

for the cancellation of petitioner union's registration. Hence, the allegation of mixed membership of supervisors and rank-and-file employees in a union may be a ground for a Petition for Cancellation of Union Registration and, consequently, a ground to ask for the suspension of the certification election proceedings.

CONCLUSION

The Supreme Court decisions that have been discussed are major causes for unwarranted delays in certification election cases. Unscrupulous employers take advantage of these rulings in order to delay the certification election proceedings, and consequently, the conduct of the election itself and the commencement of collective bargaining negotiations. With the application of the rulings, baseless petitions for the cancellation of union registrations have been, and will be, filed. Many certification election proceedings have been, and will be, suspended.

This delay in certification election cases certainly works against labor. During the pendency of the certification election proceedings, many incidents can happen that will adversely affect, if not defeat altogether, the workers' exercise of their right to self-organization. Union leaders and members can be terminated, legally or illegally. The employers' businesses may be closed, again, legally or illegally. Or worse, the workers themselves may lose interest, if not hope, in the certification election cases. After a long delay, certification election proceedings may eventually lead to the conduct of certification elections. With the supervening events, however, a union victory becomes highly improbable.

After the examination of the Supreme Court decisions that impose undue restraint on the workers' exercise of the right to organize, this essay does not offer any complicated solution. No complicated solution is needed. What is simply required is for the Supreme Court to resolve doubts in the law in favor of labor and to be faithful to the state policy that guarantees free trade unionism.

In the meantime, from the workers' point of view, the so-called "free trade unionism" shall remain costly.

Trademark Law in a Knotshell:*

From Caves to Cyberspace

Ferdinand M. Negre**

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* A term coined by the author to describe the developments in Philippine Trademark Law. Consistency and, therefore, predictability in the application of the law is the key to sound business decisions. However, the seemingly conflicting decisions of Philippine courts in trademark cases and the rapid advances in technology result in inconsistencies and uncertainties in the application of the law.

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INTRODUCTION

The word "trademark" as defined by law and jurisprudence is a constantly evolving concept. A trademark is not only a word or symbol, but also goodwill where rights arise and are protected.

A trademark is defined under Republic Act (R.A.) 166, the Trademark Law,¹ as including "any word, name, symbol, emblem, sign or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured, sold or dealt in by others." This definition has been simplified in R.A. 8293, the Intellectual Property Code of the Philippines,² which defines a trademark as "any visible sign capable of distinguishing goods." In Philippine jurisprudence, the functions of a trademark are: to point out distinctly the origin or ownership of the goods to which it is affixed; to secure to him, who has been instrumental in bringing into the market a superior article of merchandise, the fruit of his industry and skill; to assure the public that they are procuring the genuine article; to prevent fraud and imposition; and to protect the manufacturer against substitution and sale of an inferior and different article as his product.

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

Today, the trademark is not merely a symbol of origin and goodwill; it is often the most effective agent for the actual creation and protection of goodwill. It imprints upon the public mind an anonymous and impersonal guaranty of satisfaction, creating a desire for further satisfaction. In other words, the mark actually sells the goods. The mark has become the "silent salesman," the conduit through which direct contact between the trademark owner and the consumer is assured. It has invaded popular culture in ways never anticipated; it has even become a more convincing selling point than the quality of the article to which it refers. In the last half century, the unparalleled growth of industry and the rapid development of communication technology have enabled trademarks, tradenames, and other distinctive signs of a

1. Republic Act No. 166, § 38(2) (repealed on Jan. 1, 1998).
2. On June 6, 1997, President Fidel V. Ramos signed into law Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines. This law took effect on Jan. 1, 1998, repealing among others, R.A.166.

product to penetrate regions where the owner does not actually manufacture or sell the product itself. Goodwill is no longer confined to the territory of actual market penetration; it extends to zones where the marked article has been fixed in the public mind through advertising. Whether in print, broadcast or electronic communications medium, particularly on the Internet, advertising has paved the way for growth and expansion of the product by creating and earning a reputation that crosses over borders, virtually turning the whole world into one vast marketplace.³

I. BRIEF HISTORY

In the beginning, symbols were used to identify ownership and origin of objects. As years passed, these symbols have evolved to become trademarks which not only defined ownership and origin, but also quality, goodwill, and business reputation.

Symbols have been used to identify the ownership or origin of articles for several centuries. As early as 5,000 B.C., markings on pottery have been found by archaeologists. Cave drawings in southwestern Europe show bison with symbols on their flanks. Archaeological discoveries of ancient Greek and Roman inscriptions on sculptural works, paintings, vases, precious stones, glassworks, bricks, etc. reveal features which are thought to be marks or symbols. These marks were affixed by the creator or maker of the article, or by public authorities as indicators for the payment of tax, for disclosing state monopoly, or devices for the settlement of accounts between an entrepreneur and his workmen.

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

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

3. *Mirpuri v. Court of Appeals*, 318 SCRA 516, 532-36 (1999).

from the use of his mark, or of a confusingly similar mark where confusion resulted in diversion of trade or financial injury. At the same time, the trademark served as a warning against the imitation or faking of products to prevent the imposition of fraud upon the public.⁴

A. *The Philippine Experience*

In the Philippines, trademark law has undergone four major stages. The earliest law that recognized trademark rights was that of Queen Ma. Cristina of Spain who promulgated on October 26, 1888 a trademark law for the Philippines. This first law was based on registration. Thus, trademark rights belong to the person who registered it first.⁵

Upon accession of the Philippines to the United States, the Philippine Commission passed on March 6, 1903 Act No. 666 or the Trademark and Trade Name Law of the Philippine Islands. Act 666 abandoned the registration system under the 1888 Trademark Law. Instead, Act 666 allowed actual use of the mark as the basis of acquiring ownership and exclusive rights to the mark. The Philippines, being a territory of the United States, incorporated into Act 666 principles upon which the U.S. trademark law was founded on. As a result of this adoption of American statutes on trademark law, Philippine courts relied heavily on U.S. jurisprudence which applied them.⁶

After the Philippines gained its independence in 1946, Republic Act 166 took effect, repealing Act 666. R.A. 166 retained the first-to-use system of trademark ownership. However, even with the Philippines developing its own peculiar course of jurisprudence, the Philippine courts continued, and will continue, to rely on U.S. jurisprudence.⁷

B. *International Treaties*

Meanwhile, on September 27, 1965, the Philippines adhered to the Lisbon Act of the Paris Convention for the Protection of Industrial Property (Paris Convention).⁸

The Paris Convention is a multilateral treaty that seeks to protect industrial property consisting, among others, of trademarks, service marks, trade names, and indications of source or appellations of origin, and at the same time repress unfair competition. The Convention is essentially a compact among various countries which, as Members of the Union, have pledged to accord citizens of the other Member Countries trademark and other rights comparable to those accorded their own citizens by their

4. *Id.* at 533-35.

5. IGNACIO S. SAPALO, BACKGROUND READING MATERIAL ON THE INTELLECTUAL PROPERTY SYSTEM OF THE PHILIPPINES 65 (WIPO 1994).

6. *Id.*

7. *Id.* at 66.

8. *Id.*

domestic laws for an effective protection against unfair competition. In short, foreign nationals are to be given the same treatment in each of the Member Countries as that country makes available to its own citizens. Nationals of each of the Member Countries are thus assured of a certain minimum of international protection of their industrial property.⁹

For example, the Paris Convention provides for the protection of internationally well-known marks. It also provides for applications claiming the priority date of an earlier-filed application in Member Countries.

In December 16, 1994, the Philippines ratified the Agreement Establishing the World Trade Organization (WTO), but it was only in January 1, 1995 that the WTO came into effect.¹⁰

The WTO is a common institutional framework for the conduct of trade relations among its members in matters related to the multilateral and plurilateral trade agreements annexed to the WTO Agreement. The WTO framework ensures a "single undertaking approach" to the administration and operation of all agreements and arrangements attached to the WTO Agreement. Among those annexed is the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Members to this Agreement "desire to reduce distortions and impediments to international trade, taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade." To fulfill these objectives, the Members have agreed to adhere to minimum standards of protection set by several conventions, . . . [including the Paris Convention, as revised in Stockholm on July 14, 1967.]

x x x

The TRIPS Agreement seeks to grant adequate protection of intellectual property rights by creating a favorable economic environment to encourage the inflow of foreign investments, and strengthening the multilateral trading system to bring about economic, cultural, and technological independence.¹¹

II. LEGISLATION: TRADEMARK LAW UNDER REPUBLIC ACT 8293

On January 1, 1998, Republic Act No. 8293, known as the Intellectual Property Code of the Philippines, took effect, repealing, among others, the old Trademark Law, R.A. 166. To comply with the minimum requirements of the WTO, the Intellectual Property Code adopted several provisions of the WTO TRIPS Agreement.

A. *System of Registration*

Under R.A. 166, ownership of a mark is acquired through actual use of the mark in commerce in the country. This is the "first-to-use" system of

9. *Mirpuri*, 318 SCRA at 540.

10. *See Tañada v. Angara*, 272 SCRA 18 (1997).

11. *Mirpuri*, 318 SCRA at 554-56.

trademark ownership similar to the system in the United States. Under R.A. 8293, the Intellectual Property Code abandoned the first-to-use system of trademark ownership and adopted the "first-to-file" system. The rights to a mark¹² are thus acquired by registration, priority being given to the first applicant for registration.¹³

B. Intent-to-Use Applications

The first-to-file system of ownership paved the way for the so-called "intent-to-use" applications adopted in all other jurisdictions.¹⁴ However, the applicants in intent-to-use applications are required to file a declaration of actual use¹⁵ of the mark in Philippine commerce within three (3) years from the filing of application.¹⁶ This requirement is meant to avoid protecting deadwood or paper registrations and to prevent the applicant from keeping the mark forever, depriving other legitimate businesses from the opportunity to use the mark.

C. The Register

The Intellectual Property Code provides for only one register.¹⁷ A second, or Supplemental Register, is no longer maintained unlike in R.A. 166. Previously, merely descriptive marks that were not registrable on the Principal Register were allowed registration on the Supplemental Register.¹⁸

D. What are Registrable Marks

As stated above, a mark is defined as "any visible sign capable of distinguishing the goods (trademark) or services (service mark) of an enterprise."¹⁹

There are various types of marks. These fall within four categories along a spectrum, from the most protectable to the unprotectable: (1) arbitrary or fanciful marks; (2) suggestive marks; (3) descriptive marks; and (4) generic marks.

12. The term "mark" includes trademarks (as applied to goods) and service marks (as applied to services).

13. Intellectual Property Code, Republic Act No. 8293, Part III, § 131.1 (1998).

14. While U.S. still follows the actual use system of ownership, the U.S. trademark law allows for intent-to-use applications.

15. The declaration must be supported with evidence of actual use, such as sales records, labels, etc.

16. R.A. 8293, Part III, § 124.2.

17. R.A. 8293, Part III, § 137.

18. Under R.A. 166, registration under the Supplemental Register does not confer any rights or privilege. However, this has brought a lot of confusion and misuse among businessmen. Thus, it was no longer maintained in the present law.

19. R.A. 8293, Part III, § 121.1.

Arbitrary marks consist of common words which, when applied to certain goods or services, neither suggest nor describe any characteristic of those goods or services. Good examples of arbitrary marks are APPLE for computers and CAMEL for cigarettes.

Fanciful marks are "coined" words invented solely for the purpose of functioning as a mark. Archaic or obsolete terms may also function as fanciful marks. Examples of fanciful marks include KODAK for photographic supplies, EXXON for petroleum products, and CLOROX for bleaching products.

Arbitrary and fanciful marks are considered "inherently distinctive" and are eligible for registration and protection. They are commonly considered "strong" marks.

Suggestive marks are those that suggest some quality of ingredient of the goods or services to which the marks are applied. Suggestive marks may best be described as "subtly descriptive" and are entitled to protection without proof of distinctiveness. Examples of suggestive marks are MR. CLEAN for laundry soap, CLOSE-UP for toothpaste, and GREYHOUND for bus lines.

Descriptive marks are marks that describe some characteristic or alleged merit of a product or service. Because descriptive terms may be truthfully applied to the goods and services, they are not entitled to protection unless they have acquired "secondary meaning" in the marketplace. A descriptive mark acquires secondary meaning when, in addition to its literal or dictionary meaning, it connotes to the public a product from a unique source. Examples of descriptive marks are MATIBAY for shoes, PURE for purified drinking water, and YELLOW PAGES for the classified telephone directory.

Generic marks tell what a product or service is, rather than indicating the source of a product; thus, they must remain in the public domain and can never function as a trademark. Examples of generic terms include ORANGE for oranges and APPLE for apples.

E. Abandonment of a Mark

Care must be taken to ensure that a distinctive mark capable of protection does not become the common name by which the whole product category is known and thereby fall into generic use. Sellers of new and unfamiliar products should keep a watchful eye on the public's usage to see that a given trademark is not used as the generic name of the new product itself. If the product is new, the seller should give the public a generic name to apply to the product so that the seller's mark will not be adopted as the generic name, e.g. FRISBEE for "flying dish" and XEROX²⁰ for photocopying machine.

20. The word is now found in the dictionary as a verb, meaning to photocopy. The trademark owner has been spending a lot on advertising to recover the mark.

Other ways to protect against generic use of a mark include: (1) registration coupled with use of the trademark notice symbol ®; (2) use of the word "brand" between the mark and the generic name (e.g. "Scotch brand tape"); (3) use of the mark only as an adjective, never as a verb or noun; and (4) positive education advertising. Valuable marks which have been lost through generic slippage include: "shredded wheat," "yo-yo" and "escalator."

F. Selection and Pre-Clearance of a Mark

I. Selection

Companies are encouraged to work with their trademark attorneys when selecting and developing a mark. Input by an attorney during the initial selection process can avoid potential problems and lead to the selection of the strongest possible mark consistent with the business considerations.

As discussed above, the strongest marks are those which are arbitrary or fanciful. However, businessmen frequently prefer marks which describe the particular business or product in question. This natural tension must be recognized and dealt with in the selection process.

Additionally, certain marks are not entitled to registration. These are:

- (a) ...immoral, deceptive or scandalous matter; matter which disparage or falsely suggest a connection with persons whether living or dead, institutions, beliefs or national symbols, or which bring them into contempt or disrepute;
- (b) ...flag or coat-of-arms or other insignia of the Philippines or any of its political subdivisions, or any foreign nation, or any simulation thereof;
- (c) ...name, portrait or signature of a particular living person except by his written consent, or name, signature or portrait of a deceased President, during the life of his widow, if any, except by written consent of widow;
- (d) [Marks] identical with a registered trademark belonging to a different proprietor or a mark with an earlier filing or priority date, in respect of:
 - (i) the same goods or services,
 - (ii) closely related goods or services, or
 - (iii) if it nearly resembles such a mark as to likely deceive or cause confusion;
- (e) identical with, or confusingly similar to, or constitutes a translation of a mark which is considered by 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, and used for identical or similar goods or services...;
- (f) identical with, or confusingly similar to, or constitutes a translation of a mark considered well-known ... which is registered in the Philippines with respect to goods or services which are not similar to those with respect to which registration is applied for: *Provided*, That use of the mark in relation to those goods or services would indicate a connection between those goods or services, and the owner of the

registered mark: *Provided further*, the interests of the owner of the registered mark are likely to be damaged by such use;

- (g) ... likely to mislead the public, particularly as to the nature, quality, characteristics or geographical origin of the goods or services; ...
- (i) [Marks] which consist exclusively of signs that are generic for the goods or services that they seek to identify.²¹

2. Pre-Clearance.

After selecting a potential mark, the company should ascertain whether the mark is available for adoption. The objective is to avoid the adoption and use of a mark that is confusingly similar to a prior registered, allowed, or applied-for mark or one that has been previously used but not registered with the Intellectual Property Office (IPO).²² Even if a company is already using a mark, a search may still be conducted in order to assess the rights and risks associated with its continued use.

To determine whether a mark is available, a search of the records of the IPO should be conducted at the earliest possible date. The search will take into account phonetically similar marks for similar goods and services. Usually, in addition to the IPO files, a formal search will include a review of general directories, trade directories, and other sources. For a highly visible, nationwide adoption of a mark, the pre-clearance may include telephone directory searches, private investigators, and other usually expensive techniques.

When a search yields potential problems, several courses of action are available. One may choose not to go forward with a proposed mark, to discontinue a mark presently in use, to obtain a third party's consent to the use of the mark or to purchase the rights to the mark. The counsel can conduct investigations, obtain catalogues, advertising and product samples, or contact the owners of problem marks to assist the client in selecting the best course of action.

G. Term of Registration and Maintenance of Marks

Trademark registration is valid for ten (10) years from the date of issue, provided, the registrant files with the IPO an affidavit of use/non-use within one year following the fifth anniversary of the effective date of the registration or renewal registration.²³ The registration is renewable at the end of each tenth

21. R.A. 8293, Part III, § 123.1.

22. Under the first-to-file rule, the person who filed the application first gets the registration. It is not clear, however, if the person who used the mark during the effectivity of R.A. 166 has a vested and better right over a registrant under R.A. 8293. Also, under Sec. 131.3 and 159.1 of R.A. 8293, the registrant has no power to sue, and the registered mark has no effect against any person who, in good faith, before the filing date, was using the mark.

23. R.A. 8293, Part III, § 145.

year so long as the mark is still in commercial use.²⁴ The registrant must also use the mark for an uninterrupted period of three years. Otherwise, the mark is presumed abandoned and the registration will be cancelled.²⁵

H. Domain Name or .com Trademarks

The Intellectual Property Office now accepts applications for the registration of domain names as service marks. In fact, domain name applications are accorded some degree of importance as "priority applications" so that the registration process can be expedited.²⁶ The same rules on registrability of marks apply in domain name applications considered as service marks.

III. JURISPRUDENCE

A. Confusing decisions on "Confusing Similarity"

The wholistic test and the dominancy test are used to determine if a mark infringes another. Under the wholistic²⁷ test, trademarks must be considered in their entirety as they appear in their respective labels. On the other hand, in the dominant feature test, courts compare the dominant features of the contending marks to find whether or not there is infringement.

In the case of *Del Monte Corporation v. Court of Appeals*,²⁸ the corporation questioned the dismissal of their case against Sunshine Manufacturing Industries for trademark infringement and unfair competition. The petitioner, Del Monte, was the registrant of the Del Monte bottle configuration in the supplemental register. It also had two registration certificates in the Principal Register for its trademark "DEL MONTE" and its logo. Sunshine used junkshop-bought Del Monte bottles for its catsup and used its own logo, which was also registered in the Supplemental Register. Sunshine's logo was alleged to be confusingly similar to the logo of Del Monte.

The Supreme Court found the Sunshine label to be a colorable imitation of the Del Monte label and thus an infringing mark. In ruling in favor of Del Monte, the Court declared that

a side-by-side comparison is not the final test of similarity. [It explained that] the question is not whether the two articles are distinguishable by their label when set side by side but whether the general confusion made by the article upon the eye of the casual purchaser who is unsuspecting and off his guard, is such as to likely result in

24. *Id.* § 146.1.

25. *Id.* § 151.1(c).

26. Intellectual Property Office Order Nos. 20 & 39 (2001).

27. Wholistic and holistic are legally interchangeable terms.

28. 181 SCRA 410 (1990).

his confounding it with the original.²⁹

Moreover, "marks [must be considered] as a whole, not dissected. If the buyer is deceived, it is attributable to the marks as a totality..."³⁰ Factors such as "age, training, and education of the usual purchaser, the nature and cost of the article, whether the article is bought for immediate consumption and also the conditions under which it is usually purchased"³¹ are also to be considered.

The *Del Monte* case must, however, be juxtaposed against the case of *Asia Brewery v. San Miguel Corporation*³² to arrive at a clearer perspective. In the latter case, San Miguel Corporation (SMC) filed a complaint against Asia Brewery Inc. (ABI) for trademark infringement and unfair competition for ABI's BEER PALE PILSEN or BEER NA BEER product, which was in competition with SMC's PALE PILSEN. The trial court dismissed the complaint. The Court of Appeals, however, finding that there was infringement of trademark and unfair competition, reversed the lower court's ruling.

The issue posed before the Supreme Court was whether ABI infringed SMC's trademark for San Miguel Pale Pilsen with Rectangular Hops and Malt Design and thereby guilty of unfair competition against the latter.

The Court ruled that infringement is determined by the "test of dominancy" rather than by differences or variations in the details of one trademark and of another. The Court elaborated:

It has been consistently held that the question of infringement of a trademark is determined by the test of dominancy. Similarity in size, form and color, while relevant is not conclusive. If the competing mark contains the main or essential feature or dominant features of another, and confusion and deception is likely to result, infringement takes place. Duplication or imitation is not necessary; nor is it necessary that the infringing label should suggest an effort to imitate. The question at issue in cases of infringement of trademark is whether the use of the marks involved would be likely to cause confusion or mistake in the mind of the public or deceive purchasers.³³

The Court found that there is hardly any dispute that the dominant feature of SMC's trademark is the name of the product:

SAN MIGUEL PALE PILSEN, written in white Gothic letters with elaborate serifs at the beginning and end of the letters "S" and "M" on an amber background across the upper portion of the rectangular design.

On the other hand, the dominant feature of ABI's trademark is the name: BEER PALE PILSEN, with the word "Beer" written in large letters, larger than any of the letters

29. *Id.* at 417.

30. *Id.* at 418.

31. *Id.* at 418-19.

32. 224 SCRA 437 (1993).

33. *Id.* at 446.

found in the SMC label.³⁴

The Supreme Court, in ruling for Asia Brewery, gave the following reasons:

(a) The word "beer" does not appear in SMC's mark nor does the word "San Miguel" appear in ABI's mark. Hence, there is absolutely no similarity in the dominant features of both trademarks — neither in sound, spelling or appearance can Beer Pale Pilsen be confused with San Miguel Pale Pilsen.

(b) There are also dissimilarities in the trade dress of the two products.

(c) There is a substantial price difference (PhP4.25 to PhP7.00).

(d) ABI's name appears on the beer bottle; thus, there is no intention to pass off as to amount to unfair competition.

(e) The use of the words "Pale Pilsen" is not an infringement because these words are generic.

(f) There is no unfair competition in the use of the *steinie* bottle since this is the standard type of bottle used for beers.

(g) Although the shape of the bottle and labels are similar, what is important is the name of the product written on the label of the bottle.³⁵

The Court also declared that their decision in this case did not diminish their stand in the case of *Del Monte* since catsup is a more common household item, and the rules are applied more strictly.³⁶

It should be noted that the Supreme Court, in the two aforesaid cases, applied different tests—the *Del Monte* case applied the holistic test approach, while the *San Miguel* case applied the dominancy test. The Court subsequently arrived at different conclusions. Thus, one is constrained to ask: does the application of these tests necessarily entail different results?

The ultimate issue in determining trademark infringement is whether, from his point of view, the relevant consumer would likely be confused by the similarity between the marks or labels under actual market conditions. This is the "likelihood of confusion" test that requires a balancing of factors along a spectrum. On one end of the spectrum, in the use of an identical sign for identical goods or services, a likelihood of confusion is presumed.³⁷ On the other end of the spectrum, the use of a slightly similar mark for unrelated goods or services should not result in finding likelihood of confusion. Along the spectrum, courts should balance other factors, such as:

the strength of his [the plaintiff's] mark, the degree of similarity between the two [contending] marks [as they are encountered in the market place], the proximity of

34. *Id.*

35. *Id.* at 446-48.

36. *Id.* at 455.

37. R.A. 8293, Part III, § 147.1.

the products or service, the likelihood that the prior owner [plaintiff] will bridge the gap, [evidence of] actual confusion, defendant's good faith in adopting the mark, the quality of defendant's products, the sophistication of buyers.³⁸

From another perspective, it may also be proper to distinguish between a case for opposition or cancellation filed with the Intellectual Property Office where only the registrability of a mark is at issue and therefore only the marks are to be considered, and a case pending before the trial court for trademark infringement where all circumstances surrounding the actual use of the marks should be considered. The distinction becomes important in cases of intent-to-use applications and the applicants have yet to start using the mark on its labels or goods. A further distinction may also be made between a trademark infringement case where only the use of the particular marks are at issue, and a case for unfair competition where the general appearance of the products are at issue.

There are other interesting cases which have formed part of case law in the sphere of trademark infringement where the courts have applied these two kinds of tests. In 1987, *Rubber Converse Corp. v. Universal Rubber Products Industries*³⁹ was decided by the Supreme Court. In this petition for *certiorari*, the Universal Rubber Products filed an application with the Bureau of Patents, Trademarks and Technology Transfer (BPTTT) for registration of the trademark "UNIVERSAL CONVERSE & DEVICE" for rubber shoes and rubber slippers. Converse Rubber opposed the application claiming that:

a. the trademark sought to be registered is confusingly similar to the word "CONVERSE" which is part of its corporate name as to likely deceive purchasers to the extent that the products may be mistaken by the unwary public to be manufactured by Converse Rubber; and

the registration of the trademark will cause great and irreparable injury to the reputation and goodwill of Converse Rubber in the Philippines.

[Petitioner's lone witness testified that] she had been selling "CONVERSE" rubber shoes in the local market since 1956 and sales in her stores averaged twelve to twenty pairs a month.⁴⁰

BPTTT denied the opposition of Converse.

The High Court ruled that it is evident that the word "CONVERSE" is the dominant word in the corporate name "CONVERSE RUBBER CORPORATION."⁴¹ "A foreign corporation has a right to maintain an action in the Philippines even if it is not licensed to do business and is not actually doing business on its own."⁴²

38. *Polaroid Corporation v. Polaroid Electronics Corporation*, 287 F.2d 492, 495 (2d Cir. 1961), *cert. denied*, 368 U.S. 820 (1961).

39. 147 SCRA 154 (1987).

40. *Id.* at 157.

41. *Id.* at 160.

42. *Id.* at 164.

This is in consonance with the Paris Convention.⁴³

Replying to the argument that Converse was not able to show that it was doing business, and thus, will not be prejudiced by the eventual approval of the application, the Court declared that "sales of twelve to twenty (12-20) pairs a month of rubber shoes cannot be considered insignificant, considering that they appear to be of expensive quality, which not too many basketball players can afford to buy. Any sale made by a legitimate trader in his store is a commercial act establishing trademark rights since such sales are made in due course of business to the general public and not limited [to a special class of customers] individuals."⁴⁴

Meanwhile, in the case of *Emerald Garment Manufacturing Corp. v. Court of Appeals*,⁴⁵ the petitioner, Emerald Garment, was seeking to reverse the decision of the Court of Appeals in which the court found that petitioner's trademark "STYLISTIC MR. LEE" to be confusingly similar to that of private respondent's, H.D. Lee. H.D. Lee's trademarks include "LEE," "LEE RIDERS," "LEESURES," and "LEE LEENS."

The Court, in this case, resolved the issue of whether the petitioner's trademark "STYLISTIC MR. LEE" is confusingly similar to private respondent's earlier registered trademarks "LEE," "LEE RIDERS," "LEESURES," and "LEE LEENS" such that the trademark "STYLISTIC MR. LEE" is an infringement of the earlier registered trademarks.

The Court ruled that infringement of a trademark occurs where the mark involved will likely confuse the public or deceive ordinary purchasers into thinking it is another mark. The Supreme Court found that petitioner's trademark is not similar to that of respondent's because of several factors, namely: (a) Since the product involved (jeans) are expensive, an average buyer will be more cautious in buying this product. (b) The average Filipino consumers buy their jeans by the brand name and are therefore more familiar with their preference. (c) An ordinary purchaser is one who is accustomed to buy and becomes more knowledgeable with the goods involved. (d) It is highly unlikely that the public would assume that "STYLISTIC MR. LEE" is a variation of "LEE RIDERS," "LEESURES," and "LEE LEENS" because of respondent's standard format of starting with "LEE." (e) The name "LEE" is allowed to be used by more than one person or company because it is a surname and therefore, respondent cannot acquire exclusive ownership over the term.

In this case, the Supreme Court correctly observed that "in the history of trademark cases in the Philippines, particularly in ascertaining whether one trademark is confusingly similar to or is a colorable imitation of another, no set

43. *Id.* at 165.

44. *Id.* at 162.

45. 251 SCRA 600 (1995).

rules can be deduced. Each case must be decided on its own merits."⁴⁶

The Supreme Court arrived at different, if not opposing, conclusions in the *Converse* and *Lee* cases. In the *Lee* case, it is clear that "LEE" is the dominant feature of the mark. But the Supreme Court, applying the holistic test, stated that petitioner's trademark was the whole "STYLISTIC MR. LEE," and so:

[a]lthough on its label the word "LEE" is prominent, the trademark should be considered as a whole and not piecemeal. The dissimilarities between the two marks become conspicuous, noticeable and substantial enough to matter especially in the light of the following variables that must be factored in.

First, the products involved in the case at bar are, in the main, various kinds of jeans. These are not your ordinary household items like catsup, soy sauce or soap which are of minimal cost. Maong pants or jeans are not inexpensive. Accordingly, the casual buyer is predisposed to be more cautious and discriminating in and would prefer to mull over his purchase. Confusion and deception, then, is less likely.⁴⁷

The same factors may very well be applied in the *Converse* case, yet the Court arrived at a different conclusion.

The *Lee* case originated from the Trademark Office on the issue of registrability of "STYLISTIC MR. LEE." Considering the cases cited, several questions come to fore. Are the factors relied upon by the Court relevant in a registrability issue under the first-to-file system of trademark ownership? Are beer (*SMC* case) and jeans (*Lee* case) on one hand and shoes (*Converse* case) and catsup (*Del Monte* case) on the other hand, really different such that the sophistication of the relevant buyers or consumers also vary?

Another interesting case, this time pending, is *McDonalds Corporation v. Big Mak Burger*.⁴⁸ The issue in the case is whether the service mark "BIG MAK" for fastfood restaurant offering food items, including burgers, confusingly similar to the trademark "BIG MAC" for burgers?

Branch 137 of the Regional Trial Court of Makati ruled in the affirmative. According to the trial court, a person who is hungry and wants to eat a hamburger sandwich may not be discriminating enough to look for a McDonalds restaurant and buy a "Big Mac hamburger." Once he sees a stall selling hamburger sandwich, in all likelihood, he will dip into his pocket and order a Big Mak hamburger sandwich.

On appeal, the decision was reversed. The Court of Appeals ruled that no colorable imitation exists, thus:

A careful comparison of the way the trademark BIG MAC is being used by plaintiffs-appellee and the corporate name L.C. Big Mak Burger, Inc. by defendant-appellants, would readily reveal that no confusion could take place, or that the ordinary

46. *Id.* at 613.

47. *Id.* at 616.

48. Court of Appeals, G.R. No. 53722 (1999).

purchasers would be misled by it. As pointed out by defendant-appellants, the plaintiffs-appellees' trademark is used to designate only one product, a double decker sandwich sold in a styrofoam box with the "McDonalds" logo. On the other hand, what the defendant-appellant corporation is using is not a trademark for its food product but a business or corporate name. They use the L.C. Big Mak Burger inc. in their restaurant business which serves diversified food items such as hotdog, ham, fish burger, and hamburger. Secondly, defendants-appellants' corporate name or business name appearing in the food packages and signages are written in silhouette red-orange letters with the "b" and "m" in upper case letters. Above the words "Big Mak" are the upper case letters "L.C." Below the words "Big Mak" are the words "Burger, Inc." spelled out in upper case letters. Furthermore, said corporate or business name appearing in such food packages and signages is always accompanied by the company mascot, a young chubby boy named Maky who wears a red T-shirt with the upper case "m" appearing therein and a blue garment. Finally, the defendants-appellants food packages are made of plastic material....

...In the case at bar, it is readily apparent to the naked eye that there appears a vast difference in the appearance of the product and the manner the tradename "Big Mak" is being used and presented to the public. As earlier noted, there are glaring dissimilarities between plaintiffs-appellees' trademark and defendants-appellants' corporate name. Plaintiffs-appellees' product carrying the trademark "BIG MAC" is a double-decker sandwich (depicted in the tray mat containing photographs of the various food products) sold in a styrofoam box with the "McDonalds" logo and trademark in red, black capital letters printed thereon, at a price which is more expensive than the defendants-appellants' comparable food products. In order to buy a "BIG MAC," a customer needs to visit an air-conditioned "McDonalds" restaurant usually located in a nearby commercial center, advertised and identified by its logo — the umbrella "M," and its mascot — "Ronald McDonald." A typical McDonalds restaurant boasts of a playground for kids, a second floor to accommodate additional customers, a drive-thru to allow customers with cars to make orders without alighting from their vehicles, the interiors of the buildings are well lighted, distinctly decorated and painted with pastel colors. In buying a "BIG MAC" it is necessary to specify its trademark. Thus, a customer needs to look for a "McDonalds" and enter it first before he can find a hamburger sandwich which carry the mark "Big Mac." On the other hand, defendants-appellants sell their goods through snack vans in strategic locations and caters to class "C & D" customers.⁴⁹

The case is now on appeal to the Supreme Court. It would be interesting to know how the Supreme Court will rule in the *McDonalds* case in view of the seeming inconsistencies in its rulings in the *Del Monte* and *San Miguel* cases and in the *Converse* and *Lee* cases. It is for the Supreme Court to decide if burgers are to be on a class of its own.

B. On Related Goods Doctrine

Jurisprudence has given us the case of *Faberge Incorporated v. IAC and Co Beng Kay*,⁵⁰ which applied the doctrine on related goods. In this case, the "Director of Patents [allowed] ... Co Beng Kay to register the trademark "BRUTE" for

briefs despite petitioner's opposition grounded on similarity of said trademark with petitioner's own symbol "BRUT" which it previously registered for after-shave lotion, shaving cream, deodorant, talcum powder, and toilet soap."⁵¹ Both marks are similar in appearance, sound, and style of presentation.

The crux of the matter was whether briefs are to be considered as a related good when compared with aftershave lotions, shaving creams, deodorants, talcum powder, and toilet soaps. The Court ruled that private respondent may be permitted to register the trademark "BRUTE" for briefs. The Court found that petitioner has not ventured into the production of briefs, an item not listed in its certificate of registration. Thus, it declared that "one who has adopted and used a trademark on his goods does not prevent the adoption and use of the same trademark by others for products which are of a different description."⁵²

It should be noted that as a result of this decision, Section 138 of R.A. 8293 now provides that a "certificate of registration of a mark shall be *prima facie* evidence of...the registrant's exclusive right to use the same in connection with the goods or service and those that are related thereto specified in the certificate." The phrase "and those that are related thereto" is a new inclusion not found in the old Trademark Law.

C. On Preliminary Injunction

In the case of *Developers Group of Companies, Inc. v. Court of Appeals*,⁵³ petitioner was the trademark registrant for "SHANGRI-LA" and "s" logo. It filed a case for infringement and damages. The marks were registered in the Principal Register on May 31, 1983. On the other hand, Shangri-La International Hotel and Management Ltd. claimed that it was the legal and beneficial owner of the mark and had first used it in 1962. It also alleged that before the complaint was filed, it had filed a cancellation action against Developers' trademark registrations. The lower court granted the injunction which was reversed by the Court of Appeals.

When raised to the Higher Court, the issue posed was whether petitioner was entitled to the writ of preliminary injunction issued by the trial court pending trial on the merits of the charge of infringement against private respondent.

The Supreme Court, in denying the petition, ruled that "the right claimed by the plaintiff as its basis for asking for injunctive relief [was] far from clear. The *prima facie* validity of its registration [had] been put in serious question by

51. *Id.* at 318.

52. *Id.* at 326.

53. 219 SCRA 715 (1993).

49. *Id.*

50. 215 SCRA 316 (1992).

the [cancellation] cases filed by Shangri-La with BPTTT, three years ahead of the complaint."⁵⁴ Furthermore, Developers did not "[adduce] any evidence of injury, either actual or imminent, resulting from the acts complained of against Shangri-La."⁵⁵

Hence, preliminary injunction was denied.

Like in the *Developers* case, other Philippine cases show that it is quite difficult to secure a writ of preliminary injunction in trademark cases. The showing of irreparable harm has always been a problem. In one case,⁵⁶ the Supreme Court refused to grant the writ of preliminary injunction because petitioners failed to prove actual use of the mark in the Philippines. According to the Court, petitioner's right or title cannot be made to rest solely on the certificate of trademark registration in the Philippines.

In the light of the shift from first-to-use system to first-to-file system of trademark ownership, it is necessary to review the applicability of these judgments. Furthermore, the recent pronouncement of Justice Panganiban in *Mirpuri v. Court of Appeals*⁵⁷ that new technology may affect the goodwill and market penetration of goods not available locally, has put into question the rigid requirement for actual use in a given market.

D. On Jurisdiction & Prejudicial Question

In applying the present law, the recent case of *Shangri-La International Hotel v. Court of Appeals*⁵⁸ discussed jurisdictional matters and the effects of a valid certificate of registration.

On June 21, 1988, *Shangri-La International Hotel, et al.* (Shangri-La Group), filed with BPTTT a petition praying for the cancellation of the registration of the "SHANGRI-LA" mark and "s" device/logo issued to the Developers Group of Companies, Inc. (Developers). The Shangri-La Group contended that Developers' logo was illegally and fraudulently obtained and appropriated for the latter's restaurant business. The Shangri-La Group alleged that it was the legal and beneficial owners of the subject mark and logo; that it had been using said mark and logo for its corporate affairs and business since

54. *Id.* at 721.

55. *Id.*

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

57. 318 SCRA at 535-36: The Court said that "Goodwill is no longer confined to the territory of actual market penetration; it extends to zones where the marked article has been fixed in the public mind through advertising. Whether in the print, broadcast or electronic communications medium, particularly on the Internet, advertising has paved the way for growth and expansion of the product by creating and earning a reputation that crosses over borders, virtually turning the whole world into one vast marketplace."

58. G.R. Nos. 111580 & 114802 (June 21, 2001).

March 1962; and that it had caused the same to be specially designed for their international hotels in 1975, much earlier than the alleged first use thereof by the Developers Group in 1982.

The Shangri-La Group, likewise, filed with the BPTTT its own application for registration of the subject mark and logo. The Developers Group filed an opposition to the application.

Almost three (3) years later, or on April 15, 1991, the Developers Group instituted in Branch 99 of the Quezon City Regional Trial Court, a complaint for infringement and damages with prayer for injunction against the Shangri-La Group.

On January 8, 1992, the Shangri-La Group moved for the suspension of the proceedings in the infringement case, on account of the pendency of the administrative proceedings before BPTTT. The trial court denied the motion to suspend. The Shangri-La Group then filed a petition for *certiorari* before the Court of Appeals. On February 15, 1993, the Court of Appeals rendered its decision dismissing the petition.

The core issue in this case is simply whether, despite the institution of an *inter partes* case for cancellation of a mark with the BPTTT (now the Bureau of Legal Affairs, Intellectual Property Office) by one party, the adverse party can file a subsequent action for infringement with the regular courts of justice in connection with the same registered mark.

The Court applied two provisions of the present Trademark Law. Section 151.2 of Republic Act No. 8293, otherwise known as the Intellectual Property Code, provides, as follows:

SECTION 151.2. Notwithstanding the foregoing provisions, the court or the administrative agency vested with jurisdiction to hear and adjudicate any action to enforce the rights to a registered mark shall likewise exercise jurisdiction to determine whether the registration of said mark may be cancelled in accordance with this Act. The filing of a suit to enforce the registered mark with the proper court or agency shall exclude any other court or agency from assuming jurisdiction over a subsequently filed petition to cancel the same mark. On the other hand, the earlier filing of petition to cancel the mark with the Bureau of Legal Affairs shall not constitute a prejudicial question that must be resolved before an action to enforce the rights to same registered mark may be decided.

Similarly, Rule 8, Section 7, of the Regulations on *Inter Partes* Proceedings provides:

SECTION 7. *Effect of filing of a suit before the Bureau or with the proper court.* — The filing of a suit to enforce the registered mark with the proper court or Bureau shall exclude any other court or agency from assuming jurisdiction over a subsequently filed petition to cancel the same mark. On the other hand, the earlier filing of petition to cancel the mark with the Bureau shall not constitute a prejudicial question that must be resolved before an action to enforce the rights to same registered mark may be decided.

The Court ruled that the earlier institution of an *inter partes* case by the Shangri-La Group for the cancellation of the "SHANGRI-LA" mark and "s" device/logo with BPTTT could not effectively bar the subsequent filing of an infringement case by registrant Developers Group. The law and the rules were explicit. The rationale was plain: Certificate of Registration No. 31904, upon which the infringement case is based, remains valid and subsisting for as long as it had not been cancelled by the Bureau or by an infringement court. As such, the Developers Group's Certificate of Registration in the Principal Register continues as "*prima facie* evidence of the validity of the registration, the registrant's ownership of the mark or trade-name, and of the registrant's exclusive right to use the same in connection with the goods, business or services specified in the certificate."⁵⁹ Since the certificate still subsisted, Developers Group could thus file a corresponding infringement suit and recover damages from any person who infringes upon the former's rights.

Moreover, according to the Court, the issue raised before BPTTT was quite different from that raised in the trial court. The issue before BPTTT was whether the mark registered by the Developers Group was subject to cancellation, as the Shangri-La Group claimed prior ownership of the disputed mark. On the other hand, the issue before the trial court was whether the Shangri-La Group infringed upon the rights of the Developers Group within the contemplation of Section 22 of Republic Act 166.

It is interesting to note that the petition for cancellation was filed three years ahead of the infringement suit. In the earlier *Shangri-La* case involving the same parties on the matter of injunction, the Supreme Court ruled, "[t]he *prima facie* validity of its registration has been put in serious question by the cancellation cases filed by Shangri-La with the BPTTT three years ahead of the complaint."⁶⁰ Then the Court apparently reversed itself, saying that the *prima facie* validity of the registration remains in effect "for as long as it has not been cancelled."⁶¹ Has the meaning of the term *prima facie* gotten lost somewhere?

The *Shangri-La* case appears to be a dangerous precedent. If the courts find Shangri-La guilty of trademark infringement, can the IPO still cancel the registration of the Developers Group on the basis of evidence presented before it? The Supreme Court was quick to avoid this situation by ordering the then Bureau of Patents to suspend, but not to stop, the cancellation proceedings.⁶²

What happened to the rule on primary jurisdiction and the rule on agency

59. *Id.*

60. *Id.*

61. *Id.*

62. The Court said: "to provide a judicious resolution of the issues at hand, we find it *apropos* to order the suspension of the proceedings before the Bureau pending final determination of the infringement case, where the issue of the validity of the registration of the subject trademark and logo in the name of Developers Group was passed upon."

expertise? This ruling appears to be inconsistent with the ruling in *Amigo Manufacturing v. Cluett Peabody*⁶³ where the Court said that administrative agencies' findings of fact in matters falling under their jurisdiction (IPO's in this case) are generally accorded great respect, if not finality. With these decisions, consistency and predictability are undermined, leaving future parties to a suit groping in the dark.

IV. THE INTERNET AND DOMAIN NAMES

A. The Internet

What is known as the Internet was set up in 1969 to connect computers for defense purposes. Later, it was expanded to include, under the supervision of the National Science Foundation (NSF), the research community. NSF was first authorized to permit commercial activities in 1992. Soon thereafter, the Internet became the world's largest computer network, containing millions of "host" computers. Some economic groups predict that business to business e-commerce (or B2B), which accounted for \$145 billion in 1999, will account for \$7.29 trillion worldwide by 2004. Traffic on the Internet doubles every 100 days, with 1 billion people expected to be connected to the Internet by 2005. The Internet is here to stay.⁶⁴

B. Domain Names⁶⁵

An alphanumeric addresses or domain name represents the address of a computer on the Internet, so that every computer connected to this "network of networks" can communicate with every other computer. Each computer connected to the Internet is assigned a unique numeric address or Internet Protocol ("IP") number consisting of a string of numbers, such as 189.45.231.67. Because these numeric addresses are difficult for people to remember, Internet engineers created an alphanumeric system called the

63. G.R. No. 139300 (Mar. 14, 2001). The Court in this trademark case held: By reason of the special knowledge and expertise of said administrative agencies over matters falling under their jurisdiction, they are in a better position to pass judgment thereon; thus, their findings of fact in that regard are generally accorded great respect, if not finality, by the courts. The findings of fact of an administrative agency must be respected as long as they are supported by substantial evidence, even if such evidence might not be overwhelming or even preponderant. It is not the task of an appellate court to weigh once more the evidence submitted before the administrative body and to substitute its own judgment for that of the administrative agency in respect of sufficiency of evidence.

64. Eugene R. Quinn, *The Evolution of Internet jurisdiction: What A Long Strange Trip It has Been*, SYR. L. & TECH. J., 1-2 Spring 2000, at http://www.law.syr.edu/studentlife/publications/lawandtechnology/spring_2000.html.

65. For sections B to D, the author reproduces the discussion in Susan Anthony, *Domain Names: The New Trademarks*, in TRADEMARK LAW AND THE INTERNET (1999).

Domain Name System, which relates these difficult-to-remember IP numbers to easy-to-remember domain names chosen by the registrant user. Thus, each domain name actually represents a unique Internet numeric address.

Domain names consist of at least two parts, which are called domain levels. Each domain level is separated by a period, called dot. Top-level domains (TLDs) are referenced by their Internet zone designation, such as *.com*, *.org*, *.net*; generic TLDs registered by Network Solutions, Inc. (NSI), or country code TLDs, such as *.ph* (Philippines), *.us* (United States), *.ca* (Canada), and so forth. Zone designations or TLDs are located immediately to the right of the dot. Second level domains (SLDs) are located to the immediate left of the dot. NSI only registers SLDs, although a domain name may consist of tertiary or additional levels. Domain names may be used as addresses for a variety of Internet communications, although e-mail and website operation are probably the most common commercial uses. An example of a domain name would be *bnlaw.com*, with *.com* as the TLD, and *bnlaw* as the SLD; a full e-mail address containing one or more preceding designations that identify the specific person, function or department within that organization, such as *antonbengzon@bnlaw.com*; and a website address or Uniform Resource Locator (URL), e.g., *http://www.bnlaw.com*.

C. Domain Name as a Trademark

Aside from its function of Internet addressing, the domain name has also acquired a second function with the emergence of electronic commerce in the mid-1990s. On occasion, it came to serve the same function in electronic commerce, as the trademark in more traditional modes of business. Consumers have come to depend on domain names, much as they depend on trademarks in the physical world, *i.e.*, as the means by which they can identify the desired source of a product or service in obtaining information and making purchasing decisions. "[A] domain name is more than a mere Internet address. It also identifies the Internet site to those who reach it much like... a company's name identifies a specific company."⁶⁶ In short, consumers frequently expect that a website or an e-mail address consisting of or encompassing a trademark used in the physical world is sponsored by or associated with the owner of that trademark.

However, there is a perceived tension between these functions. Some members of the Internet community believe that for many, perhaps all, purposes, the domain name continues to be "merely an address" which is to be accorded no trademark significance. Others recognize that a domain name can have trademark significance, in at least some, and perhaps, many instances, although some uses of a trademark in a domain name must be regarded as

protected free speech or descriptive fair use. Trademark owners fall into the latter camp, although many differ as to the extent to which free speech use can be accorded to use of their trademarks in domain names. But if a domain name is regarded as serving the same function as a trademark, a further tension must be recognized between the geographically-based trademark and the global Internet.

Notwithstanding the traditional territorial limitations of a trademark, consumers have imported their "real-world expectations" about trademarks and their function as source indicators into the Internet, where they use domain names as the same shorthand means of finding desired goods and services.

A website's domain name signifies its source of origin, and is therefore an important signal to Internet users who are seeking to locate web resources. Because of the importance of a domain name in identifying the source of a website, many U.S. courts have held that the use of a trademark within the domain name of a URL can constitute a trademark violation.⁶⁷

D. How Domain Names Are Obtained

Domain names are usually obtained by working through an Internet Service Provider (ISP) that submits the electronic application for a domain name to one or more of the approximately 240 registries worldwide. Upon obtaining the registration in any particular registry's database, subsequent registrations of the same name will be precluded, because each domain name represents a unique address on the Internet. Internet domain names cannot exceed twenty-six (26) characters, including the four characters (4) used to identify the TLD (including the "dot"). Thus, to restate, an SLD in a domain name cannot exceed twenty-two (22) characters consisting only of letters, numbers or hyphens. Domain names also cannot contain spaces.

Although not originally envisioned as a global TLD, *.com* has become the "domain of choice" for many companies, providing an alternative to the country code TLDs. As of March 9, 1999, NSI registered its four millionth domain name in the *.com*, *.net* and *.org* TLDs combined, with the *.com* TLD representing the overwhelming majority of names on the Internet. NSI, like most registries, assigns domain names on a "first-come, first-served" basis. The current availability of a domain name can be ascertained through NSI's WHOIS database.

Just as trademark owners register their trademarks worldwide, it is also possible to register domain names in over 240 national and quasi-national registries. In some of these, there are subdomains, e.g., *.com.ph* for a Philippine

66. *Cardservice Int'l, Inc. v. McGee*, 950 F. Supp. 737, 741 (D.C. Va.), *aff'd without op.*, 129 F.3d 1258 (4th Cir. 1997).

67. *Patmont Motor Works, Inc. v. Gateway Marine, Inc.*, No. C96-2703 TEH, 1997 U.S. Dist. LEXIS 20877, at *13 n.6 (N.D. Cal., Dec. 17, 1997).

commercial company, so there are over 400 distinct domain registration possibilities. There is substantial variation in the structure of country code TLDs. For example, in some country domains, the second levels are generic categories (such as .ac, .co, .go, and .re), while in others they are based on political geography, and in others still, organization names are listed directly under the country code.

The reasons for registering domains in foreign markets are similar to the reasons for registering trademarks abroad. First, domain names may be registered in conjunction with an actual or planned export to and/or promotional activity in the local market. In the absence of the foregoing, domain name registration may be sought in an attempt to stop third parties from registering the mark/domain. Numerous trademark owners utilize the local domains in their local marketing, with locally-oriented websites in the local language, ostensibly in an effort to give the impression that "We're local!" and, at the same time, to spare the local user several time-consuming mouse-clicks that would be necessary if the user clicked into the company's site through .com.

E. The Philippine [In]Experience

In the Philippines, local and foreign companies are not spared of legal and practical issues concerning domain name registration. Some well-known companies have experienced problems in their attempt to register their own name as domain name. For instance, Jollibee Corporation had problems registering *jollibee.com* and *jollibee.com.ph* because other parties were able to register these names ahead of Jollibee. The Bank of the Philippine Islands encountered similar problems with its domain name registration.

Currently, it is relatively easier to obtain domain name registration in the Philippines. The country-code top-level domain registry, DotPHone, Inc.,⁶⁸ has introduced changes to its domain name registration procedure and dispute resolution policy. Under the new registration policy, a domain name applicant is no longer required to have local presence or to have its name registered with the Securities and Exchange Commission or the Department of Trade and Industry in order that one may apply for the registration of a .ph domain. In addition, registration may be done on-line on a "first-come, first-served" basis.

As regards .ph domain name disputes, DotPHone's Uniform Domain Name Dispute Resolution Policy gives a detailed indication of the procedure to be followed in the resolution of such disputes. Under this policy,

68. There is currently a dispute in the administration of country code TLDs in the Philippines. A group called PhilDAC (Philippine Domain Administration Convenors) is contesting dotPH, Inc.'s right to administer the register, claiming that the latter mismanaged the register.

DotPHone will not decide domain name contests. Accordingly, a .ph domain will be cancelled, transferred or changed only under the following circumstances: (a) upon the registrant's instruction; (b) upon order of a court or arbitral tribunal of competent jurisdiction, requiring such action; and/or (c) upon a decision of a DotPHone-accredited administrative-dispute-resolution service provider in any administrative proceeding in which the affected domain name registrant is a party.

At present, the following are the administrative-dispute-resolution service providers approved by DotPHone: (a) CPR Institute for Dispute Resolution [CPR]; (b) Disputes.org/eResolution Consortium [DeC]; (c) The National Arbitration Forum [NAF]; and (d) World Intellectual Property Organisation Arbitration and Mediation Centre [WIPO]. Among these providers, it appears that WIPO is the most reliable and the most sought-after provider in most jurisdictions.

All these providers follow the Uniform Dispute Resolution Policy (UDRP) by the Internet Council for Assigned Names and Numbers (ICANN). Under the UDRP, the Complainant must establish each of the following to prevail: (1) the registrant's domain name is identical or confusingly similar, to a trademark or service mark of the Complainant; (2) the registrant has no rights or legitimate interest in the domain name; and (3) the domain name has been registered and used in bad faith.

1. *Philippine Long Distance Telephone Company v. Philippine League for Democratic Telecommunications, Inc.*⁶⁹

A trademark infringement and unfair competition case is presently pending before the Quezon City Intellectual Property Court filed by the Philippine Long Distance Telephone Company (PLDT) against the Philippine League for Democratic Telecommunications, Inc., the registrant of the domain name *pldt.com*. Among the reliefs sought by PLDT in its complaint is a preliminary injunction against the continued operation of the web site which, notably, is hosted by Network Solutions, Inc. (NSI), a service provider based in the United States. NSI was not impleaded in the action.

PLDT's causes of action include the protection of tradenames without need of registration, unfair competition under R.A. 8293, and violation of the provisions on fair dealings under Articles 19, 20, and 21 of the Civil Code. Notably, the name "PLDT" is not registered with IPO. However, PLDT's application for registration was filed on November 19, 1997 with IPO, whereas defendant's first registration with NSI was on February 16, 1996 and renewed on July 21, 1998. PLDT's domain registration for *pldt.com.ph* was made on 15 March 1996.

69. Civ. Case No. Q-99-38800 (2001).

Defendant basically argued that its use of the mark is not commercial or for profit. It claims that the website is dedicated to free speech in the form of personal commentary, parody and satire on current events, issues, free e-mail service, and an active public discussion board. Defendant also claims protection under the constitutional right to free expression.

The case is expected to be ultimately decided by the Supreme Court as it raises novel issues, including jurisdiction. Among the defenses raised against the grant of an injunction is the lack of jurisdiction over the web site host, which will ultimately be responsible for removing the site from the World Wide Web in case an injunction is issued.

2. Other trademark issues arising from the Internet⁷⁰

The legal questions raised by the use of the now common web applications of linking, framing, metatagging and cyberstuffing (also known as word stuffing) are testing the boundaries of traditional intellectual property law. Already, certain uses of these technologies have challenged and resulted in case law in several jurisdictions around the world.

3. Linking and Framing

Linking and framing, two applications which are supported by the World Wide Web, enhance the process of sharing information. Linking (also known as hotlinking or hyperlinking) is a basic tool universal to the Internet. Framing, a particular form of linking, is surging in popularity.

It is through linking that most websites are found by users. These links can come to the user's attention through the results of a search engine query, through a listing on an online directory, or from a reference within a particular website. For example, an intellectual property law firm's website may provide a direct link to the website of the Library of the Intellectual Property Office. The user can simply click on underlined or differently colored text—or specially designated artwork, including logos, photographs and animated clipart—in one website to switch to another designated site(s) of interest. Once a particular website is reached, that website, in turn, may provide additional links to other sites of related interest. This ability to use links to jump from one web page to another, with no more effort on the part of the user than the click of a mouse, has attracted the interests of both trademark owners and consumers.

There are two basic kinds of links:

(1) In Hypertext Reference (HREF) links, as described above, text is

70. For Sections 2-7, the author reproduces the discussion in Neal S. Greenfield & Lisa B. Cristal, *The Challenge to Trademark Rights by Web Technologies: Linking, Framing, Metatagging and Cyberstuffing*, in *TRADEMARK LAW & THE INTERNET* (1999).

distinguished onscreen from other text by a different color or underlining. The user clicks on the link and is transported to another location. The web browser software automatically retrieves the corresponding document and creates a copy which is then displayed on the user's screen. This link could be to another place on the same page, to a different place on that website, or to a totally different website. The code that makes up this type of link is composed of two elements: the text visible to the reader and the underlying code that contains the URL, or location information, which the browser needs to complete the link. This type of link allows the viewing of content from only one site at a time.

(2) Inline links are a second type of basic link. Inline images appear to the viewer as an integral graphic element within a given website. Yet these images may originate from another source anywhere on the Internet. That source may be totally unrelated to the owner of the website on which the inlined image appears. This feature is enabled by the ability to write a HyperText Markup Language (HTML) command in one document which instructs automatic retrieval of an image from the source document and incorporates this mined image into the host document.

Frames provide a way to do a "split-screen" on the Internet. The result is similar to a television picture with two views on separate or split screens (such as one screen showing a parade and a second screen, a close-up of someone in it). "Frames" allow a website owner to divide a web browser window into several independent parts or "frames" with different contents in each frame. This is somewhat similar to inlining. Framing occurs when one website retrieves content from another site and, in essence, incorporates this content onto the first website within an inset or "framed" page. The frame itself may consist of control bars, graphics, and text.

Most typically, a frame on the left side of the screen contains a table of contents or "map" of the site. A second frame on either the top or bottom may contain an ad. The principal and largest frame is generally in the middle and contains the content. The user has some control over the content, portion, but not the ad. The user essentially remains at the original website's URL (address) but is "looking through" to the contents of someone else's website.

Frequently, the viewer will see the logo and any third-party advertising displayed on the frame of the initiating site. The viewer may not, however, see any source indicators or advertising from the "retrieved" site. One result of both framing and inlining is the appearance that the "retrieved" content belongs to the framed or inlined site.

4. Why Linking is Important

Linking is considered by many to be vital to the seamless functioning of the web. The tool reduces the need to use complex addresses and provides nearly

instantaneous access to other sites of interest. From a user's perspective, links save time, offer assistance, and are fun to use. They are found on virtually every website, including search engines, where they permit the user to assemble and review a number of sites that relate to a particular topic. Links have been compared to other tools which direct users to additional sources of information, such as footnotes, bibliographies, phone books, and library catalogs. In short, links are what makes the worldwide web a "web."

One example of the utility of links is the development of metasites—sites that compile links and/or information related to specific categories of interest. These provide guidance to the unsophisticated web "surfer." Metasites can use traditional hyperlinks, inlining, or framing to accomplish their purpose. Compilation sites and search engines such as YAHOO! and EXCITE provide services to users by listing links to web pages organized by topic. Without metasites, Internet users would not have the opportunity to freely access the content provided by many thousands of useful websites, and those sites would not have an opportunity to make their presence known to millions of users throughout the world.

From the perspective of a commercial website owner, links can attractively increase traffic to a site. Traditionally, site owners have not sought permission to link to other sites. This is an outgrowth of the earlier net culture of sharing information and benefiting users. Unless pro-active measures are taken to limit or control access, materials published on the web are open to view and potential use by all users. Commercial sites have, until now, with few exceptions, appeared to endorse this view, with their justification being that increased exposure and "hits" may increase revenues—*i.e.*, the more visitors to a site, the greater the potential pay-off. Analogies compare links to business referrals or sending customers to someone's store.

But, as more commercial entities use the Internet to conduct electronic commerce, the role of branding is assuming ever more importance as a means of distinguishing sources. A business, after investing heavily in developing and maintaining a website, wants to ensure that consumers know who is providing the information and the services offered on that site. Certain commonly accepted practices involving sharing are coming under increased scrutiny.

5. Linking May Obscure the Origin of a Web Page

Problems that linking can cause for the user include losing track of exactly whose website the user is on, where the information is coming from, or how current it is. Linking from one location to another is a "transparent" process that is invisible to the user. All the average user realizes is having been taken from "somewhere" to "somewhere else," at times knowing or assuming knowledge of the origin of these "locations" and at other times not knowing or caring. The user may not know if he or she has been taken to another

party's website (an external link) or is still viewing pages from the same website (an internal link).⁷¹

6. Potential Difficulties Caused by Ease of Link Creation

It is remarkably easy to create links within websites. Until very recently, creating a website and the corresponding links required a knowledge of a computer code known as Hypertext Markup Language (HTML). This knowledge of HTML has limited creation of web pages. There are now a number of programs that allow the user to construct web pages by doing a little more than clicking a mouse on preferred graphics or websites to integrate links into a web page. No knowledge of any computer language is required. Many of these programs are free or inexpensive or offered by service providers who offer to "host" the website for a set monthly charge. As a result, thousands of new web pages are created every day, many of them containing links to any desired target page.

The loss of advertising revenue is one key reason website owners will continue to resist being "framed." The advertisements on the linked site, even if they are seen within the frame, may be distorted or not ideally positioned, thereby limiting their impact and value. Of even greater concern is when a company's web page becomes the framed site within the linking site since the company has no control over the advertising that is displayed by the linking site. It is quite possible that advertisements on the linking site could be for the linked site's advertiser's competitors or even ones promoting "adult entertainment."

Framing can also cause confusion over the ownership of a site. The framed site may appear to the user to be a part of the framing site or at least be associated with it in some way. The trademark owner who is being "framed" may find its content associated with a competitor's products or services or a variety of sources with which it does not wish to be associated, including social, political or explicitly sexual websites. Multiple links, frames and inlined images can be easily put together, combining trademark logos from one site, a picture of a product from another site, and a textual description from a third, all to the benefit of the site owner creating the multiple links and completely without the knowledge of the user. Thus, the technology of the Internet allows a third party to infringe trademarks very easily.

Under ordinary circumstances, the provision of a "plain" hypertext link to the website of another, particularly its "home page," may be considered a "fair use" under the provisions of the Intellectual Property Code, that is, a use "confined to the purposes of mere identification or information and cannot

71. In at least one occasion, the Philippine Daily Inquirer complained that its news articles are being linked to and/or framed in another website.

mislead the public as to the source of the goods or services."⁷² Fair use or not, it is professionally courteous to at least inform the site being linked to of the activity, and afford it an opportunity to object, in which case the link should probably be removed. If the linking is at all controversial, the owner of the linking site may also be well-advised to seek permission to provide a link from his/her website to the site being linked. However, at this time, there appears to be no legal requirement to do so if the link does not result in trademark infringement, misuse or unfair competition.

If the owner of a linking site wishes to do anything other than to provide a "plain" hypertext link to a home page of a website, it is advisable to seek permission of the linked site first and to ideally obtain the agreement in writing. This especially applies to the use of any logo, design, or other indicia normally used only by or with consent of the website or trademark owner. Should any web page or part thereof, especially from a commercial website, be enclosed in a frame located on the page of a linking site, it is advisable to obtain permission.

If one finds that his site has been linked or made the subject of someone else's frames, and he does not like it, he should notify the ones linking the site, both by e-mail and letter, if possible, letting them know of the objections and asking them to remove it. If they refuse, apart from any legal action, there are "technical" solutions. For example, it is possible to "frame-proof" web pages by encoding them to reject being loaded into the frame of any other web page.

7. Metatagging and Cyberstuffing

While search engines are valuable research tools, an Internet user will sometimes receive a "relevant" result to a search query that upon review, seems to make no sense at all. While this may be caused by a poorly constructed search query, and/or a lack of understanding of how particular search engines treat query terms, it may also be due to metatags and invisible words which have been placed on the web page.

A metatag is a software parameter of HTML, the code in which web pages are written. Through the use of metatags, a website creator can describe what is available at that particular site. This description is relied upon by search engines, such as YAHOO! or INFOSEEK, to match a website to a search query. Absent a metatag, coders for a particular search engine must manually enter and read website content (which is rarely done now), or use an automated (or robot) system to scan a certain amount of text (usually the first 200 characters). The site is then characterized by the words or phrases present in this scanned text. The information is then contained in the search engines and influences the order in which a particular website will appear in a search. Not all search engines take metatags into account equally and some, e.g., EXCITE, do not index them at all.

72. R.A. 8293, Part III, § 148.

A metatag is not necessary for normal operation of a website, but it is an accessory which more web page creators are including. Although it can be used to list the author or make a claim of copyright, it is most often used to specify "keywords" matched during the search. Descriptive metatags will appear in a search engine report, but keyword metatags will not.

"Cyberstuffing" or "word stuffing" refers to the practice of placing multiple entries of a keyword on the face of a web page. The wording is often invisible to the user (e.g. black lettering might be placed against a black background). The wording may, or may not, be relevant to the contents of the web page.

Internet advertising revenues are driven by the number of "hits" or times a certain website is accessed. Frequently visited sites can simply command higher advertising fees. Because a more frequently visited site is more likely often to appear on top of a search engine list, there exists a strong commercial incentive for a site to use metatags and develop extensive keyword lists. Moreover, there are no limits to the number of keywords a metatag or a website might contain. Theoretically, a site developer could list every word in the English language, and thereby increase the site's hit rate.

Not surprisingly, there are those who have used metatags to compete unfairly. Metatags have been improperly used to list the names of well-known businesses, including direct competitors of those actually offering the sites, to increase the chances of a site's being viewed. Searchers can be directed to a site which is unrelated to the intended target of the search. The unscrupulous site operator capitalizes on the opportunity by offering the visitor competing goods or services. For instance, a search under the terms "Disney" or "Mickey Mouse" might turn up travel agencies offering package deals to the Disney resorts. While Disney has apparently not yet mounted a legal challenge, some other "wronged" businesses have been more aggressive.

From a trademark perspective, metatagging becomes a problem when a website contains third-party marks in metatags. The purpose of such practice is ostensibly to lure persons searching the third-party trademark to the unrelated website. This is generally done to attract persons interested in the competitor's goods/services, but also may be done for other purposes, such as increasing traffic to the website. For example, if Avis planted a significant number of "Hertz" metatags in its website, whenever a person searched for Hertz, Avis may first appear. Arguably, a company using third-parties' marks in its metatags is obtaining a free ride off the coattails of its competition, which is the essence of trademark infringement and unfair competition.

Trademark abuse is not confined to the clandestine embedding of trademarks in metatags or cyberstuffing described above. While clandestinely embedded marks are concealed to the naked eye, the purpose is to make the marks readable by search engines. The same effect can be accomplished with

obvious, or patent, embedding of trademarks. Search engines will pick up on repeated use of disclaimers, for example. Thus, textual disclaimers to the effect that: "This site is in no way associated with BRAND X, BRAND X is the registered trademark of X Corporation," or "This site is not associated with the BRAND X website, which is at www.brand_x.com" will help ensure that the site will be on the "results" list of a search for BRAND X.

Not every use of a third party's mark in metatags is necessarily a trademark infringement. It is important to look at the manner of use of the mark within a metatag.

CONCLUSION

The Philippines is years behind in terms of technology, even as it has acceded to the WTO Agreement. This Agreement has revolutionized international business and economic relations among states and has propelled the world towards trade liberalization and economic globalization. Protectionism and isolationism belong in the past. Trade is no longer confined to a bilateral system. There is now "a new era of global economic cooperation, reflecting the widespread desire to operate in a fairer and more open multilateral trading system."⁷³ Conformably, the State must reaffirm its commitment to the global community and take part in evolving a new international economic order at the dawn of the new millennium. It is time for our courts to be more consistent and predictable in their decisions. Justices and judges have to keep themselves informed of the latest technology. As Justice Ozaeta said sixty years ago:

Our Trademark Law, enacted nearly forty years ago, has grown in its implications and practical application, like a constitution, in virtue of the life continually breathed into it. It is not merely of local application; it has its counterpart in other jurisdictions of the civilized world from whose jurisprudence it has also received vitalizing nourishment. We have to apply the law as it has grown and not as it was born.⁷⁴

This is a timeless piece of advice. Business people will appreciate the help.

73. *Mirpuri*, 318 SCRA at 557.

74. *Ang v. Teodoro*, 74 Phil. 50, 54 (1942).