Id.* at 388-89 (citing *Shangri-La International Hotel Management, Ltd.*, 486 SCRA at 419-21).

determining, once and for all, the true owner of the mark ‘VESPA’ based on the evidence presented.

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

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

...

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

- (i) The same goods or services, or
- (ii) Closely related goods or services, or
- (iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion.

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

Section] 134 of the IP Code provides that ‘any person who believes that he would be damaged by the registration of a mark ...’ may file an opposition to the application. The term ‘any person’ encompasses the true owner of the mark — the prior and continuous user.

Notably, the Court has ruled that the prior and continuous use of a mark may even overcome the presumptive ownership of the registrant and be held as the owner of the mark. As aptly stated by the Court in *Shangri-La International Hotel Management, Ltd. v. Developers Group of Companies, Inc.*[,]

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

...

Ownership of a mark or trade name may be acquired not necessarily by registration but by adoption and use in trade or commerce. As between actual use of a mark without registration, and registration of the mark without actual use thereof, the former prevails over the latter. For a rule widely accepted and



firmly entrenched, because it has come down through the years, is that actual use in commerce or business is a pre-requisite to the acquisition of the right of ownership.

...

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

Here, the incontrovertible truth, as established by the evidence submitted by the parties, is that EYIS is the prior user of the mark[.]

...

As such, EYIS must be considered as the prior and continuous user of the mark 'VESPA' and its true owner. Hence, EYIS is entitled to the registration of the mark in its name.<sup>96</sup>

Meanwhile, in *Berris Agricultural Co., Inc.*, Norvy A. Abyadang filed a trademark application dated 16 January 2004 to register the mark "NS D-10 PLUS" for use for goods in Class 5.<sup>97</sup> *Berris Agricultural Co., Inc.* (BACI) opposed said application, alleging that the trademark sought to be registered by Abyadang was confusingly similar to its registered trademark "D-10 80 WP" for the same or similar goods, which was applied for on 29 November 2002 and registered on 25 October 2004.<sup>98</sup> In ruling for BACI, however, the Court did not just confine its decision to the fact that BACI had an earlier filing date and was the first registrant. Rather, citing Ruben E. Agpalo's commentary, it further held that proof of prior use can defeat the *prima facie* presumption brought about by a trademark registration, thus —

The basic law on trademark, infringement, and unfair competition is [the IP Code], specifically Sections 121 to 170 thereof. It took effect on [1 January 1998]. Prior to its effectivity, the applicable law was R.A. No. 166, as amended.

Interestingly, [the IP Code] did not expressly repeal in its entirety R.A. No. 166, but merely provided in Section 239.1 that Acts and parts of Acts

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96. *E.Y. Industrial Sales, Inc.*, 634 SCRA at 391.

97. *Berris Agricultural Co., Inc.*, 633 SCRA at 199.

98. *Id.*

inconsistent with it were repealed. In other words, only in the instances where a substantial and irreconcilable conflict is found between the provisions of [the IP Code] and of R.A. No. 166 would the provisions of the latter be deemed repealed.

...

The ownership of a trademark is acquired by its registration and its actual use by the manufacturer or distributor of the goods made available to the purchasing public. Section 122 of [the IP Code] provides that the rights in a mark shall be acquired by means of its valid registration with the IPO. A certificate of registration of a mark, once issued, constitutes *prima facie* evidence of the validity of the registration, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate. [The IP Code], however, requires the applicant for registration or the registrant to file a declaration of actual use (DAU) of the mark, with evidence to that effect, within three (3) years from the filing of the application for registration; otherwise, the application shall be refused or the mark shall be removed from the register. In other words, the *prima facie* presumption brought about by the registration of a mark may be challenged and overcome, in an appropriate action, by proof of the nullity of the registration or of non-use of the mark, except when excused. Moreover, the presumption may likewise be defeated by evidence of prior use by another person, i.e., it will controvert a claim of legal appropriation or of ownership based on registration by a subsequent user. This is because a trademark is a creation of use and belongs to one who first used it in trade or commerce.<sup>99</sup>

*E.Y. Industrial Sales, Inc.* notably acknowledged that the IP Code has now shifted to the "first-to-file" rule.<sup>100</sup> In fact, *Berris Agricultural Co., Inc.*'s final disposition was consistent with the first-to-file rule on ownership under the IP Code.<sup>101</sup> The Court qualified this rule in both cases, such that proof of prior use can, ultimately, defeat a trademark registration otherwise validly issued under the IP Code.<sup>102</sup> In other words, based on these rulings, the prior and continuous user would actually have a better right than the first applicant or registrant.

Invoking *Shangri-La International Hotel Management, Ltd.* and relying on *Agpalo*, respectively, these two cases thus paved the way for a "prior use" system to branch out from the "main rule." As such, since 2010, up until recently, the Court had recognized two parallel and seemingly contradicting

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99. *Id.* at 202-05 (citing RUBEN E. AGPALO, *THE LAW ON TRADEMARK, INFRINGEMENT AND UNFAIR COMPETITION* 8-11 (1st ed. 2000)).

100. *E.Y. Industrial Sales, Inc.*, 634 SCRA at 387-88.

101. *Berris Agricultural Co., Inc.*, 633 SCRA at 208-09.

102. *Id.* & *E.Y. Industrial Sales, Inc.*, 634 SCRA at 387-88.

sets of rules in respect of trademark ownership: *first*, the “first-to-file” and subsequent use system expressly adopted by the IP Code, and *second*, the “prior use” system recognized by the Court in *E.Y. Industrial Sales, Inc.* and *Berris Agricultural Co., Inc.*

The foregoing was the attendant legal milieu respecting trademark ownership, which was addressed and, to some extent, “corrected” in *Zuneca*, which will be subsequently discussed in detail in this Article.

### B. *Test of Confusing Similarity*

Distinctiveness is intrinsic in every trademark. In essence, a mark should distinguish an enterprise’s product or services.<sup>103</sup> It should function as an identifier of ownership’s origin insofar as the particular article to which it is affixed is concerned<sup>104</sup> so as “to secure to him, who has been instrumental in bringing into market a superior article of merchandise, the fruit of his industry and skill, and to prevent fraud and imposition.”<sup>105</sup> For trademark law to achieve this, it is primordial that each registered mark is kept unique, and any colorable imitation thereof is, by all means, pruned.<sup>106</sup> Otherwise, consumers will be confused, and the underlying purpose for protecting a mark can fade away in a blip.<sup>107</sup>

The IP Code has several measures to guard and achieve this objective successfully. Foremost, the IP Code does not extend its protection to identical or confusingly similar marks, to wit —

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

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103. INTELL. PROP. CODE, § 121.1.

104. *Heirs of Crisanta Y. Gabriel-Almoradie v. Court of Appeals*, G.R. No. 91385, 229 SCRA 15, 33 (1994).

105. *Id.* (citing *La Chemise Lacoste, S.A. v. Fernandez*, G.R. No. L-63796, 129 SCRA 373, 397 (1984) (citing *Etepha v. Director of Patents, et al.*, G.R. No. L-20635, 16 SCRA 495, 497 (1966))).

106. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 19.

107. *Id.*

(iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion;<sup>108</sup>

This is one of the relative grounds for refusal of registration of a trademark. Unlike absolute grounds, relative grounds do not relate to the mark's inherent characteristics but are based on other persons' pre-existing and intervening rights.<sup>109</sup> They may be raised as grounds for refusal by the trademark examiner *ex officio*, i.e., on his or her initiative, or by a third person through an *inter partes* case, i.e., by filing an opposition or cancellation case.<sup>110</sup>

When confronted with a trademark application that has already hurdled all absolute grounds for refusal, a trademark examiner is tasked with examining the mark for possible refusal based on relative grounds.<sup>111</sup> In doing so, the examiner should ask himself or herself the following question: "If this mark (filed for registration) were used in trade in this country, in connection with the specified goods and services, would such use unfairly prejudice a third party?"<sup>112</sup>

If the answer is in the affirmative, the trademark application should be rejected.<sup>113</sup>

Based on the ASEAN Common Guidelines for the Substantive Examination of Trademarks used by IPO trademark examiners, the competing marks must be examined, as well as the goods and services sought to be covered to determine if the subsequent mark will cause prejudice to an existing registration.<sup>114</sup> Such that, in case of identity of both the marks and the specified goods and services, otherwise called "double identity," likelihood of confusion may already be reasonably presumed.<sup>115</sup> As such, the registration's refusal should follow as a matter of course. Verily, Section 4, Rule 18 of the 2020 Revised Rules of Procedure for Intellectual Property Rights Cases provides that "[l]ikelihood of confusion shall be presumed in case an identical sign or mark is used for identical goods or services."<sup>116</sup>

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108. INTELL. PROP. CODE, § 123.1.

109. ASSOCIATION OF SOUTHEAST ASIAN NATIONS, COMMON GUIDELINES FOR THE SUBSTANTIVE EXAMINATION OF TRADEMARKS 181 (2d. ed. 2020) [hereinafter ASEAN COMMON GUIDELINES].

110. *Id.*

111. *Id.*

112. *Id.* at 181-82.

113. *Id.* at 183.

114. *Id.*

115. ASEAN COMMON GUIDELINES, *supra* note 109.

116. 2020 REVISED RULES FOR INTELLECTUAL PROPERTY RIGHTS CASES, A.M. No. 10-3-10-SC, rule 18, § 4.

Double identity, however, is not a concern. In fact, “most cases of conflict between marks will not present a double identity[,] but rather a situation of similarity that will require closer analysis.”<sup>117</sup> In the case of the latter, the examiner is required to already assess the likelihood of confusion.<sup>118</sup> At the outset, however, it must be clarified that absolute certainty or confusion, or even actual confusion, is not required to bar a registration.<sup>119</sup> Accordingly, “it is the mere likelihood of confusion that provides the impetus to accord protection to trademarks already registered with the IPO.”<sup>120</sup>

As specified in *Skechers U.S.A., Inc. v. Inter Pacific Industrial Trading Corp.*,<sup>121</sup> confusion, as a concept in trademark protection, may come in the form of “confusion of goods” or “confusion of business,” to wit —

Relative to the question on confusion of marks and trade names, jurisprudence has noted two [ ] types of confusion, viz.: (1) confusion of goods (product confusion), where the ordinarily prudent purchaser would be induced to purchase one product in the belief that he was purchasing the other; and (2) confusion of business (source or origin confusion), where, although the goods of the parties are different, the product, the mark of which registration is applied for by one party, is such as might reasonably be assumed to originate with the registrant of an earlier product, and the public would then be deceived either into that belief or into the belief that there is some connection between the two parties, though inexistent.<sup>122</sup>

Assessing the likelihood of confusion is more than just an exercise of compare and contrast. It will require the examiner’s thorough “analysis and appreciation of the circumstances involved.”<sup>123</sup> Most times, it may even require examiners to develop assumptions and to place themselves in the shoes of an ordinary consumer to understand the latter’s perception concerning the proposed mark in relation to the goods or services it seeks to cover.<sup>124</sup> One

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117. ASEAN COMMON GUIDELINES, *supra* note 109, at 184.

118. *Id.*

119. ABS-CBN Publishing, Inc. v. Director of the Bureau of Trademarks, G.R. No. 217916, 867 SCRA 244, 266 (2018).

120. *Id.*

121. *Skechers, U.S.A., Inc. v. Inter Pacific Industrial Trading Corp.*, G.R. No. 164321, 646 SCRA 448 (2011).

122. *Id.* at 456.

123. ASEAN COMMON GUIDELINES, *supra* note 109, at 185.

124. *Id.* at 184.

may thus say that a substantial examination of likelihood of confusion is, to some extent, subjective.<sup>125</sup>

As certitude is one of trademark law's pillars, it is imperative that a standard of examination is uniform and certain enough to espouse a predictable result.<sup>126</sup> Otherwise, it will branch out diverging rulings that may cause a different kind of confusion to trademark owners and eventual distrust of the value of trademark protection.<sup>127</sup>

As early as 1982, the Court in *Esso Standard Eastern, Inc. v. Court of Appeals*<sup>128</sup> recognized that "likelihood of confusion is a relative concept, to be determined only according to the particular, and sometimes peculiar, circumstances of each case."<sup>129</sup> As stated, however, by Justice Leonen in his separate concurring opinion in *Kolin*, "[r]elativity in likelihood of confusion must give way to objective, scientific, and economic standards."<sup>130</sup>

Based on the Revised Rules for IP Cases, in determining likelihood of confusion between two competing marks, several factors may be considered such as, but not limited to:

- (a) [T]he strength of plaintiff's mark;
- (b) [T]he degree of similarity between the plaintiff's and the defendant's marks;
- (c) [T]he proximity of the products or services;
- (d) [T]he likelihood that the plaintiff will bridge the gap;
- (e) [E]vidence of actual confusion;
- (f) [T]he defendant's good faith in adopting the mark;
- (g) [T]he quality of defendant's product or service; and/or
- (h) [T]he sophistication of the buyers.<sup>131</sup>

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125. *Id.* at 185.

126. *Zuneca Pharmaceutical*, G.R. No. 211850, at 1-2.

127. *Id.*

128. *Esso Standard Eastern, Inc. v. Court of Appeals*, G.R. No. L-29971, 116 SCRA 336 (1982).

129. *Id.* at 341 (citing RUDOLF CALLMAN, THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS 1123 (1950)).

130. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 22 (J. Leonen, concurring opinion).

131. 2020 REVISED RULES FOR INTELLECTUAL PROPERTY RIGHTS CASES, rule 18, § 5.

Likelihood of confusion's assessment based on these factors is labelled in *Kolin* as the "multifactor test."<sup>132</sup> From these criteria, two are deemed most significant: (1) the resemblance of the marks (i.e., the degree of similarity between the plaintiff's and the defendant's marks), and (2) the relatedness of goods and services (i.e., the proximity of the products and services).<sup>133</sup> However, where there already is evidence of actual confusion, more persuasive weight is given to it because it proves that "confusion among consumers is not only speculated but has actually transpired."<sup>134</sup>

Anent relatedness of goods and services, the Court held that the several factors enumerated in *Mighty Corporation v. E. & J. Gallo Winery*<sup>135</sup> may be equally considered, such as:

- (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) [T]he 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 channel of trade through which the goods flow, how they are distributed, marketed, displayed, and sold.<sup>136</sup>

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132. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 19.

133. *Id.* at 19-20.

134. *Id.* at 30.

135. *Mighty Corporation*, 434 SCRA at 510-11.

136. *Id.*

Additionally, citing *Hewlett-Packard Dev. Co., L.P. v. Vudu, Inc.*,<sup>137</sup> the Court suggested that one may also investigate the complementarity of the goods or services for purposes of determining their relatedness.<sup>138</sup>

More importantly, the Court also categorically abandoned product use or service classification, otherwise known as the ever-changing Nice Classification (NCL), as a factor for purposes of determining relatedness or non-relatedness of goods or services.<sup>139</sup>

With respect to resemblance of competing marks — the most important factor — *Kolin* has once and for all categorically declared that the prevailing test in determining confusing similarity between two marks is the dominance test, effectively pruning the holistic test from the equation.<sup>140</sup> This pronouncement ended the flip-flopping decisions that had used either (or even both in some cases) dominance test and holistic test, which are defined in jurisprudence, as follows —

The [d]ominancy [t]est focuses on the similarity of the prevalent features of the competing trademarks which might cause confusion or deception, and thus infringement. If the competing trademark contains the main, essential or dominant features of another, and confusion or 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 is whether the use of the marks involved is likely to cause confusion or mistake in the mind of the public or deceive purchasers.

On the other hand, the [holistic test] requires that the entirety of the marks in question be considered in resolving confusing similarity. Comparison of words is not the only determining 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>141</sup>

For example, the Supreme Court en banc — speaking through Associate Justice Alejo Labrador — advocated using the dominance test in the 1954 case of *Co Tiong Sa v. Director of Patents*,<sup>142</sup> eloquently discussing the rationale behind it to wit —

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137. *Hewlett-Packard Dev. Co., L.P. v. Vudu, Inc.*, 92 U.S.P.Q.2d (BNA) 1630, 1633 (T.T.A.B. 2009) (U.S.).

138. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 29.

139. *Id.* at 27-28.

140. *Id.* at 20-25.

141. *Id.* (citing *Mighty Corporation*, 434 SCRA at 506-07).

142. *Co Tiong Sa v. Director of Patents*, 95 Phil. 1 (1954).



So is it with a customer or purchaser who sees a label. He retains in his mind the dominant characteristics or features or central idea in the label, and does not retain or forgets the attendant decorations, flourishes, or variations. The ordinary customer does not scrutinize the details of the label; he forgets or overlooks these, but retains a general impression, or a central figure, or a dominant characteristic.<sup>143</sup>

Not so long after, however, the Court released a contradictory landmark ruling in *Mead Johnson and Company v. N.V.J. Van Dorp, Ltd.*<sup>144</sup> In this case, the Court en banc used the holistic test in assessing confusing similarities between petitioner's "ALACTA" mark and respondent's "ALASKA" mark.<sup>145</sup> Verily, the Court ruled, as follows —

It is true that between petitioner's trademark 'ALACTA' and respondent's 'ALASKA' there are similarities in spelling, appearance[,] and sound for both are composed of six letters of three syllables each and each syllable has the same vowel, but in determining if they are confusingly similar a comparison of said words is not the only determinant factor. The two marks in their entirety as they appear in the respective labels 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.

...

We have examined the two trademarks as they appear in the labels attached to the containers which both petitioner and respondent display for distribution and sale and we are impressed more by the dissimilarities than by the similarities appearing therein in the same manner as the Director of the Patent Office, and because of this impression we are persuaded that said Director was justified in overruling petitioner's opposition.<sup>146</sup>

In a 1965 case, the Court reiterated *Co Tiong Sa* and held that "considering the similarities in the appearance and sound between the marks AMBISCO and NABISCO," among others, confusion of purchasers is likely.<sup>147</sup>

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143. *Id.* at 5.

144. *Mead Johnson*, 7 SCRA at 771-72.

145. *Id.*

146. *Id.*

147. *Operators, Incorporated v. Director of Patents*, G.R. No. L-17901, 15 SCRA 147, 150 (1965) (citing *Co Tiong Sa*, 95 Phil. at 4-6).

In less than a year, however, the Court issued *Bristol Myers Company v. Director of Patents*,<sup>148</sup> where it reverted to using the holistic test, citing *Mead Johnson*, viz. —

In determining whether two trademarks are confusingly similar, the test is not simply to take their words and compare the spelling and pronunciation of said words. Rather, it is to consider the two marks in their entirety, as they appear in the respective labels, in relation to the goods to which they are attached. Said rule was enunciated [ ] by this Court through Justice Felix Bautista Angelo in *Mead Johnson & Co. [v.] N.V.J Van Dorp, Ltd.*

...

Applying this test to the trademarks involved in this case, it is at once evident that the Director of Patents did not err in finding no confusing similarity. For though the words ‘BIOFERIN’ and ‘BUFFERIN’ have the same suffix and similar sounding prefixes, they appear in their respective labels with strikingly different backgrounds and surroundings, as to color, size[,] and design.<sup>149</sup>

Thereafter, the Court again reverted to the use of dominance test in its 1970 ruling finding confusing similarities between the “DURAFLEX” and the “DYNAFLEX” marks,<sup>150</sup> to wit —

Of course, as pointed out in the decision now on appeal, there are some differences in the mark on the front portion of the box. But they pale into insignificance in view of the close resemblance in the general appearance of the box and the tradenames of the articles. Indeed, measured against the dominant-feature standard, applicant’s mark must be disallowed. For, undeniably, the dominant and essential feature of the article is the trademark itself.<sup>151</sup>

In the 2001 case of *Societe Des Produits Nestlé, S.A. v. Court of Appeals*,<sup>152</sup> the Court expressly rejected the holistic test, explaining that it is “contrary to the elementary postulate of the law on trademarks and unfair competition that confusing similarity is to be determined [based on] visual, aural, connotative comparisons[,] and overall impressions engendered by the marks in controversy as they are encountered in the realities of the marketplace.”<sup>153</sup>

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148. *Bristol Myers v. Director of Patents, et al.*, G.R. No. L-21587, 17 SCRA 128, 131 (1966).

149. *Id.* at 131 (citing *Mead Johnson*, 7 SCRA at 771).

150. *American Wire & Cable Co. v. Director of Patents*, G.R. No. L-26557, 31 SCRA 544, 550 (1970).

151. *Id.*

152. *Societe Des Produits Nestlé, S.A. v. Court of Appeals*, G.R. No. 112012, 365 SCRA 207 (2001).

153. *Id.* at 221.

This pronouncement is further strengthened in *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*,<sup>154</sup> which held that the [d]ominancy [t]est “is now explicitly incorporated into law in that Section 155.1 of the [IP Code] which defines infringement as the ‘colorable imitation of a registered mark ... or a dominant feature thereof.’”<sup>155</sup>

Notwithstanding these categorical statements, the Supreme Court still considered the holistic test’s results in subsequent cases, either exclusively or in conjunction with the dominancy test, in determining confusing similarities.<sup>156</sup>

Unfortunately, these diverging decisions have resulted in more confusions in the realm of trademark law, not just on the part of the trademark owners but also the trademark examiners.<sup>157</sup>

The value of knowing the prevailing test is important for purposes of assessing competing marks’ resemblance. It cannot be underscored enough, considering that it is the backbone of determining likelihood of confusion.<sup>158</sup> Accordingly, it is also relevant for enforcing one’s right over his or her trademark registration.<sup>159</sup>

The IP Code provides that an action for infringement, whether criminal, civil, and/or administrative, may be filed against those who, without the consent of the registered owner of a 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

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154. *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*, G.R. No. 143993, 437 SCRA 10 (2004).

155. *Id.* at 33.

156. *See Dy v. Koninklijke Philips Electronics, N.V.*, G.R. No. 186088, 821 SCRA 241, 244 (2017); *Diaz v. People*, G.R. No. 180677, 691 SCRA 139, 152 (2013); *Philip Morris, Inc. v. Fortune Tobacco Corp.*, G.R. No. 158589, 493 SCRA 333, 357 (2006); & *Berris Agricultural Co., Inc.*, 633 SCRA at 210.

157. *Id.*

158. *Berris Agricultural Co., Inc.*, 633 SCRA at 210.

159. INTELL. PROP. CODE, § 123.1 (providing that registration will not succeed if there is likelihood of confusion).

155.2. Reproduce, counterfeit, copy[,] or colorably imitate a registered mark or a dominant feature thereof and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles[,] or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action for infringement by the registrant for the remedies hereinafter set forth: *Provided*, That the infringement takes place at the moment any of the acts stated in Subsection 155.1 or this subsection are committed regardless of whether there is actual sale of goods or services using the infringing material.<sup>160</sup>

To be sure, the likelihood of confusion is one of the elements of trademark infringement that must be clearly established from the outset.<sup>161</sup> Thus, without a certain ruling on how to determine competing marks' resemblance and the likelihood of confusion, trademark enforcement will become nothing more than just a trivial and toothless exercise.

In light of the foregoing, *Kolin's* importance, which will be discussed in more detail in subsequent parts of this Article, cannot be overemphasized enough. Indeed, it is a pivotal case that will surely serve a crucial role in the success and certainty of trademark protection in the Philippines.

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160. INTELL. PROP. CODE, §§ 155.1-155.2.

161. *See Diaz*, 691 SCRA at 152. Where the Supreme Court enumerated the elements of trademark infringement under the IP Code, to wit —

- (1) The trademark being infringed is registered in the Intellectual Property Office;
- (2) The trademark is reproduced, counterfeited, copied, or colorably imitated by the infringer;
- (3) The infringing mark is used in connection with the sale, offering for sale, or advertising of any goods, business or services; or the infringing mark is applied to labels, signs, prints, packages, wrappers, receptacles[,] or advertisements intended to be used upon or in connection with such goods, business or services;
- (4) The use or application of the infringing mark is likely to cause confusion or mistake or to deceive purchasers or others as to the goods or services themselves or as to the source or origin of such goods or services or the identity of such business; and
- (5) The use or application of the infringing mark is without the consent of the trademark owner or the assignee thereof.

*Id.*

### III. THE PRIMACY OF THE FIRST-TO-FILE REGISTRANT OVER THE PRIOR USER: THE *ZUNECA* CASE (8 SEPTEMBER 2020)

#### A. *Factual Antecedents*

In its landmark decision in *Zuneca*,<sup>162</sup> the Court clarified that under the IP Code, prior use no longer determines the acquisition of ownership over a trademark, notwithstanding previous rulings of the Court to the contrary.<sup>163</sup>

Here, Zuneca Pharmaceutical, Akram Arain and/or Venus Arain, M.D., and Style of Zuneca Pharmaceutical (collectively, Zuneca Pharmaceutical), is engaged in the importation, marketing, and sale of carbamezapine, an anti-convulsant drug, under the brand name “ZYNAPS.”<sup>164</sup> On the other hand, Natrapharm, Inc. (Natrapharm) is engaged in the manufacturing, marketing, and distribution of citicoline, a drug used for the treatment of cerebrovascular disease or stroke, under the brand name “ZYNAPSE.”<sup>165</sup>

Interestingly, however, while Zuneca Pharmaceutical alleged that it has been using the mark “ZYNAPS” since 2004, it never registered its “ZYNAPS” trademark with the IPO.<sup>166</sup> Meanwhile, Natrapharm registered its trademark “ZYNAPSE” with the IPO on 24 September 2007.<sup>167</sup>

In light of the obvious similarity between the competing marks “ZYNAPS” and “ZYNAPSE,” Natrapharm filed with the Regional Trial Court (RTC) a complaint against Zuneca for injunction, trademark infringement, damages, and destruction.<sup>168</sup> Natrapharm alleged, among others, that Zuneca Pharmaceutical’s “ZYNAPS” is confusingly similar to its registered trademark “ZYNAPSE,” and the resulting likelihood of confusion is dangerous because the marks cover medical drugs intended for different types of illnesses.<sup>169</sup>

On its part, Zuneca Pharmaceutical argued, in its answer with compulsory counterclaim, that as the prior user, it had already owned the “ZYNAPS”

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162. *Zuneca Pharmaceutical*, G.R. No. 211850, at 17.

163. *Id.* at 17-18.

164. *Id.* at 3.

165. *Id.*

166. *Id.* at 3-4.

167. *Id.*

168. *Zuneca Pharmaceutical*, G.R. No. 211850, at 3-4.

169. *Id.*

trademark prior to Natrapharm's registration of its confusingly similar mark.<sup>170</sup> As such, its rights prevail over the rights of Natrapharm, and that Natrapharm should be liable to it for damages.<sup>171</sup> It alleged that: (1) it has been selling carbamazepine under the mark "ZYNAPS" since 2004 after securing a Certificate of Product Registration on 15 April 2003, from the Bureau of Food and Drugs (BFAD, now the Food and Drug Administration); and that (2) it was impossible for Natrapharm not to have known the existence of "ZYNAPS" before the latter's registration of "ZYNAPSE" because Natrapharm and Zuneca Pharmaceutical had advertised and promoted their products through the same avenues, i.e., Natrapharm promoted its products in the same publications where Zuneca had advertised "ZYNAPS," and in identical conventions.<sup>172</sup> As such, Zuneca Pharmaceutical claimed that Natrapharm fraudulently registered the mark "ZYNAPSE" in light of its prior knowledge of Zuneca Pharmaceutical's "ZYNAPS."<sup>173</sup>

The RTC ruled, in essence, that the "first filer in good faith defeats a first user in good faith who did not file any application for registration."<sup>174</sup> Hence, "Natrapharm, as the first registrant, had trademark rights over 'ZYNAPSE' and it may prevent others, including Zuneca [Pharmaceutical], from registering an identical or confusingly similar mark."<sup>175</sup> On this score, the RTC also ruled that "there was insufficient evidence that Natrapharm had registered the mark 'ZYNAPSE' in bad faith."<sup>176</sup>

On appeal, the Court of Appeals (CA) affirmed the RTC's decision.<sup>177</sup> The CA similarly held that registration, not prior use, is the mode of acquiring ownership of a trademark.<sup>178</sup> As such, Natrapharm, "as the registered owner of the trademark 'ZYNAPSE,' has every right to prevent all other parties[, including Zuneca Pharmaceutical,] from using identical or similar marks in their business, as provided in the IP Code."<sup>179</sup>

Here, both parties admitted that the marks "ZYNAPS" and "ZYNAPSE" are confusingly similar to each other.<sup>180</sup> Zuneca Pharmaceutical, however,

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170. *Id.* at 4.

171. *Id.*

172. *Id.* at 5-6.

173. *Id.* at 4.

174. *Zuneca Pharmaceutical*, G.R. No. 211850, at 7.

175. *Id.*

176. *Id.*

177. *Id.* at 8.

178. *Id.* at 9.

179. *Id.*

180. *Zuneca Pharmaceutical*, G.R. No. 211850, at 2.

contended that pursuant to *Berris Agricultural Co., Inc.*<sup>181</sup> and *E.Y. Industrial Sales, Inc.*,<sup>182</sup> its rights as the first user prevail over the rights of Natrapharm, the first registrant of a confusingly similar mark.<sup>183</sup>

Hence, the main issue before the Court was only whether “the first-to-file trademark registrant in good faith defeats the right of the prior user in good faith.”<sup>184</sup>

### *B. Ruling*

The Supreme Court affirmed both the RTC and the CA, ruling in favor of Natrapharm.<sup>185</sup> In determining who had the better right over their respective trademarks, the Court deemed it proper to address three lingering questions, namely —

[First, h]ow is ownership over a trademark acquired? [Second, a]ssuming that both parties owned their respective marks, do the rights of the first-to-file registrant Natrapharm defeat the rights of the prior user Zuneca Pharmaceutical, i.e., may Natrapharm prevent Zuneca [Pharmaceutical] from using its mark? [Lastly,] [ ] should Zuneca Pharmaceutical be held liable for trademark infringement?<sup>186</sup>

The Supreme Court’s conclusions anent these questions, respectively, are discussed below.

#### *i. How Trademark Ownership Is Acquired*

The Court rejected Zuneca Pharmaceutical’s arguments and unequivocally held that

(i) the language of the IP Code [ ] clearly conveys the rule that ownership of a mark is acquired through registration; (ii) the intention of [ ] [Congress] was to abandon the rule that ownership of a mark is acquired through use; and (iii) the rule on ownership used in *Berris Agricultural Co., Inc.* and *E.Y. Industrial Sales, Inc.* is inconsistent with the IP Code regime of acquiring ownership through registration.<sup>187</sup>

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181. *Berris Agricultural Co., Inc.*, 633 SCRA at 213.

182. *E.Y. Industrial Sales, Inc.*, 634 SCRA at 391.

183. *Zuneca Pharmaceutical*, G.R. No. 211850, at 11-12.

184. *Id.* at 10.

185. *Id.* at 45.

186. *Id.* at 11.

187. *Id.* at 12.

First, the Court stressed that based on the IP Code's clear language, trademark ownership is acquired through registration.<sup>188</sup> Examining the text of the IP Code, the Court held, to wit —

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

...

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

Reading together Sections 122 and 123.1 (d) of the IP Code, therefore, a registered mark or a mark with an earlier filing or priority date generally bars the future registration of — and the future acquisition of rights in — an identical or a confusingly similar mark, in respect of the same or closely-related goods or services, if the resemblance will likely deceive or cause confusion.

The current rule under the IP Code is thus in stark contrast to the rule on acquisition of ownership under the Trademark Law, as amended. To recall, the Trademark Law, as amended, provided that prior use and non-abandonment of a mark by one person barred the future registration of an identical or a confusingly similar mark by a different proprietor when confusion or deception was likely. It also stated that one acquired ownership over a mark by actual use.<sup>189</sup>

Remarkably, the Court did not just recognize the IP Code's adoption of the "first-to-file" rule on trademark ownership. More, it went further and stated that the "prior use" rule under the old Trademark Law, as well as *Berris Agricultural Co., Inc.* and *E.Y. Industrial Sales, Inc.* no longer apply under the IP Code.<sup>190</sup>

For one, the Court held that at present, as expressed in the language of the provisions of the IP Code, "prior use no longer determines the acquisition of ownership of a mark."<sup>191</sup> In support of its conclusion, the Court cited the following provisions of the IP Code:

- (1) The general rule on ownership under the old Trademark Law has been "changed and repealed" based on Section 239 of the IP Code,

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188. *Id.*

189. *Zuneca Pharmaceutical*, G.R. No. 211850, at 15-16.

190. *Id.* at 12.

191. *Id.* at 17.



which repealed all the provisions of R.A. No. 166, as amended, which are inconsistent with the IP Code.<sup>192</sup>

- (2) Section 122 of the IP Code expressly adopts the rule that ownership of a mark is acquired through registration made validly in accordance with the provisions of the IP Code.<sup>193</sup>
- (3) Various provisions of the IP Code's Law on Trademarks refer to the "registered owner" of a mark.<sup>194</sup>
- (4) The phrase "previously used in the Philippines by another and not abandoned" under Section 4 of the old Trademark Law has been deleted and, instead, been replaced by the phrase "registered mark belonging to a different proprietor or a mark with an earlier filing or priority date" under the current Section 123.1 (d) of the IP Code.<sup>195</sup>

For another, the Court likewise noted that it was Congress' intent to deliberately abandon the "prior use" rule under the old Trademark Law.<sup>196</sup>

Examining Senator Raul Roco's sponsorship speech for the IP Code, the Court observed that "[t]he legislative intent to abandon the rule that ownership is acquired through use and to adopt the rule that ownership is acquired through registration is [ ] crystal clear."<sup>197</sup> Indeed, in his sponsorship speech, Senator Roco asserted that the system of trademarks registration the Philippines is obliged to introduce pursuant to the Lisbon Act of the Paris Convention for the Protection of Industrial Property (Paris Convention)<sup>198</sup> is "incompatible with the 'based on use' principle" under the old Trademark Law.<sup>199</sup> Moreover, Senator Roco unambiguously remarked that the IP Code "abandons the rule that ownership of a mark is acquired through use by now requiring registration of the mark,"<sup>200</sup> thus —

192. *Id.* at 17 (citing INTELL. PROP. CODE, § 239).

193. *Id.* at 15-16 (citing INTELL. PROP. CODE, § 122).

194. *Id.* at 16-21 (citing INTELL. PROP. CODE, §§ 121.2, 123.1 (f), 131.3, 137, 138, 147, 148, 151 (c), 155, 156, 157, 158, 167.2 (b), & 167.3).

195. *Zuneca Pharmaceutical*, G.R. No. 211850, at 18.

196. *Id.* at 12.

197. *Id.* at 20-21.

198. Convention of Paris for the Protection of Industrial Property of March 20, 1883, Revised at Lisbon on October 31, 1958, *opened for signature* Oct. 31, 1958, 828 U.N.T.S. 107.

199. *Zuneca Pharmaceutical*, G.R. No. 211850, at 20-21.

200. *Id.*

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

To comply with [the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)] and other international commitments, this bill no longer requires prior use of the mark as a requirement for filing a trademark application. It also abandons the rule that ownership of a mark is acquired through use by now requiring registration of the mark in the Intellectual Property Office. Unlike the present law, it establishes one procedure for the registration of marks. This feature will facilitate the registration of marks.<sup>201</sup>

In this respect, the Court emphasized that both the IP Code's provisions and the legislative deliberations consistently show that the regime of ownership under the old Trademark Law "has been abandoned."<sup>202</sup>

In light of the foregoing, the Court thus held that the rule on ownership — used in resolving *Berris Agricultural Co., Inc.* and *E.Y. Industrial Sales, Inc.* — is inconsistent with the rule on the acquisition of ownership through registration under the IP Code.<sup>203</sup> In effect, the Court set the record straight that under the IP Code, trademark ownership is acquired only through registration and not use.

Upon a closer look at *Berris Agricultural Co., Inc.* and *E.Y. Industrial Sales, Inc.*, the Court observed that it previously erroneously applied the rule on "prior use" in resolving trademark disputes governed by the IP Code, which now follows the "first-to-file" rule. As such, contrary to Zuneca Pharmaceutical's assertion, these rulings may not be applied in this particular case which involves both marks used and/or registered after the effectivity of the IP Code.<sup>204</sup>

The Court noted that *Berris Agricultural Co., Inc.* mistakenly gave undue weight to the fact of prior use.<sup>205</sup> Notably, in giving weight to the fact of prior use, the Court then cited Agpalo, who had, "in turn, cited jurisprudence decided under the [old] Trademark Law, as amended."<sup>206</sup> As such, this resulted in the Court's (mis)application of the "prior use" rule, which, as the Court had already stated, is contrary to the IP Code.<sup>207</sup> Thus, the Court deemed it proper to explicitly rectify its ruling in *Berris Agricultural Co., Inc.* as follows —

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201. *Id.* at 20–21.

202. *Id.* at 21.

203. *Id.* at 21–27.

204. *Id.*

205. *Zuneca Pharmaceutical*, G.R. No. 211850, at 23.

206. *Id.*

207. *Id.* at 21–27.

[T]he Court now rectifies the inaccurate statement in *Berris* that “[t]he ownership of a trademark is acquired by its registration and its actual use.” The rectified statement should thus read: “Under the IP Code, the ownership of a trademark is acquired by its registration.” Any pronouncement in *Berris* inconsistent herewith should be harmonized accordingly. To clarify, while subsequent use of the mark and proof thereof are required to prevent the removal or cancellation of a registered mark or the refusal of a pending application under the IP Code, this should not be taken to mean that actual use and proof thereof are necessary before one can own the mark or exercise the rights of a trademark owner.<sup>208</sup>

As regards *E.Y. Industrial Sales, Inc.*, the Court observed that “prior and continuous use of a mark may even overcome the presumptive ownership of the registrant[.]”<sup>209</sup> The Court then relied on *Shangri-La International Hotel Management, Ltd.*<sup>210</sup> It remarked, however, that *Shangri-La International Hotel Management, Ltd.* — despite having been promulgated in 2006 — was governed by the old Trademark Law since the trademark registration involved was applied for and issued before the effectivity of the IP Code.<sup>211</sup> In fact, in *Shangri-La International Hotel Management, Ltd.*, the Court explicitly refused to apply the IP Code, as “in the absence of a retroactivity clause, [the old Trademark Law] still applies.”<sup>212</sup>

Unlike *Berris Agricultural Co., Inc.*, however, the Supreme Court did not expressly “rectify” *E.Y. Industrial Sales, Inc.* Instead, it simply emphasized how *E.Y. Industrial Sales, Inc.*’s attendant facts were peculiarly different from *Zuneca*’s facts.<sup>213</sup> The Supreme Court noted that: (1) the earliest dates of use by both parties (EYIS and Shen Dar) in *E.Y. Industrial Sales, Inc.* were during the effectivity of the old Trademark Law;<sup>214</sup> and (2) EYIS, the first user, applied and registered the mark under the IP Code; whereas Shen Dar, the subsequent user, applied for the mark under the old Trademark Law, but the registration was obtained only after the IP Code.<sup>215</sup> Given the case’s facts, the Supreme Court held in *E.Y. Industrial Sales, Inc.* that EYIS — the prior user

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208. *Id.*

209. *Id.* at 25 (emphasis omitted).

210. *Id.* at 24-25.

211. *Zuneca Pharmaceutical*, G.R. No. 211850, at 21-27.

212. *Id.* at 26.

213. *See id.* at 23-24.

214. *Id.* at 27.

215. *Id.*

— has the better right to the trademark, consistent with its earlier ruling in *Shangri-La International Hotel Management, Ltd.*<sup>216</sup>

In contrast, the Supreme Court emphasized that *Zuneca*'s facts are starkly different, considering that both the contending marks “have been used and/or registered after the IP Code became effective.”<sup>217</sup> As such, it concluded as follows —

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

In light of the foregoing, *Zuneca* thus erred in using *Berris and E.Y. Industrial Sales, Inc.* as bases for its argument that the prior user is the owner of the mark and its rights prevail over the rights of the first-to-file registrant. To emphasize, for marks that are first used and/or registered after the effectivity of the IP Code, ownership is no longer dependent on the fact of prior use in light of the adoption of the first-to-file rule and the rule that ownership is acquired through registration.<sup>218</sup>

Finally, the Court also further clarified the role of “actual use” in the prevailing “first-to-file” system and the ramifications of the *prima facie* nature of a certificate of registration under the IP Code in *Zuneca*.<sup>219</sup>

In this connection, Associate Justices Marvic M.V.F. Leonen’s and Amy C. Lazaro-Javier’s dissenting opinions expressed their doubts as to whether the “prior use” regime under the IP Code had indeed been abandoned because of (1) the continued requirement of actual use under the IP Code; and (2) because of the *prima facie* nature of a certificate of registration.<sup>220</sup>

The Court rejected these arguments.<sup>221</sup> First, regarding the requirement of actual use under the IP Code, the Court clarified that this continuing requirement does not imply that “actual use is still a recognized mode of acquisition of ownership under the IP Code.”<sup>222</sup> Instead, “[this] must be

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216. *Id.*

217. *Zuneca Pharmaceutical*, G.R. No. 211850, at 27 (emphasis omitted).

218. *Id.* at 27-28

219. *Id.* at 19-20 & 27.

220. *Id.* at 18-19 (citing INTELL. PROP. CODE, §§ 124.2, 138, & 145).

221. *Zuneca Pharmaceutical*, G.R. No. 211850, at 19-20.

222. *Id.*

understood [simply] as ... [a requirement] in order for the registered owner of a mark to maintain his ownership.”<sup>223</sup>

Second, regarding the *prima facie* nature of a trademark registration certificate, the Court elucidated that this is “not indicative of the fact that prior use is still a recognized mode of acquiring ownership under the IP Code.”<sup>224</sup> Instead, it simply recognizes that in some instances, the certificate of registration is not reflective of true ownership, thus —

In the same vein, the *prima facie* nature of the certificate of registration is not indicative of the fact that prior use is still a recognized mode of acquiring ownership under the IP Code. Rather, it is meant to recognize the instances when the certificate of registration is not reflective of ownership of the holder thereof, such as when: [1] the first registrant has acquired ownership of the mark through registration but subsequently lost the same due to non-use or abandonment (e.g., failure to file the Declaration of Actual Use); [2] the registration was done in bad faith; [3] the mark itself becomes generic; the mark was registered contrary to the IP Code (e.g., when a generic mark was successfully registered for some reason); or [4] the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used.<sup>225</sup>

## 2. Bad Faith in Trademark Registration in Use

In its bid to invalidate Natrapharm’s exclusive rights, Zuneca Pharmaceutical also asserted that Natrapharm registered its trademark in bad faith.<sup>226</sup> Hence, the Court discussed “bad faith” in respect of trademark registrations extensively.<sup>227</sup>

Notably, unlike the rule on trademark ownership — in which there has been “a shift to a new system”<sup>228</sup>— the rule that bad faith may be a ground to

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223. *Id.* at 19 (emphasis omitted) (citing Intellectual Property Office of the Philippines, How to Maintain a Registered Trademark in the Philippines, available at <https://www.ipophil.gov.ph/news/how-to-maintain-a-registered-trademark-in-the-philippines> (last accessed July 31, 2022) [<https://perma.cc/9ZZQ-7KGA>]).

224. *Zuneca Pharmaceutical*, G.R. No. 211850, at 19-20 (citing INTELL. PROP. CODE, § 138).

225. *Id.* (citing INTELL. PROP. CODE, §§ 124.2, 145, 151.1 (b), & 151.1 (c) & IPO Memo. Circ. No. 17-010, s. 2017, rule 204).

226. *Zuneca Pharmaceutical*, G.R. No. 211850, at 27.

227. *Id.*

228. *Id.* at 20.

invalidate a trademark registration has been present in both the old Trademark Law and the IP Code.<sup>229</sup> As such, it concluded that, unlike the rule on acquisition of ownership, “the pronouncements of the Court relative to registrations obtained in bad faith under the Trademark Law, as amended, still subsist even after the effectivity of the IP Code.”<sup>230</sup>

In defining “bad faith” in respect of trademarks, the Court held the following cases under old Trademark Law’s regime, which equated “bad faith” to “prior knowledge[,]” to be still applicable —

- (1) *Mustang-Bekleidungswerke GmbH + Co. KG v. Hung Chiu Ming*,<sup>231</sup> which defined bad faith as the applicant’s or registrant’s “knowledge of prior creation, use and/or registration by another of an identical or similar trademark[,]” or, in other words, the “copying and using [of] somebody else’s trademark.”<sup>232</sup>
- (2) *Shangri-La International Hotel Management, Ltd.*, which likewise hinged the registrant’s “bad faith” on his or her knowledge of the “prior creation, use and/or registration by another,”<sup>233</sup> as shown by the following —

The fact that the registrant’s president “had been a guest at the [prior user’s] hotel before he caused the registration of the mark and logo, and surmised that he must have copied the idea there[.]”<sup>234</sup>

The finding that the registrant “c[a]me up with the exact same lettering for the word ‘Shangri-La’ and the exact same logo to boot.”<sup>235</sup> The Supreme Court acknowledged that there may be some doubt if the copycat adopts simply the

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229. See Trademark Law, § 17 & INTELL. PROP. CODE, § 151.

230. *Zuneca Pharmaceutical*, G.R. No. 211850, at 29.

231. *Id.* (citing *Mustang-Bekleidungswerke GmbH + Co. KG v. Hung Chiu Ming*, Inter Parties Case No. 4311, Dec. 17, 1993, at 6, available at [http://onlineservices.ipophil.gov.ph/ipcaselibrary/ipcasepdf/AP\\_IPC14-06-20.pdf](http://onlineservices.ipophil.gov.ph/ipcaselibrary/ipcasepdf/AP_IPC14-06-20.pdf) (last accessed July 31, 2022) [<https://perma.cc/R8KY-LJED>]).

232. *Id.*

233. *Zuneca Pharmaceutical*, G.R. No. 211850, at 29 (citing *Shangri-La International Hotel Management, Ltd.*, 486 SCRA at 422).

234. *Zuneca Pharmaceutical*, G.R. No. 211850, at 29-30 (citing *Shangri-La International Hotel Management, Ltd.*, 486 SCRA at 422).

235. *Zuneca Pharmaceutical*, G.R. No. 211850, at 30 (citing *Shangri-La International Hotel Management, Ltd.*, 486 SCRA at 422).

word portion of another's trademark as his or own.<sup>236</sup> However, the adoption would indubitably be "deliberate, malicious[,] and in bad faith" if the trademark copycat "copies not only the word but also the word's exact font and lettering style ... [including] ... the logo portion of the trademark[.]"<sup>237</sup>

- (3) *Pagasa Industrial Corporation v. Court of Appeals*,<sup>238</sup> which also supports the definition of bad faith as prior knowledge. In this case, the Court found that Pagasa registered the "YKK" mark in bad faith "because it had previously known that there was another person using the mark."<sup>239</sup>
- (4) *Birkenstock*, which considered the following factors in concluding that the prior registrant was in bad faith —

The disputed mark "BIRKENSTOCK" "is a highly distinct and arbitrary mark[.]" and, as such, it would be "very remote that two person did coin the same or identical marks."<sup>240</sup>

The opposing parties were engaged in the same line of business.<sup>241</sup> As such, it is unlikely that the registrant did not have prior knowledge of the prior user's trademark, thus — "[b]eing on the same line of business, it is highly improbable that the [respondent] knew of the existence of BIRKENSTOCK and its use by the [petitioner], before [respondent] appropriated the same mark and had it registered in its name."<sup>242</sup>

The Court went further and added that there is sufficient jurisprudential basis to declare trademark registrations done in bad faith as void.<sup>243</sup> This likewise finds textual support from the IP Code based on the following:

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236. *Id.*

237. *Id.* (citing *Shangri-La International Hotel Management, Ltd.*, 486 SCRA at 423).

238. *Id.* at 30 (citing *Pagasa Industrial Corp. v. Court of Appeals*, G.R. No. L-54158, 118 SCRA 526 (1982) (J. Aquino, dissenting opinion)).

239. *Id.*

240. *Id.* at 31 (citing *Birkenstock*, 710 SCRA at 489).

241. *Zuneca Pharmaceutical*, G.R. No. 211850, at 31 (citing *Birkenstock*, 710 SCRA at 489).

242. *Id.*

243. *Zuneca Pharmaceutical*, G.R. No. 211850, at 32.

- (1) Section 122 of the IP Code provides that while rights in a mark “shall be acquired through registration[,]” such registration must have been “made validly in accordance with the provisions of [the IP Code].”<sup>244</sup>
- (2) The grounds for cancellation enumerated in Section 151.1 of the IP Code include, among others, that registration was obtained (a) fraudulently or (b) contrary to the provisions of the IP Code.<sup>245</sup> In this regard, the Court observed that unlike the other grounds for cancellation (i.e., genericide,<sup>246</sup> abandonment,<sup>247</sup> or misrepresentation in the use of the mark<sup>248</sup>), these two grounds “both exist prior to the registration” such that —

[O]ne can have a registration in bad faith only if he applied for the registration of the mark despite knowing that someone else has created, used, or registered that mark. In the same vein, an unregistrable mark which was mistakenly allowed to be registered was already inherently unregistrable even prior to its registration. Accordingly, because these marks should not have been registered in the first place, the presence of either of these grounds renders them void. Thus, even if these marks subsequently became registered, the registrations do not confer upon their owners the rights under Section 147.1 of the IP Code because the marks were registered contrary to the provisions of the same law.<sup>249</sup>

All told, the Court unequivocally concluded that if “there are no grounds for cancellation[,]” it is “[b]eing the first-to-file registrant in good faith” which allows the registrant “to acquire all the rights in a mark.”<sup>250</sup>

Notwithstanding the foregoing, however, the Court clarified that the foregoing concept of bad faith “does not only exist in [trademark] registrations[,]” and that it is likewise “applicable in the use of trademarks without the benefit of registration.”<sup>251</sup> As stated by the Court, this is apparent from the IP Code’s provisions punishing bad faith use in relation to unfair

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244. *Id.* at 33 (citing INTELL. PROP. CODE, § 122).

245. *Id.* (citing INTELL. PROP. CODE, §. 151.1).

246. INTELL. PROP. CODE, § 151.1 (b).

247. *Id.*

248. *Id.*

249. *Zuneca Pharmaceutical*, G.R. No. 211850, at 32.

250. *Id.* at 33.

251. *Id.* at 32.



competition,<sup>252</sup> as well as Section 159.1 of the IP Code, which provides protection to prior users in good faith from charges of trademark infringement.<sup>253</sup>

In other words, the Court concluded that “the law also protects prior registration and prior use of trademarks in good faith.”<sup>254</sup>

### 3. The Resolution of the Controversy

Applying (and balancing) the foregoing principles in the instant dispute, the Court came up with the ruling, which, although resulting in a “win-lose” situation for both parties, ingeniously settled the dispute between Natrapharm and Zuneca Pharmaceutical.

Based on the facts, the parties had admitted that Natrapharm is the first-to-file registrant of “ZYNAPSE,” having registered the same on 24 September 2007.<sup>255</sup> Meanwhile, it was not likewise disputed that Zuneca Pharmaceutical is the first user of the mark, having started using the same since 2004.<sup>256</sup> Thus, the only remaining issue is, ultimately, whether Natrapharm registered the “ZYNAPSE” mark in good faith.<sup>257</sup>

On this score, the Supreme Court affirmed the RTC’s and CA’s uniform findings that Zuneca Pharmaceutical failed to prove that Natrapharm acquired its registration in bad faith.<sup>258</sup> It highlighted the lower courts’ uniform finding that Zuneca Pharmaceutical failed to undoubtedly establish that Natrapharm

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252. *Id.*

253. INTELL. PROP. CODE, § 159 provides —

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

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

*Id.*

254. *Zuneca Pharmaceutical*, G.R. No. 211850, at 33.

255. *Id.* at 34.

256. *Id.*

257. *Id.* at 35.

258. *Id.* at 37.

had prior knowledge of Zuneca Pharmaceutical's prior use of the mark and that, rather, its evidence "only tend[ed] to prove that there was a possibility that someone from Natrapharm might have known of Zuneca's use of 'ZYNAPS'" simply because "Natrapharm and Zuneca attended the same conferences and that Zuneca had listed 'ZYNAPS' in the PPD publication."<sup>259</sup>

Meanwhile, the Court held that Natrapharm, in contrast, was able to establish its good faith.<sup>260</sup> In this respect, the Court highlighted, in particular that: (1) Natrapharm was able to explain how it coined "ZYNAPSE" (i.e., from the neurological term "synapse" which relates to stroke) and (2) Natrapharm showed that it checked the BFAD and IPO databases, as well as the Philippine Pharmaceutical Index (PPI),<sup>261</sup> before proceeding with its trademark application. In other words, being able to explain the origin of the mark, as well as showing that the proper due diligence was performed by the registrant, support a finding of good faith.<sup>262</sup>

Inevitably, therefore, the Court adjudged Natrapharm to be the rightful owner of the "ZYNAPSE" mark, "hav[ing] acquired all the rights of a trademark owner ... upon the registration [thereof]" and affirmed the lower courts' denial of Zuneca's claim for damages.<sup>263</sup> After all, Zuneca, not being the registered owner, "does not have any right to prevent third parties, including Natrapharm, from using marks confusingly similar to its unregistered 'ZYNAPS' mark[.]"<sup>264</sup>

Interestingly, the Court qualified that "while Natrapharm is the owner of the 'ZYNAPSE' mark, this does not automatically mean that its complaint against Zuneca for ... trademark infringement ... should be granted."<sup>265</sup> In this respect, the Supreme Court held that Section 159.1 of the IP Code "results in Zuneca's exemption from liability for trademark infringement."<sup>266</sup> Section 159.1 of the IP Code provides, to wit —

SEC. 159.1. Notwithstanding the provisions of Section 155 hereof, a registered mark shall have no effect against any person who, in good faith, before the filing date or the priority date, was using the mark for the purposes

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259. *Id.*

260. *Zuneca Pharmaceutical*, G.R. No. 211850, at 37.

261. *Id.* at 36. The Philippine Pharmaceutical Index (or PPI) is "a research tool accepted by the Philippine pharmaceutical industry which contains pharmaceutical products marketed in the Philippines." *Id.*

262. *Id.* at 37.

263. *Id.*

264. *Id.*

265. *Zuneca Pharmaceutical*, G.R. No. 211850, at 38.

266. *Id.*

of his business or enterprise: Provided, [t]hat his right may only be transferred or assigned together with his enterprise or business or with that part of his enterprise or business in which the mark is used.<sup>267</sup>

Under the foregoing provision, the Court notes that a prior user in good faith may continue to use its mark even after the registration of the mark by the first-to-file registrant in good faith, subject only to the condition that “any transfer or assignment of the mark by the prior user in good faith should be made together with the enterprise or business or with that part of his enterprise or business in which the mark is used.”<sup>268</sup> In other words, the prior user in good faith may continue a trademark subsequently registered by another — as a “categorical[ ] ... exception to an action for infringement by the trademark owner” — provided that such “protected use” is tied to its current enterprise or business.<sup>269</sup> In this manner, the rights of the registered owner would, to an extent, still be respected “by preventing any future use by the transferee or assignee that is not in conformity with Section 159.1 of the IP Code.”<sup>270</sup>

Indeed, the Court observed that Section 159.1 results in the concurrent use of identical or confusingly similar marks by at least two entities — the unregistered prior user in good faith on one hand and the first-to-file registrant in good faith on the other — “even if there is likelihood of confusion.”<sup>271</sup> Yet, “[w]hile this situation may not be ideal,” the Court is “constrained to apply Section 159.1 of the IP Code as written.”<sup>272</sup> To mitigate, however, the possibly deleterious effects of the concurrent use of “ZYNAPSE” and “ZYNAPS” by Natrapharm and Zuneca Pharmaceutical, respectively, the Court additionally directed both parties to prominently state in the packaging of their products sufficient distinguishing descriptions,<sup>273</sup> in understandable and plain language, “to reduce ... the likelihood of switching.”<sup>274</sup>

Effectively, Natrapharm, being the first-to-file registrant, was thus adjudged as the rightful owner of the “ZYNAPSE” mark, and therefore has “the exclusive right” to prevent all third parties not having the owner’s consent — except, in this case, Zuneca Pharmaceutical — “from using in the

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267. INTELL. PROP. CODE, § 159.1.

268. *Zuneca Pharmaceutical*, G.R. No. 211850, at 39.

269. *Id.*

270. *Id.*

271. *Id.* at 41.

272. *Id.* at 39.

273. *Id.* at 44-45.

274. *Zuneca Pharmaceutical*, G.R. No. 211850, at 44.

course of trade identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.”<sup>275</sup> Meanwhile, not having registered its “ZYNAPS” mark first, Zuneca Pharmaceutical failed “to acquire all the rights in [the said] mark[,]”<sup>276</sup> although it may continue with its “protected use” thereof provided that it is tied to its current enterprise or business.<sup>277</sup>

### C. *The Aftermath: Subsequent Cases Applying Zuneca*

The Court has applied *Zuneca*’s doctrinal pronouncements to resolve at least two other trademark disputes. In *Medina v. Global Quest Ventures, Inc.*<sup>278</sup> and *Emzee Foods, Inc. v. Elarfoods, Inc.*,<sup>279</sup> the Court reiterated, as in *Zuneca*, the primacy of the first-to-file registrant over the prior user — thereby indicating that the Supreme Court may have, indeed, “pruned” *Berris Agricultural Co., Inc.*’s and *E.Y. Industrial Sales, Inc.*’s prior use rule from jurisprudence for good.<sup>280</sup>

#### 1. The *Global Quest* Case

While *Global Quest*’s factual milieu is starkly different from that of *Zuneca* as it involves a cancellation action and not an action for trademark infringement, the Court nevertheless reiterated its earlier abandonment of *Berris Agricultural Co., Inc.* and *E.Y. Industrial Sales, Inc.*<sup>281</sup>

In this case, Global Quest Ventures, Inc. (GQVI) was engaged in the manufacture and sale of gulaman jelly powder mix products.<sup>282</sup> On 1 February 2006, it applied for the registration of the mark “Mr. Gulaman.”<sup>283</sup> Upon filing its application, however, GQVI discovered that another proprietor,

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275. INTELL. PROP. CODE, § 147.

276. *Zuneca Pharmaceutical*, G.R. No. 211850, at 33.

277. *Id.* at 39.

278. *Ma. Sharmaine R. Medina/Rackey Cyrstal Top Corporation v. Global Quest Ventures, Inc.*, G.R. No. 213815, Feb. 8, 2021, at 10, available at <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/67489> (last accessed July 31, 2022).

279. *Emzee Foods, Inc. v. Elarfoods, Inc.*, G.R. No. 220558, Feb. 17, 2021, at 10-11, available at <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/67321> (last accessed July 31, 2022).

280. *Ma. Sharmaine R. Medina/Rackey Cyrstal Top Corporation*, G.R. No. 213815, at 10 & *Emzee Foods, Inc.*, G.R. No. 220558, at 10-11.

281. *Ma. Sharmaine R. Medina/Rackey Cyrstal Top Corporation*, G.R. No. 213815, at 2 & 10.

282. *Id.* at 2.

283. *Id.*

Sharmaine Medina (Medina) already had a pending application for an identical mark, “Mr. Gulaman,” which had been filed earlier on 9 May 2005.<sup>284</sup>

GQVI thus opposed Medina’s application.<sup>285</sup> Despite GQVI’s opposition, a certificate of registration was issued in favor of Medina for the “Mr. Gulaman” mark.<sup>286</sup> As such, GQVI then petitioned for cancellation against Medina’s registration for the “Mr. Gulaman” mark before the Bureau of Legal Affairs of the IPO (IPO-BLA).<sup>287</sup>

The IPO-BLA eventually granted GQVI’s petition.<sup>288</sup> It found that the registration was obtained fraudulently or contrary to the IP Code.<sup>289</sup> Notably, the IPO-BLA held that GQVI had been the prior user of the “Mr. Gulaman” mark since 1996 (as shown by sales invoices) and that Medina obtained her trademark registration in bad faith.<sup>290</sup> The IPO-BLA’s finding of bad faith was based primarily on its finding that: (1) the dominant word “Mr. Gulaman” in both GQVI’s and Medina’s marks are identical in all aspects; and (2) as proof of use, Medina submitted along with her DAU photographs of GQVI’s packaging using “Mr. Gulaman” and its logo.<sup>291</sup>

Both the Office of the Director General of the IPO (IPO-ODG) and the CA affirmed the BLA- IPO’s decision.<sup>292</sup> Interestingly, the CA, in affirming the IPO-BLA and the IPO-ODG, cited *Berris Agricultural Co., Inc.* and held that the *prima facie* evidence attached to Medina’s certificate of registration was overcome by proof that GQVI is the prior user, having used the mark in commerce since 1996.<sup>293</sup>

The Court, speaking through Associate Justice Leonen, affirmed the CA’s decision and directed the cancellation of Medina’s certificate of registration for the “Mr. Gulaman” mark.<sup>294</sup> Notably, while the Court refrained from

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284. *Id.*

285. *Id.*

286. *Id.*

287. *Ma. Sharmaine R. Medina/Rackey Crystal Top Corporation*, G.R. No. 213815, at 2.

288. *Id.* at 3.

289. *Id.* at 4.

290. *Id.*

291. *Id.* at 3-4.

292. *Id.* at 4-6.

293. *Ma. Sharmaine R. Medina/Rackey Crystal Top Corporation*, G.R. No. 213815, at 4-6.

294. *Id.* at 14.

applying *Berris Agricultural Co., Inc.*'s "prior use" rule in light of its earlier ruling in *Zuneca*, it nevertheless found Medina to be in bad faith, thus warranting the cancellation of her trademark registration.<sup>295</sup>

First, the Court discussed that while a trademark registration constitutes *prima facie* evidence of the registrant's ownership of the mark, "this presumption may be overcome by proof of another person's prior use[.]" as in *Berris Agricultural Co., Inc.* and *Birkenstock*. Next, however, it clarified that the "rule that ownership is acquired by prior use was abandoned in the recent case of [*Zuneca*]." <sup>296</sup> In any event, it reiterated *Zuneca*, ruling that "while registration vests ownership over a mark, bad faith may still be a ground for the cancellation of trademark registrations."<sup>297</sup> In other words, while the prior use rule has indeed been abandoned, a certificate of registration may nevertheless be defeated by proof of the registrant's bad faith — as in this case.

Second, the Court determined whether Medina was, in fact, in bad faith.<sup>298</sup> As in *Zuneca*, the Court defined "bad faith" as the state of "hav[ing] knowledge of [the] prior creation, use and/or registration by another of an identical or similar trademark[.]" or, in other words, the "copying and using [of] somebody else's trademark."<sup>299</sup>

Applying the foregoing rubric, the Supreme Court found Medina to have registered her mark in bad faith based on the following: (1) the word "Mr. Gulaman" in both of their marks are "exactly the same in all aspects"; and (2) in Medina DAU to the IPO, she submitted photographs of GQVI's packaging as proof of use.<sup>300</sup>

In effect, while the Court no longer touched upon GQVI's prior use, following *Zuneca*, it nevertheless ruled in favor of GQVI in light of the finding of bad faith on the part of Medina.<sup>301</sup>

## 2. The *Emzee* Case

Promulgated shortly after *Global Quest*, *Emzee* applied *Zuneca* to resolve a complaint for unfair competition and trademark infringement filed by the first-

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295. *Id.*

296. *Id.* at 9–10.

297. *Id.* at 10–13.

298. *Id.* at 12–13.

299. *Ma. Sharmaine R. Medina/Rackey Crystal Top Corporation*, G.R. No. 213815, at 13–14 (citing *Mustang-Bekleidungswerke*, *supra* note 231, at 6).

300. *Id.*

301. *Id.*

to-file registrant and prior user of a mark against a third party claiming to be the prior user of the said mark.<sup>302</sup>

In this case, Spouses Jose and Leonor Lontoc (Spouses Lontoc) put up a food business sometime in 1970, marketed under the name “ELARS Lechon.”<sup>303</sup> Spouses Lontoc then incorporated their food business in 1989 and formed Elarfoods, Inc. (Elarfoods).<sup>304</sup> Since then, they actively managed Elarfoods, and marketed its food products, particularly its roasted pigs, as “ELAR’S LECHON ON A BAMBOO TRAY,” which eventually rose to fame as the “ELAR’S LECHON” brand.<sup>305</sup>

Elarfoods alleged that after its incorporation, Spouses Lontoc tacitly transferred to it ownership of Elar’s Lechon and the latter’s trademarks in connection with the sale of its roasted pigs and other products.<sup>306</sup> Since then, Elarfoods conducted its business using the mark “ELARS LECHON” under the direct management and control of Spouses Lontoc.<sup>307</sup> Thereafter, in 2001, Elarfoods filed with the IPO three separate applications for the registration of the trademarks “ELARS LECHON,” “ON A BAMBOO TRAY,” and “ROASTED PIG DEVICE” (i.e., a design or representation of a roasted pig on a bamboo stick placed on top of a bamboo tray) (collectively, Elar’s Lechon Marks), which applications were eventually granted by the IPO.<sup>308</sup>

Elarfoods, however, alleged that without its knowledge and permission, Emzee Foods, Inc. (EFI) sold and distributed roasted pigs using the Elar’s Lechon Marks, particularly, through the confusingly similar mark “ELARZ LECHON.”<sup>309</sup> As such, Elarfoods filed three separate complaints for unfair competition and trademark infringement against EFI for the latter’s use of the Elar’s Lechon Marks.<sup>310</sup>

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302. *Emzee Foods, Inc.*, G.R. No. 220558, at 10-11.

303. *Id.* at 2.

304. *Id.*

305. *Id.*

306. *Id.* at 7-8.

307. *Id.* at 8.

308. *Emzee Foods, Inc.*, G.R. No. 220558, at 2.

309. *Id.*

310. *Id.* at 3.

In its defense, EFI argued, in gist, that the Spouses Lontoc's estate, and not Elarfoods, is the rightful owner of the Elar's Lechon Marks, having been created by the spouses for the sole and exclusive use of their clan.<sup>311</sup> In fact, "Elar" stands for "L.R.," which are the initials of the Spouses Lontoc-Rodriguez's family names, and that Jose Lontoc himself designed the logo which became the mark "ELAR'S LECHON."<sup>312</sup> As such, by virtue of succession, the president of petitioner corporation, his brother, and the other heirs of the deceased spouses are the co-owners of said trademarks.<sup>313</sup> In this regard, EFI also asserted that there was no valid assignment of the Elar's Lechon Marks in favor of respondent and thus, any goodwill that may be earned through the use of the trademarks should redound to the estate's benefit.<sup>314</sup> As such, the real party-in-interest should be the Spouses Lontoc's estate, and not Elarfoods.<sup>315</sup>

Otherwise stated, Elarfoods argued that it is both (1) the first-to-file registrant; and (2) the prior user, being the rightful transferee of Elar's Lechon Marks from its original owners, Spouses Lontoc. On the other hand, EFI argued that it is the Spouses Lontoc's estate and not Elarfoods, who may be deemed Elar's Lechon Marks' prior user.<sup>316</sup>

The IPO-BLA dismissed Elarfoods' complaints, reasoning, in essence, that the real party-in-interest to file a suit against EFI is the estate of the spouses Lontoc, and that, in the same vein, it is only the said estate who may apply for registration and appropriate the Elar's Lechon Marks for its exclusive use.<sup>317</sup>

The IPO-ODG, however, overturned the IPO-BLA's decision, and held that a written assignment would only be required if the trademark is already registered, or has a pending application for registration.<sup>318</sup> In this case, however, when the transfer was made by the spouses Lontoc to Elarfoods, the said marks were neither registered nor applied for registration.<sup>319</sup> Hence, it concluded that EFI's use of "ELARZ LECHON" and the Elar's Lechon Marks constituted unfair competition during the time that the marks were not

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311. *Id.*

312. *Id.*

313. *Id.*

314. *Emzee Foods, Inc.*, G.R. No. 220558, at 3-4.

315. *Id.*

316. *Id.* at 2-3.

317. *Id.* at 3-4.

318. *Id.*

319. *Id.* at 4-5.



yet registered, and trademark infringement, after their registration.<sup>320</sup> The CA affirmed the IPO-ODG's decision.<sup>321</sup>

The Court ruled in favor of Elarfoods, adjudging the latter to be the rightful owner,<sup>322</sup> and found EFI guilty of trademark infringement and unfair competition.<sup>323</sup>

Speaking through Associate Justice Samuel H. Gaerlan, the Court held that, in *Zuneca*, “the manner of acquiring ownership of a trademark [is based on] registration, subject to the rule that the first-to-file shall be prioritized to the exclusion of all other applicants/users.”<sup>324</sup> Otherwise stated, “as the rule now stands, the lawful owner of the mark shall be the person or entity who first registers it in good faith[.]”<sup>325</sup>

As applied to this case, the Court noted that Elarfoods was the first-to-file registrant, having filed its trademark applications for Elar's Lechon Marks in 2001 and having successfully registered the same by 2006.<sup>326</sup> It likewise observed that Elarfoods even renewed said trademark registration for another 10 years.<sup>327</sup> As such, Elarfoods unequivocally enjoys the exclusive right to use the subject trademarks.<sup>328</sup>

The Court also stressed that apart from being the prior registrant, Elarfoods was likewise the prior user, having derived its rights to the same from Spouses Lontoc themselves and having continuously used the same since its incorporation in 1989.<sup>329</sup> In this respect, the Court deemed the Spouses Lontoc's “overt acts” of incorporating Elarfoods, actively managing it, and consistently representing to the public that Elar's Lechon is operating Elarfoods “conclusively prove that indeed the ‘ELAR'S LECHON’ brand has been transferred to and is owned by respondent.”<sup>330</sup>

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320. *Emzee Foods, Inc.*, G.R. No. 220558, at 4-5.

321. *Id.* at 5-6.

322. *Id.* at 13.

323. *Id.* at 13-14.

324. *Id.* at 10 (citing *Zuneca Pharmaceutical*, G.R. No. 211850, at 17).

325. *Id.*

326. *Emzee Foods, Inc.*, G.R. No. 220558, at 10-11.

327. *Id.* at 11.

328. *Id.* at 10-11.

329. *Id.*

330. *Id.* at 11-12.

On this score, the Court held that unregistered trademarks, like any incorporeal right, may be acquired by mere consent without need for a written contract.<sup>331</sup> In this case, a written assignment to this effect was unnecessary, as Elar's Lechon Marks were neither registered nor being applied for registration during the time of the alleged transfer of assignment.<sup>332</sup> Thus, "what matters is that from the time of respondent's incorporation until present, respondent has used and exclusively appropriated the subject trademarks as its own."<sup>333</sup>

Having established the Elarfoods' ownership of the subject trademarks, the Court likewise found EFI guilty of unfair competition as well.<sup>334</sup> For one, it found "ELAR'S LECHON" and "ELARZ LECHON" confusingly similar with each other.<sup>335</sup> For another, it concluded that there was a clear intent on EFI's part to deceive the public.<sup>336</sup> In this regard, the Court found that EFI clothed its products the general appearance of Elarfoods' products.<sup>337</sup> It likewise noted that EFI did not provide any notice to the buying public that "ELAR'S LECHON" is not Elarfood's product, albeit it is the latter that has the exclusive right to the trademark "ELAR'S LECHON."<sup>338</sup>

#### *D. Key Takeaways*

The Court came up with a delicately nuanced decision in *Zuneca*. For the most part, *Zuneca* has set the record straight that trademark ownership is acquired by registration, not by prior use. Despite its explicit recognition of this rule, the Supreme Court nevertheless clarifies in its disquisitions that this rule is by no means absolute.

##### 1. The Primacy of the First-to-File Registrant over the First User

Before *Zuneca*, and despite the IP Code's clear adoption of the first-to-file rule, the Court had nevertheless recognized an "alternate" rule, i.e., the rule on prior use which was established in *Berris Agricultural Co., Inc.* and *E.Y. Industrial Sales, Inc.*<sup>339</sup> Thus, before *Zuneca*, the Supreme Court previously recognized that: (1) trademark ownership is acquired by registration and actual use;<sup>340</sup> (2)

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331. *Id.* at 13.

332. *Emzee Foods, Inc.*, G.R. No. 220558, at 13.

333. *Id.*

334. *Id.* at 13.

335. *Id.*

336. *Id.* at 14.

337. *Id.*

338. *Emzee Foods, Inc.*, G.R. No. 220558, at 14.

339. *Zuneca Pharmaceutical*, G.R. No. 211850, at 21-27.

340. *Berris Agricultural Co., Inc.*, 633 SCRA at 204 (citing INTELL. PROP. CODE, § 122).

actual use in commerce or business is a pre-requisite to the acquisition of the right of ownership;<sup>341</sup> (3) by itself, registration is not a mode of acquiring ownership;<sup>342</sup> and (4) ownership of a trademark belongs to the first who used the same in trade or commerce.<sup>343</sup> In effect, under the pre-*Zuneca* regime, while the IP Code has always recognized that trademark ownership is acquired by means of registration, the registrant's ownership over his or her trademark "[could have] [nevertheless been] defeated by evidence of prior use by another person."<sup>344</sup>

In other words, under the pre-*Zuneca* regime, it would seem that the registrant's "presumptive ownership"<sup>345</sup> would only become "conclusive" if the registrant is likewise the first user of the mark as well.<sup>346</sup> As such, it had been observed that a trademark registration, then, is "not indefeasible unlike a Torrens Title over a real property."<sup>347</sup>

As discussed in *Zuneca*, however, the Supreme Court has expressly rectified its ruling in *Berris Agricultural Co., Inc.* which gave "undue weight" on prior use in a trademark dispute governed by the IP Code.<sup>348</sup> Similarly, the Court clarified that its ruling in *E.Y. Industrial Sales, Inc.*, which relied on *Shangri-La International Hotel Management, Ltd.*, which was governed by the old Trademark Law, should not apply to cases involving marks "used and/or registered after the IP Code became effective."<sup>349</sup>

Thus, noting that there has been a clear shift in the Philippines trademark acquisition regime from the old Trademark Law, i.e., prior use rule, to the IP Code, i.e., first-to-file rule, *Zuneca* has now expressly clarified —

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341. *E.Y. Industrial Sales, Inc.*, 634 SCRA at 388-89 (citing *Shangri-La International Hotel Management, Ltd.*, 486 SCRA at 419).

342. *Id.*

343. *Berris Agricultural Co., Inc.*, 633 SCRA at 204 (citing AGPALO, *supra* note 99, at 8-11).

344. *Id.*

345. *Id.*

346. FUNA, *supra* note 25, at 59.

347. *Id.* at 225.

348. *Zuneca Pharmaceutical*, G.R. No. 211850, at 23.

349. *Id.* at 27.

- (1) Based on the express language of the IP Code, trademark ownership is acquired through registration. Thus, *Berris Agricultural Co., Inc.* and *E.Y. Industrial Sales, Inc.* no longer apply after the effectivity of the IP Code.<sup>350</sup>
- (2) Conversely, “prior use no longer determines the acquisition of ownership of a mark.”<sup>351</sup> Subsequent actual use, however, is required for a registrant to maintain his over her ownership over the mark.<sup>352</sup>
- (3) Under *Zuneca’s* corrected legal regime, disputes involving the ownership of trademarks would, as a general rule, simply be resolved in favor of the party who first filed the application for registration, i.e., *prius tempore, potior jure*. (first in time, stronger in right).<sup>353</sup>

## 2. Exceptions and Limitations to the General Rule

The *Zuneca’s* unequivocal adoption of the first-to-file rule, however, is not without exceptions. As clarified by the Supreme Court, among the grounds for cancellation of a trademark enumerated under Section 151.1 of the IP Code are either: (1) the presence of fraud or bad faith<sup>354</sup> or (2) the fact that the mark was registered contrary to provisions of the IP Code, would render a trademark registration void.<sup>355</sup> Stated differently, all the rights in a mark will be acquired by the first-to-file registrant only if all the following requisites are present:

- (1) The first-to-file registrant is in good faith;<sup>356</sup>
- (2) None of the grounds for cancellation under Section 155.1 of the IP Code, “especially the registration being obtained in bad faith or contrary to the provisions of the IP Code, which render the registration void[.]”<sup>357</sup> and

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350. *Id.*

351. *Id.* at 17.

352. *Id.* at 19.

353. *Id.* at 16.

354. *Zuneca Pharmaceutical*, G.R. No. 211850, at 32.

355. *Id.*

356. *Id.* at 33.

357. *Id.*

- (3) The trademark is inherently registrable and/or the registration is “made validly in accordance with the provisions of the [IP Code].”<sup>358</sup>

In this regard, considering that the grounds for cancellation of trademark have remained unchanged from the old Trademark Law and the IP Code, *Zuneca* held that the doctrinal pronouncements of the Supreme Court defining the metes and bounds of “fraud” and “bad faith,” respectively, “still subsist even after the effectivity of the IP Code.”<sup>359</sup> As such, “bad faith” in respect of trademark registration is having “knowledge of [the] prior creation, use[,] and/or registration by another of an identical or similar trademark,” while “fraud” is intentionally “making false claims in connection with the trademark application and registration, particularly on the issues of origin, ownership, and use of the trademark in question,”<sup>360</sup> or “to take advantage of another’s good will thereby causing damage or prejudice to another.”<sup>361</sup>

Meanwhile, a mark is deemed to have been registered “contrary to the provisions of the [IP Code]” if the mark is inherently unregistrable<sup>362</sup> under some of the grounds enumerated under Section 123.1 of the IP Code<sup>363</sup> (i.e., immoral or deceptive, generic marks, etc.), such as when a generic mark was successfully registered for some reason.<sup>364</sup>

Additionally, Section 159.1 of the IP Code provides that “a prior user in good faith may continue to use its mark even after the registration of the mark by the first-to-file registrant in good faith, subject to the condition that any transfer or assignment of the mark by the prior user in good faith should be made together with the enterprise or business or with that part of his enterprise or business in which the mark is used.”<sup>365</sup> *Zuneca* recognized this as another exception from the first-to-file rule, as it nevertheless limits or restricts the registrant’s right to sue a prior user for trademark infringement, provided that

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358. *Id.* (citing INTELL. PROP. CODE, § 122).

359. *Id.* at 29.

360. *Zuneca Pharmaceutical*, G.R. No. 211850, at 29 (citing *Mustang-Bekleidungswerke*, *supra* note 231, at 6).

361. *Id.*

362. *Id.* at 32.

363. INTELL. PROP. CODE, § 123.1

364. *Zuneca Pharmaceutical*, G.R. No. 211850, at 20.

365. INTELL. PROP. CODE, § 159.1.

(1) the prior user is in good faith; and (2) the latter's "protected use" is "tied to its current enterprise or business."<sup>366</sup>

While not expressly discussed in *Zuneca*, it bears noting that the textual provisions of the IP Code likewise provide an exception from the first-to-file rule in respect of well-known marks. Section 123.1 (e) of the IP Code provides —

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

...

(e) 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[.]<sup>367</sup>

Thus, as an exception to the first-to-file rule, a prior user of a mark considered to be well-known internationally and, in the Philippines, would, in effect, have a better right as against the first-to-file applicant as regards identical or similar goods or services.<sup>368</sup>

Finally, unlike *Berris Agricultural Co., Inc.*, the Court did not expressly "rectify" *E.Y. Industrial Sales, Inc.* Instead, it simply clarified that *E.Y. Industrial Sales, Inc.* would not apply to disputes between two marks which are "both used and/or registered after the effectivity of the IP Code," to wit —

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

To be sure, the rule used to resolve the issue of ownership in *E.Y. Industrial Sales, Inc.* and *Shangri-La* should not be made to apply in a situation involving marks which are both used and/or registered after the effectivity of the IP Code. In the case at bar, both 'ZYNAPS' and 'ZYNAPSE' have been used and/or registered after the IP Code became effective. Clearly, the

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366. *Zuneca Pharmaceutical*, G.R. No. 211850, at 39.

367. INTELL. PROP. CODE, § 123.1 (e).

368. *See* *Sehwani, Incorporated v. In-N-Out Burger, Inc.*, G.R. No. 171053, 536 SCRA 225, 239-40 (2007).

use or citation of Trademark Law jurisprudence to resolve the question on acquisition of ownership of marks in the case at bar or in cases involving marks registered or first used under the IP Code will be irrelevant and inappropriate.<sup>369</sup>

Conversely, therefore, based on the foregoing pronouncements, *E.Y. Industrial Sales, Inc.*, could still theoretically apply to cases wherein any of the competing marks are (1) first used and (2) applied for registration before the IP Code, or during the effectivity of the old Trademark Law.<sup>370</sup> This would be consistent with Section 236 of the IP Code, which protects rights acquired in good faith prior to its effectivity.<sup>371</sup> Needless to state, however, this would only leave a very small room (if at all) for *E.Y. Industrial Sales, Inc.*'s application, in light of the considerable amount of time that has lapsed since the IP Code's effectivity.

All told, while trademark ownership is now acquired by means of registration, this rule is subject to the following exceptions or limitations:

- (1) A prior user in good faith can defeat the rights to a mark of a first-to-file registrant if the latter obtained his or her registration through fraud or in bad faith;<sup>372</sup>
- (2) A prior user in good faith can defeat the rights to a mark of a first-to-file registrant if the latter's registration was obtained contrary to the provisions of the IP Code;<sup>373</sup>
- (3) A prior user in good faith is exempt from trademark infringement suits from the first-to-file registrant, and may continue to use the said mark, provided that such "protected use" is tied to its current enterprise or business;<sup>374</sup>
- (4) A prior user in good faith of a well-known mark can defeat the rights of a mark of a first-to-file applicant or registrant in respect of the same or similar goods or services;<sup>375</sup> and
- (5) A prior user in good faith can defeat the rights to a mark of a first-to-file registrant in disputes wherein any of the

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369. *Zuneca Pharmaceutical*, G.R. No. 211850, at 26-27.

370. *Id.*

371. INTELL. PROP. CODE, § 236.

372. *Zuneca Pharmaceutical*, G.R. No. 211850, at 29.

373. *Id.* at 32 (citing INTELL. PROP. CODE, § 122).

374. INTELL. PROP. CODE, § 159.1.

375. *Id.* § 123.1 (e).

competing marks are (a) first used and (b) applied for registration during the effectivity of the old Trademark Law.<sup>376</sup>

### 3. Better Sense of Stability in the Acquisition of Trademark Ownership

After the dust settled in the aftermath of *Zuneca*, the Supreme Court thus delivered a more robust and definite system (with certainly less room for “surprises” to trademark owner) of acquisition of trademark ownership.

While *Zuneca* does acknowledge the *prima facie* nature of a certificate of trademark registration, and does not, at all, claim the first-to-file rule to be absolute, it nevertheless sets it indubitably clear that under the IP Code, the only mode of acquiring trademark ownership is by means of registration.<sup>377</sup> This would, in effect, give registrants more certainty and predictability, such that a registrant, as long as he or she is in good faith, need not look over his or her shoulder for the duration of the trademark registration for any third party claiming to be the prior user of the mark.<sup>378</sup>

In the same vein, this rule has certainly set the tone as regards the urgency of obtaining a trademark registration. Indeed, a prior user may no longer confidently put off or delay the filing of a trademark application for his or her mark. After all, a third party in good faith, i.e., one who does not otherwise have knowledge of the prior user’s creation and/or use of the mark, could easily beat the prior user to the finish line by simply filing a trademark application beforehand.<sup>379</sup>

As well, this current system of acquisition of ownership underscores even further the importance of performing a trademark availability search of the IPO’s trademark database or performing a proper due diligence exercise before filing a trademark application. In fact, the Supreme Court in *Zuneca* considered the act of checking the IPO’s trademark database<sup>380</sup> beforehand as evidence, among others, of the first-to-file registrant’s good faith.<sup>381</sup>

Conversely, the publication for opposition of a mark and its subsequent registration should be deemed constructive notice to third parties of the fact of application or registration of mark.<sup>382</sup> In fact, in *Lorenzana v. Macagba*,<sup>383</sup>

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376. *Zuneca Pharmaceutical*, G.R. No. 211850, at 26-27.

377. *Id.*

378. *Id.* at 42.

379. *Id.* at 16.

380. *Id.* at 37.

381. *Id.*

382. *Lorenzana v. Macagba*, G.R. No. L-33773, 154 SCRA 723, 729 (1987).

383. *Id.*



which involved a dispute under the old Trademark Law, the Court held that “[r]egistration ... is constructive notice of the registrant’s claim of ownership.”<sup>384</sup> As well, the IP Code provides that assignments and transfers, and license contracts involving trademarks would have no effect against third parties unless and until these are recorded with the IPO.<sup>385</sup> As such, under the IP Code, the registration of a mark should likewise be deemed as constructive notice to all third parties, and thus binding on the latter.<sup>386</sup>

Thus, what the Court ingeniously delivered is a system of acquiring trademark ownership which is very much akin to the rule regarding double sales of land under the Civil Code<sup>387</sup> in relation to registered lands under the Torrens system,<sup>388</sup> in which:

- (1) Under the Torrens System, the act of registration is the operative act to convey and affect the land.<sup>389</sup>
- (2) Registration is deemed to be “constructive notice to all persons from the time of such registering, filing[,] or entering.”<sup>390</sup>
- (3) Registration in good faith under Presidential Decree No. 1529 is “considered to be of the highest order, providing for absolute first priority to the buyer who as it in his favor.”<sup>391</sup>
- (4) In case of double registration, “the owner of the earliest certificate is the owner of the land.”<sup>392</sup>
- (5) Within one year from the issuance of the decree of registration, a petition to review or reopen a decree of

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384. *Del Monte Corporation v. Court of Appeals*, G.R. No. 78325, 181 SCRA 410, 420 (1990) (citing *Lorenzana*, 154 SCRA at 729).

385. *Id.*

386. See INTELL. PROP. CODE, § 138.

387. An Act to Ordain and Institute the Civil Code of the Philippines [CIVIL CODE], Republic Act No. 386, art. 1544 (1949).

388. Amending and Codifying the Laws Relative to Registration of Property and for Other Purposes [Property Registration Decree], Presidential Decree No. 1529 (1978) (as amended).

389. Property Registration Decree, § 51.

390. *Id.* § 52.

391. CESAR L. VILLANUEVA & TERESA V. TIANSAY, LAW ON SALES 242 (2016 ed.).

392. *Legarda and Prieto v. Saleeby*, 31 Phil. 590, 600 (1915).

registration may be filed by a landowner who was deprived of his interest in land through actual or extrinsic fraud.<sup>393</sup> Furthermore, even after the lapse of the said one (1) year period, an action for reconveyance may thereafter be filed by a landowner who has been wrongfully or erroneously registered in another's name based on (a) fraud or (b) implied or constructive trust.<sup>394</sup>

As a result, the current system of acquisition of trademark ownership post-*Zuneca* is, in many respects, similar to the Torrens system, which is characterized by the indefeasibility of the Torrens certificate, and which was adopted by the Philippines in order “to guarantee the integrity of land titles and ... to avoid any possible conflicts of title that may arise by giving the public the right to rely upon the face of the Torrens title and dispense with the need of inquiring further as to the ownership of the property.”<sup>395</sup>

Similarly, as eloquently enunciated by the Supreme Court, speaking through Justice Caguioa, the post-*Zuneca* regime would foster a more uniform and easily verifiable system of acquiring trademark ownership and, ultimately, would result in a better “sense of stability,” thus —

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

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393. Property Registration Decree, § 32.

394. *Id.* § 53, para. 3. See also *Gatmaytan v. Misibis Land, Inc.*, G.R. No. 222166, 937 SCRA 190 (2020); *Ybanez v. Intermediate Appellate Court*, G.R. No. 68291, 194 SCRA 743 (1991); *Gonzales v. Intermediate Appellate Court*, G.R. No. L-69622, 157 SCRA 587 (1988); *Uy v. Court of Appeals*, 769 Phil. 705, 718-19 (2005); & *New Regent Sources, Inc. v. Tanjuatco*, G.R. No. 168800, 585 SCRA 329 (2009) (citing *Walstrom v. Mapa*, G.R. No. 38387, 181 SCRA 431 (1990)).

395. *Stilianopoulos v. Register of Deeds for Legazpi City*, G.R. No. 224678, 870 SCRA 215 (2018).

mark all along. Such sense of stability given by the current system of acquiring trademark ownership is in consonance with the expressed [s]tate policy that describes an effective intellectual and industrial property system as one that attracts foreign investments.<sup>396</sup>

#### IV. THE DOMINANCE OF THE DOMINANCY TEST OVER THE HOLISTIC TEST: THE *KOLIN* CASE (9 FEBRUARY 2021)

##### A. *Factual Antecedents*

In its landmark decision in *Kolin*, the Supreme Court pruned several diverging rules that developed in the realm of trademark law over time. Paramount, however, is its definitive pronouncement finding dominance in the dominancy test for purposes of determining the resemblance of marks.

On 17 August 1993, the predecessor-in-interest of petitioner Kolin Electronics Co., Inc. (“KECI”) filed Trademark Application No. 87497 with the IPO for the registration of the mark ***KOLIN*** covering goods in Class 9; specifically, automatic voltage regulator, converter, recharger, stereo, booster, AC-DC regulated power supply, step-down transformer, and PA amplifier AC-DC.<sup>397</sup>

On the other hand, on 29 February 1996, Taiwan Kolin Co., Ltd (“TKC”) filed with the IPO Trademark Application No. 4-1996-106310 for the registration of the mark ***KOLIN*** covering “color[ed] television, refrigerator, window-type air conditioner, split-type air conditioner, electric fan, and water dispenser.”<sup>398</sup>

Thereafter, on 22 July 1998, TKC opposed KECI’s Trademark Application No. 87497 for the mark ***KOLIN***, in view of its confusing similarity with TKC’s *KOLIN*-marks.<sup>399</sup> This opposition was, however, denied by the IPO,<sup>400</sup> and eventually the CA in a Decision issued on 31 July 2006.<sup>401</sup> The decision became final and executory on 16 November 2007.<sup>402</sup>

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396. *Zuneca Pharmaceutical*, G.R. No. 211850, at 42.

397. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 2.

398. *Id.*

399. *Id.* at 2-3.

400. *Id.*

401. *Id.* at 4.

402. *Id.*

In the meantime, on 13 July 2006, KECI filed an opposition case against TKC's Trademark Application No. 4-1996-106310 for the mark **KOLIN**.<sup>403</sup> The case eventually reached the Supreme Court, Third Division, where it was ultimately concluded in its Decision dated 25 March 2015, that there was no basis for KECI's opposition.<sup>404</sup>

Ultimately, the Third Division of the Supreme Court found the products covered by TKC's trademark application and KECI's registration are unrelated, to wit:<sup>405</sup>

- (1) TKC's goods are classified as home appliances as opposed to KECI's goods, which are power supply and audio equipment accessories;<sup>406</sup>
- (2) TKC's television sets and DVD players perform functions and purposes distinct from KECI's power supply and audio equipment;<sup>407</sup> and
- (3) TKC sells and distributes its various home appliance products on wholesale to accredited dealers, whereas KECI's goods are sold and flow through electrical and hardware stores.<sup>408</sup>

Further, the Court noted that the list of products under NCL Class 9 may be "sub-categorized into five different classifications, and the products covered by TKC's and KECI's marks fall under different sub-categories."<sup>409</sup>

The Court also bolstered its findings by inferring from a side-by-side comparison of the two competing marks that the "ordinary intelligent buyer is not likely to be confused."<sup>410</sup> Accordingly, the Court reinstated TKC's application for the mark **KOLIN**.<sup>411</sup>

Incidentally, on 11 September 2006, respondent Kolin Philippines International, Inc. (KPII), an affiliate of TKC, filed Trademark Application No. 4-2006-010021 with the IPO,<sup>412</sup> this time for the registration of the mark

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403. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 6.

404. *Id.* at 8-10.

405. *Id.* at 8.

406. *Id.*

407. *Id.*

408. *Id.*

409. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 8.

410. *Id.* at 8-9.

411. *Id.* at 9.

412. *Id.* at 9-10.

**kolin** in Class 9 goods, specifically, televisions, and DVD players.<sup>413</sup> Again, KECI opposed said application citing its ownership over a prior existing and registered mark (**KOLIN**) which is confusingly similar with KPII's **kolin** mark.<sup>414</sup> As a defense, KPII argued, among others, that KECI's ownership over the **KOLIN** mark is limited only in connection with the goods specified in its registration certificate and those related thereto.<sup>415</sup> KPII insisted that the goods covered by their application for the **kolin** mark, i.e., televisions and DVD players, are not related to the goods covered by the **KOLIN** registration of KECI.<sup>416</sup>

The IPO sustained the opposition filed by KECI against KPII's application for the mark **kolin**.<sup>417</sup> It is important to note that at the time the IPO ruled on the opposition case at first instance on 9 September 2009,<sup>418</sup> and on appeal on 12 September 2013,<sup>419</sup> the case concerning the opposition against TKC's **KOLIN** mark was still pending before the Third Division of the Supreme Court.<sup>420</sup> As noted above, said Decision was only issued on 25 March 2015.<sup>421</sup>

After the promulgation of the Decision by the Supreme Court finding TKC's **KOLIN** mark not confusingly like KECI's **KOLIN** mark, the CA issued a Decision dated 29 April 2016, granting the appeal filed by KPII, and ultimately directing the IPO to give due course to KPII's application for the mark **kolin**.<sup>422</sup>

### *B. Ruling*

Applying the multifactor test in the instant case, the Supreme Court ruled that KPII's application for the **kolin** mark should be denied because it will likely

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413. *Id.*

414. *Id.*

415. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 10.

416. *Id.*

417. *Id.*

418. *Id.* at 10-11.

419. *Id.*

420. *Id.*

421. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 12.

422. *Id.*

cause confusion with KECI's *KOLIN* mark and cause damage to the rights of the latter.<sup>423</sup>

Specifically, the Court ruled that by applying the dominance test, the prevailing and prescribed test for assessing resemblance of the marks based on the IP Code,<sup>424</sup> KPII's *kolin* mark closely resembles KECI's *KOLIN* mark.<sup>425</sup> Although both are composite marks, the Court noted that the prevalent feature of both marks is still the word "KOLIN."<sup>426</sup> Thus, the minor differences in the style or dress of both marks are immaterial and should therefore be completely disregarded in assessing the resemblance of the marks.<sup>427</sup>

In officially abandoning the use of the holistic test in determining the resemblance of the marks, the Court enunciated that "out of the two tests, ... only the dominance test has been incorporated in the IP Code."<sup>428</sup> Too, this is supported by the Court's review of the relevant legislative deliberations, to wit —

*Trademarks*

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

...

To resolve the conflicting doctrines regarding what constitutes colorable imitation of a registered mark, the Code adopts the [dominance test] so that any person who uses in commerce any colorable imitation of [a] registered mark or a dominant feature thereof shall be liable for damages for infringement.

...

*Trademarks*

...

8. The [c]ommittee notes the varying decisions of the Supreme Court regarding colorable imitation of a registered mark. There are decisions which espouse the '[dominance test,]' while there are others which use the

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423. *Id.* at 35.

424. *Id.* at 23.

425. *Id.*

426. *Id.*

427. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 23.

428. *Id.* at 21-22 (citing *McDonald's Corporation*, 437 SCRA at 32-33).

‘[h]olistic [t]est[.]’ We, therefore, recommend the adoption of the [d]ominancy [t]est to resolve once and for all the debate.<sup>429</sup>

In arriving at the conclusion that the goods covered by the **KOLIN** mark, i.e., automatic voltage regulator, converter, recharger, stereo, booster, AC-DC regulated power supply, step-down transformer, and PA amplifier AC-DC, are closely related to those covered by the **kolin** mark, i.e., televisions and DVD players,<sup>430</sup> the Court did not take into account that fact that both registrations cover goods belonging in Class 9 of the Nice Classification.<sup>431</sup> As previously discussed, the Court in *Kolin* already officially “abandon[ed] the use of product or service classification as a factor in determining relatedness or non-relatedness [of goods and services].<sup>432</sup> Instead, the Court noted that the goods covered by both marks are: (a) “electronic in nature, relatively expensive, and rarely bought;”<sup>433</sup> (b) “made of metal” and “cannot be easily carried around;”<sup>434</sup> (c) used for entertainment purposes i.e., the stereo booster for the **KOLIN** mark;<sup>435</sup> (d) “not bought for immediate consumption,”<sup>436</sup> (e) “last for a long time” and are “non-essential goods;<sup>437</sup> (f) offered in the “same channels of trade such as department stores or appliance stores;”<sup>438</sup> and (g) complementary to each other.<sup>439</sup>

Accordingly, there is an increased likelihood that the consumers will think that the goods covered by the **KOLIN** and **kolin** marks came from the same source.<sup>440</sup> Assuming not related, the Court found that the goods covered by

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429. *Id.* at 22 (citing S. JOURNAL NO. 29, at 16-17 & 23, 10th Cong., 3d Reg. Sess. (Oct. 8, 1996)) (emphases omitted).

430. *Id.* at 29.

431. *Id.* at 28.

432. *Id.*

433. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 28.

434. *Id.*

435. *Id.*

436. *Id.*

437. *Id.*

438. *Id.*

439. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 28-29.

440. *Id.*

the **kolin** mark are likely to fall within the normal potential expansion of business of KECI.<sup>441</sup>

Although the goods covered by both registrations are not inexpensive, thus consumers are expected to pay more attention in buying them, the Supreme Court still did not discount the possibility of confusion because said goods are also not frequently purchased.<sup>442</sup> As discussed in the previous section, evidence of actual confusion is given more probative value in so far as assessing likelihood of confusing is concerned since confusion is no longer speculated.<sup>443</sup>

The Supreme Court also noted that evidence has been presented, such as e-mails from KECI's consumers, showing not just likelihood of, but in fact actual confusion already in relation to the products of KPPII bearing the **kolin** mark.<sup>444</sup>

As regards the strength of the mark, the Court held that KECI's **KOLIN** mark is a fanciful or coined mark, i.e., the strongest and most distinctive form of mark; to which likelihood of confusion is highly probable.<sup>445</sup>

Lastly, citing the case of *Zuneca*, the Court also examined if KPPII's application for the **kolin** mark is tainted with bad faith.<sup>446</sup> After astutely observing the attendant circumstances, the Supreme Court found basis in concluding that KPPII knew about KECI's **KOLIN** registration when it filed its application for the **kolin** mark.<sup>447</sup> First, "KPPII is an instrumentality of TKC and TKC directly participates in the management, supervision, and control of KPPII."<sup>448</sup> Second, "KPPII was authorized by TKC to use the 'KOLIN' mark."<sup>449</sup> Third, the application for the **kolin** mark was lodged barely two months after the CA declared KECI the owner of the **KOLIN** mark.<sup>450</sup> Lastly, being in the same line of business, "it would have been

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441. *Id.* at 30-31.

442. *Id.*

443. *Id.* at 30.

444. *Id.* at 29.

445. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 33.

446. *Id.* at 33.

447. *Id.* at 34-35.

448. *Id.* at 34.

449. *Id.*

450. *Id.* at 34.



improbable that KPII did not know an existing **KOLIN** mark owned by KECI.”<sup>451</sup>

All told, the Court ruled that it cannot give due course to KPII’s Trademark Application No. 4-2006-010021 for the mark **kolin** because it is confusingly similar with KECI’s registered **KOLIN** mark which bears an earlier filing date.<sup>452</sup>

### C. *The Aftermath: Subsequent Cases Applying Kolin*

After *Kolin*, the Supreme Court has thereafter applied its doctrinal pronouncements in *Kolin* to resolve at least two other trademark disputes. In both *Suyen Corporation v. Danjaq LLC*<sup>453</sup> and *Levi Strauss & Co., v. Sevilla*,<sup>454</sup> consistent with *Kolin*, the Court applied the dominancy test in lieu of the holistic test — demonstrating that the holistic test may have indeed been “pruned” from jurisprudence as well.

#### I. The *Suyen* Case

In the 6 July 2021 decision penned by Associate Justice Rosemari D. Carandang, the Court, citing the ruling in *Kolin* and using the dominancy test, found confusing similarities between the well-known mark “JAMES BOND” and petitioner’s mark “AGENT BOND.”<sup>455</sup> The Court explained in this wise —

There is a large degree of similarity between JAMES BOND and AGENT BOND not because both words merely contain the word ‘bond.’ The [dominancy test] does not solely rely on the visual and aural aspects of the mark[,] but also the connotative comparisons and overall impressions between them. In other words, it is not the fact that a particular set of words was used but the manner in which they were utilized.

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451. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 34.

452. *Id.* at 35.

453. *Suyen Corporation v. Danjaq LLC*, G.R. No. 250800, July 6, 2021, available at <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/67951> (last accessed July 31, 2022).

454. *Levi Strauss & Co. v. Sevilla*, G.R. No. 219744, Mar. 1, 2021, available at <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/67310> (last accessed July 31, 2022).

455. *Suyen*, G.R. No. 250800, at 16.

The terms ‘agent’ and ‘bond’ — when put together in that particular order — inevitably suggests a connection with James Bond as he was also known by his spy name, Agent 007.<sup>456</sup>

In Justice Caguioa’s concurring opinion in *Suyen*, the esteemed justice further clarified the finding of resemblance of the “AGENT BOND” mark with the well-known “JAMES BOND” mark,<sup>457</sup> to wit —

Visually, ‘JAMES BOND’ and ‘AGENT BOND’ appear to contain two words and both marks commonly feature the word ‘BOND.’ The words appear to be of equal prominence/dominance and there is no peculiar stylization to emphasize either word in ‘JAMES BOND’ or ‘AGENT BOND.’ When only a visual examination is made, it may be correct to state that ‘the mere use of a common word or element ... is not sufficient to conclude confusing similarity,’ as *Suyen* argues. In other words, the visual similarity between ‘AGENT BOND’ and ‘JAMES BOND’ is merely average. *However*, as mentioned, the [dominancy test] also relies on the aural comparison, connotative comparison, and overall impressions between the marks to form a conclusion on their resemblance.

Aurally, the marks rhyme or at least sound similar because when both marks are uttered, they end with the word ‘BOND.’ The degree of phonetic similarity is high.

In terms of meaning or connotation, it is not farfetched to suppose that the words ‘AGENT BOND’ may be linked or confused by consumers with ‘JAMES BOND,’ the famous secret agent. Relevantly, the BLA found that ‘the connotation [that] the competing marks give is identical.’ Conceptual similarity is high and it is reasonable to conclude that both marks taken as a whole are connotative equivalences of each other.

As explained in *Kolin Electronics*, another aspect to be considered when determining trademark resemblance is the type of mark used. Notably, ‘AGENT BOND’ and ‘JAMES BOND’ are both similar in the sense that they are word marks which show no special characteristics.

Thus, based on the type of marks used and the [d]ominancy [t]est, ‘AGENT BOND’ resembles the well-known ‘JAMES BOND’ mark.<sup>458</sup>

Notably, in *Suyen*, the Court no longer belabored on the result of the examination of the resemblance of the competing marks if the Holistic Test were to be applied.

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456. *Id.* at 10.

457. *Suyen*, G.R. No. 250800, at 8 (J. Caguioa, concurring opinion).

458. *Id.*



## 2. The *Levi Strauss* Case

The Supreme Court, in its decision dated 1 March 2021, ruled in the words of Senior Associate Justice Estela M. Perlas-Bernabe, that respondents' stylized **LIVE'S** mark covering goods in Class 25 with Registration No. 5391 should be cancelled in view of its confusing similarity with petitioner's "LEVI'S" mark which that latter has registered and extensively and continuously used on the same goods covered by NCL Class 25.<sup>459</sup>

Citing *Kolin*, the Supreme Court used the dominancy test, and expounded on its ruling, as follows —

In light of the foregoing, it is submitted that the [d]ominancy [t]est must be used in determining the existence of confusing similarity between the 'LEVI'S' and **LIVE'S** marks. Again, this test relies not only on the visual but also on the aural and connotative comparisons and overall impressions between the two trademarks.

A cursory search of the IPO's online trademark database would show that petitioner is the registered owner of more or less 17 subsisting 'LEVI'S' marks, both comprising of word marks and stylized marks, whereas respondent is the registered owner of a singular **LIVE'S** stylized mark. For easy reference, some of petitioner's 'LEVI'S' marks and respondents' mark are reproduced below —

Some of petitioner's "LEVI'S" marks	Respondents' "LIVE'S" mark
	

As may be seen in the above figures, the dominant feature of petitioner's 'LEVI'S' marks is the word 'levi's' composed of five [ ] letters, namely 'L,' 'E,' 'V,' 'I,' and 'S' with an apostrophe separating the fourth and fifth letters. Notably, for petitioner's stylized marks, the letter 'E' is in lowercase format, with the rest in uppercase format. On the other hand, the dominant feature of respondents' **LIVE'S** stylized mark is the word 'live's' also composed of the same five [ ] letters; and its only difference with petitioner's marks is that the positioning of the letters 'E' and 'I' are interchanged. Furthermore,

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459. *Id.* at 14.

respondents' mark also depicts the letter 'E' in lowercase format with the rest in uppercase format.

From the foregoing, it is thus readily apparent that although petitioner's and respondents' marks are neither spelled identically nor pronounced in the same way, nor possess the same meaning, they both begin with the same letter and are in the possessive form as denoted by the apostrophe before the letter "S" at the end, with only the second and fourth letters re-arranged.

Simply put, respondents' **Lives** mark is but a mere anagram of petitioner's 'LEVI'S' marks. It would not be farfetched to imagine that a buyer, when confronted with such striking similarity, would be led to confuse one over the other. Thus, by simply applying the [dominancy test,] it can already be concluded that there is a likelihood of confusion between petitioner's 'LEVI'S' marks and respondents' **Lives** mark.<sup>460</sup>

Notably, however, the Supreme Court still discussed the result of comparing the mark using the now-abandoned holistic test,<sup>461</sup> to wit —

Furthermore — and even by using the now-abandoned [holistic test] — this likelihood of confusion tends to be more highlighted by the undisputed fact that petitioner's and respondents' products are competing goods, and that their marks as used in actual product labels are very much similar with one another, to wit:

...

From the color scheme, border used, fringe banners, to even some of the textual additives surrounding the mark, there are definite similarities that give both trademarks the same look and feel. In fact, the use of the number design '105' as juxtaposed to 'LEVI'S's own '50' supports the view that respondents' to **Lives** mark is a mere colorable imitation of petitioner's 'LEVI'S' marks.<sup>462</sup>

#### *D. Key Takeaways*

The Supreme Court delivered a landmark ruling that comprehensively discusses and applies the multifactor test found in the Revised Rules for IP Cases in determining the likelihood of confusion. Before this case, the Court had, in some instances, mainly considered only the resemblance of the marks and relatedness of goods/services in assessing the likelihood of confusion.<sup>463</sup>

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<sup>460</sup>. *Id.* at 11-12.

<sup>461</sup>. *Id.* at 12.

<sup>462</sup>. *Id.* at 12-14.

<sup>463</sup>. *See* Prosel Pharmaceuticals & Distributors, Inc. v. Tynor Drug House, Inc., G.R. No. 248021, Sept. 30, 2020, available at <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/66883> (last accessed

Understandably, as discussed in the instant case, these two factors are regarded as most significant based on the provisions of the Trademark Law and the IP Code.<sup>464</sup> Certainly, as ruled in *Seri Somboonsakdikul*, the absence of resemblance between two competing marks already negates the likelihood of confusion.<sup>465</sup> As such, where colorable imitation or resemblance of the marks cannot be established, the Court may no longer belabor on its analysis concerning the other criteria in the multifactor test.<sup>466</sup>

The Court, in this case, categorically abandoned the use of product or service classification as a factor in determining the relatedness or non-relatedness of the goods or services covered by the competing marks.<sup>467</sup>

In the Philippines, the NCL, an international classification of goods and services, is required and used for trademark registration purposes.<sup>468</sup> Indeed, the fact that the goods or services fall under the same NCL Class should not be controlling in determining relatedness of goods or services.<sup>469</sup> Verily, a new edition of the NCL is published every five years, and a new version of each edition is published annually.<sup>470</sup> Thus, the transfer of goods or services between various classes is possible, but it should not necessarily mean that the goods or services become either too related or too unrelated to their new classification or old classification under the NCL, respectively. Also, with the doctrines of normal potential expansion of business and complementarity, it is indeed possible that even if the covered goods or services do not fall under the same class under the NCL, confusion is still probable.<sup>471</sup>

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July 31, 2022); *ABS-CBN Publishing, Inc. v. Director of the Bureau of Trademarks*, G.R. No. 217916, 867 SCRA 244, 266 (2018); *Citigroup, Inc. v. Citystate Savings Bank, Inc.*, G.R. No. 205409, 866 SCRA 185, 208-09 (2018); & *Seri Somboonsakdikul v. Orlane S.A.*, G.R. No. 188996, 816 SCRA 404, 421-23 (2017).

464. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 19-20.

465. *Seri Somboonsakdikul*, 816 SCRA at 419.

466. *Id.* at 423.

467. *Id.* at 423-24.

468. Intellectual Property Office of the Philippines, Rules and Regulations on Trademarks, Service Marks, Trade Names and Marked or Stamped Containers of 2017 [IPO Memorandum Circular No. 17-010], rule 400 (July 7, 2017).

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

470. See World Intellectual Property Organization, Nice Classification, available at <https://www.wipo.int/classifications/nice/en> (last accessed July 31, 2022) [<https://perma.cc/SL5C-JAKM>].

471. *Kolin Electronics Co., Inc.*, G.R. No. 228165, at 24.

More importantly, *Kolin* once and for all categorically placed an end to the flip-flopping rulings as regards the test that should be used in assessing the resemblance of marks. As already established, before *Kolin*, the IPO and even the courts have not been consistent and would sometimes use the dominance test and/or the holistic test in determining colorable imitation between competing marks. In *Kolin*, the Court citing *McDonald's* made it crystal clear that the dominance test should be used and the holistic test should be abandoned, as confirmed by the provisions of the IP Code and the legislative deliberations.<sup>472</sup>

Accordingly, for determining the resemblance of the mark alone, a comparison of the packaging of the products, their placement in the market, or trade dress should no longer be considered. Instead, under the dominance test, the Supreme Court should only examine the similarities between the prevalent features of the mark.

#### V. CONCLUSION

To be sure, the realm of Philippine trademark law is still relatively young. Although one can trace its roots in the trademark law promulgated by Spain in 1888,<sup>473</sup> it never flourished until R.A. No. 166 in 1947. Despite the effectiveness of the old Trademark Law 75 years ago and its amendment 50 years later, relatively few cases on trademark protection and enforcement reached the Supreme Court.<sup>474</sup>

Despite the topic's elusiveness, the past and present magistrates of the Supreme Court were able to comprehensively discuss various trademark concepts that aided the interpretation of the trademark laws and regulations in the Philippines. Again, although the diverging rulings may have resulted in a multiverse of rules, they were not instituted without basis in law and jurisprudence. Each one, no matter how "divergent," so to speak, had a role to play in the development of the Philippines' trademark law.

As in the *Loki* television series, however, divergent rules should not be allowed to burgeon. Otherwise, it will confuse and may even disrupt the growth of an organized trademark system. Providentially, the Supreme Court in *Zuneca* and *Kolin*, respectively, saw it fit to "prune" from the Philippine legal system the prior use system of acquiring trademark ownership and the holistic test.

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472. *Id.* at 23-24 (citing *McDonald's Corporation*, 437 SCRA at 31).

473. Ferdinand M. Negre, Trademark Law in a Knotshell: From Caves to Cyberspace, available at <http://www.iplaw.ph/ip-views/Trademark-Law-From-Caves-to-Cyberspace.html> (last accessed July 31, 2022) [<https://perma.cc/A553-4WAS>].

474. *Id.*

Therefore, trademarks should be based in *Zuneca* and be acquired solely through registration of the first filer; however, a prior user in good faith should be allowed to continue to use its mark. Likewise, to determine the likelihood of confusion, the mark's resemblance should, based on *Kolin*, be examined using the dominance test.