

penal law; by the move towards the abolition of analogy; by the promotion of the sentiment of special prevention; and by the reinforcement of juridico-penal guarantees. All of these are manifested particularly in the penal norms of some post-War political Constitutions.

Finally, with criminality assuming a global scale, particularly through the increasing reach of the media of communication and the rapidity of means of transportation, a new international legal order, seeking more effective international administration of penal justice, is emerging through international conferences on penal law, efforts toward the unification of penal codes, and the diffusion of treaties of extradition and declarations of reciprocity.

## ADJUDICATION AND ENFORCEMENT OF TRADEMARKS IN THE PHILIPPINES\*

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### INTRODUCTION

#### A. Themes Underlying Philippine Trademark Law

Two general themes underlie Philippine trademark law. The first is that trademarks are property. Thus, Section 2-A of Republic Act No. 166, as amended, recognizes and protects the *ownership* and *possession* of trademarks, and provides that:

Anyone who lawfully produces or deals in merchandise of any kind or who engages in any lawful business, or who renders any lawful service in commerce, by actual use thereof in manufacture or trade, in business, and in the service rendered, may appropriate to his exclusive use a trademark, a trade-name, or a service-mark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or service of others. The ownership or possession of a trademark, trade-name, service-mark, heretofore and 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.

The proprietary character of trademarks may also be inferred from the fact that trademarks are considered products of intellectual creation, which, in turn, the law treats as a mode of acquiring ownership.

The second theme pervading Philippine trademark law is that of fair competition. The Civil Code establishes as a principle of human relations that:

\* This paper is based on a lecture delivered by the author during a seminar for judges on "Adjudication and Enforcement of Trademarks" sponsored by the Institute of Judicial Administration and the Bureau of Patents, Trademarks and Technology Transfer held on 24 October 1994 at the Hyatt Regency, Manila.

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Unfair competition in agricultural, commercial or industrial enterprises or in labor through the use of force, intimidation, deceit, machination or any other unjust, oppressive or highhanded action shall give rise to a right of action by the person who thereby suffers damage.<sup>1</sup>

### B. The Applicable Law

Republic Act No. 166, as amended, creates two registers designed to protect the right of ownership over trademarks, trade-names and service-marks — namely, the Principal Register and the Supplemental Register.<sup>2</sup>

Registration in the Principal Register is *prima facie* evidence of the validity of the registration, the registrant's ownership of the mark, and the registrant's exclusive right to use the mark.<sup>3</sup>

The Supplemental Register is available to those claiming rights over a trade-mark, service-mark or trade-name which, due to some defects, is not registrable in the Principal Register. Although it does not offer the same benefits enumerated above, registration of a mark in the Supplemental Register is not without advantage, as it serves notice that the registrant is using or has appropriated the mark.<sup>4</sup>

Republic Act No. 166 also grants some rights to foreign nationals. Aliens may register their trademarks in the Philippines on the basis of either Section 37 or Section 2 of the law. Under Section 37, the foreign national seeking to register his mark must be a national of, domiciled in, or possesses a *bona fide* or effective business or commercial establishment in any foreign country which is a party to an international convention or treaty relating to trademarks or trade-names or to the repression of unfair competition, and to which the Philippines is also a party. While the actual use of such mark in the Philippines is not a prerequisite for its registration, such actual use within five years following its registration is required to maintain the same.

Under Section 2, registration of a mark may be granted if the country which the applicant for registration is a citizen of grants, by law, substantially similar privileges to Philippine citizens. As an additional require-

ment, the mark should have been actually used in the Philippines for a period of at least two months prior to the application for registration.

Republic Act No. 166, as amended, also provides for remedies against infringement of trademarks and unfair competition. These remedies will be discussed later.

## I. ADMINISTRATIVE ENFORCEMENT

The administrative machinery currently in place for the enforcement of trademark law is far from satisfactory. Only three administrative agencies deal with trademarks. These are: the Bureau of Patents, Trademarks and Technology Transfer, the Bureau of Customs, and the Department of Trade and Industry.

### A. The Bureau of Patents, Trademarks and Technology Transfer

The Bureau of Patents, Trademarks and Technology Transfer (BPTTT) enforces the law insofar as registration of trademarks is concerned, and exercises quasi-judicial powers in the course of such execution. It examines applications for registration; determines the respective registrability of the trademarks concerned; hears and determines oppositions to the applications for registration or petitions for cancellation of registration; renews certificates of registration; and cancels certificates of registration on grounds provided by law, all after due notice and hearing.<sup>5</sup> Decisions of the Director of the Bureau are appealable to the Court of Appeals.<sup>6</sup>

Outside of such matters, however, the Bureau plays little or no active role. It cannot, for example, initiate actions for infringement of trademarks or for unfair competition.

### B. The Bureau of Customs

The Bureau of Customs is tasked with preventing the entry into the Philippines of imported merchandise which copy or simulate the name of any domestic product, manufacturer, or dealer, or of any manufacturer or

<sup>1</sup> Civil Code of the Philippines, Republic Act No. 386, art. 48 (1950).

<sup>2</sup> See Republic Act No. 166, secs. 4 and 19-A.

<sup>3</sup> *Id.*, sec. 20.

<sup>4</sup> *Id.*, sec. 19-A.

<sup>5</sup> *Id.*, secs. 7-19.

<sup>6</sup> See Batas Pambansa Bldg. 129 (1980), as amended by Republic Act No. 7902 (1995); and Revised Administrative Circular 1-95, 16 May 1995.

dealer located in a foreign country which, by treaty, convention, or law affords similar privileges to Philippine citizens.

This function, however, is generally considered a minor task of the Bureau of Customs. As a result, there is of yet no known instance wherein the Bureau enforced Section 37 without the initiative of private parties.

### C. *The Department of Trade and Industry*

An administrative complaint for unfair trade practice or trademark infringement may be filed against the offending party in the Department of Trade and Industry.<sup>7</sup> Similarly, the Secretary of Trade and Industry may *motu proprio* charge the violator if the former manages to verify that a violation of trade and industry laws has been committed. After the alleged violator has been charged, a formal investigation of the matter may proceed independent of any corresponding criminal or civil action for such violation. The Secretary may impose administrative penalties upon the violator, such as cease and desist orders, fines, forfeitures, condemnation, cancellation of registration, and assessment of damages.

It can thus be seen that the Department of Trade and Industry, unlike the BPTTT, may take an active role in the enforcement of trademark laws. Its efforts along this direction should be supported.

## II. ADJUDICATIVE MACHINERY

### A. *Civil Actions*

Republic Act No. 166, as amended, provides several ways through which the offended party may seek redress. These are the civil actions for infringement, false or fraudulent declaration, and unfair competition.

#### 1. CIVIL ACTION FOR INFRINGEMENT

Under Section 23 of R.A. No. 166, any person entitled to the exclusive use of a registered mark or trade-name may recover damages in a civil action from any person who infringes his rights. Aside from awarding damages, the court may also order the destruction of infringing materials,

determine a party's right to registration, order the cancellation of registration in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registration of any party to the action.

Upon proper showing, the complainant or offended party may also obtain a writ of preliminary injunction in his favor. Such injunction is of prime importance since it puts an immediate stop to an act of infringement. A writ of preliminary injunction, however, may only be issued when it is established:

- (a) That the plaintiff is entitled to the relief demanded and the whole or part of such relief consists in restraining the commission or continuance of the acts complained of, or in the performance of an act or acts either for a limited period or perpetually;
- (b) That the commission or continuance of some act complained of during the litigation or the non-performance thereof would probably work injustice on the plaintiff; or
- (c) That the defendant is doing, threatens, or is about to do or is procuring or suffering to be done, some act probably in violation of the plaintiff's rights respecting the subject of the action, and tending to render the judgment ineffectual.<sup>8</sup>

#### 2. CIVIL ACTION FOR FALSE OR FRAUDULENT DECLARATION

Section 26 of R.A. 166, on the other hand, provides that: "[a]ny person who shall procure registration of a mark or trade-name in the patent office by a false or fraudulent representation, or by any false means, shall be liable in a civil action brought by any person injured thereby for any damages sustained as a consequence thereof."

#### 3. CIVIL ACTION FOR UNFAIR COMPETITION

Finally, Section 29 of the same law provides that: "[a]ny person who shall employ deception or any other means contrary to good faith by which he shall pass off the goods manufactured by him or in which he deals, or his business, or services for those of the one having established such goodwill, shall be guilty of unfair competition, and shall be subject to an action therefor."

<sup>7</sup> See Ministry Order No. 69, 25 November 1983, issued pursuant to Executive Order No. 913 (1983).

<sup>8</sup> Rules of Court, Rule 58, sec. 3 (1964).

Occasionally, however, questions as to the distinction between trademark infringement and unfair competition have arisen. In *Del Monte v. CA*,<sup>9</sup> the Supreme Court distinguished between the two, thus:

- (1) Infringement of a trademark is the unauthorized use of a trademark, whereas unfair competition is the passing off of one's goods as those of another.
- (2) In infringement of trademark, fraudulent intent is unnecessary, whereas in unfair competition, fraudulent intent is essential.
- (3) In infringement of trademark, the prior registration of the trademark is a prerequisite to the action, whereas in unfair competition, registration is not necessary.<sup>10</sup>

In the last analysis, however, the distinction between infringement and unfair competition is of little use, for the plaintiffs in both actions are entitled to the same remedies.

### B. Criminal Actions

#### 1. CRIMINAL ACTION FOR SUBSTITUTING AND ALTERING TRADEMARKS, TRADE-NAMES, OR SERVICE MARKS

Article 188 of the Revised Penal Code penalizes any person who shall: (1) substitute the tradename or trademark of some manufacturer or dealer, or a colorable imitation thereof, for the tradename or trademark of the real manufacturer or dealer upon any article of commerce, and sell the same; (2) sell or offer for sale such articles of commerce, knowing that the tradename or trademark has been fraudulently used; (3) use or substitute the service mark of some other person, or a colorable imitation thereof, in the sale or advertising of one's own service; and (4) print, lithograph, or reproduce a tradename, trademark, or service mark of one person or a colorable imitation thereof, for another person to enable that other person to fraudulently use the same, while knowing the fraudulent purpose for which such mark or tradename is to be used.

A person convicted of committing any of the above acts shall be punished with *prision correccional* in its minimum period (six months and one

<sup>9</sup> 181 SCRA 410 (1990).

<sup>10</sup> *Id.* at 415, citing Jose C. Vitug, *PANDECT OF COMMERCIAL LAW & JURISPRUDENCE* 291.

day to two years and four months) or a fine ranging from P500 to P2,000, or both, in the discretion of the court.

#### 2. CRIMINAL ACTION FOR UNFAIR COMPETITION

Article 189 of the Revised Penal Code penalizes any person who shall: (1) in unfair competition and for the purpose of defrauding another, sell his goods giving them the general appearance of the goods of another manufacturer or dealer; (2) affix, apply, annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, and sell such goods or services; and (3) procure from the patent office or from any other office, through false or fraudulent representations, the registration of a trademark, tradename, or service mark. Like the substitution and alteration of trademarks, the commission of the above acts is punishable by *prision correccional* in its minimum period or a fine ranging from P500 to P2,000, or both.

In any criminal action commenced by reason of the above acts, search warrants may be issued for the discovery and seizure of any offending products or materials.

### III. SOME PROBLEMS IN ADJUDICATION

As in any specialized area of law, Philippine trademark law has its share of problems. Fortunately, the Supreme Court has provided clear guidelines for most of them.

One such problem has been the right of foreign corporations to sue for infringement of trademarks or unfair competition in the Philippines. In resolution thereof, the Court has held in several cases that a foreign corporation not doing business in the Philippines needs no license to bring suit before Philippine courts for infringement of trademark and unfair competition.<sup>11</sup>

Closely connected to this is the problem of whether or not a foreign trademark subject of controversy is in use in the Philippines. A widely

<sup>11</sup> *Western Equipment and Supply Co. v. Reyes*, 51 Phil. 115 (1927); *La Chemise Lacoste, S.A. v. Fernandez*, 129 SCRA 272 (1984); *Converse Rubber Corp. v. Universal Rubber Products, Inc.*, 147 SCRA 154 (1987); *Puma Sportshulifabriken Rudolf Dassler, K.G. v. IAC*, 158 SCRA 233 (1988).

accepted and firmly entrenched rule is that actual use in commerce or business in the Philippines is a prerequisite to the acquisition of the right of ownership over a trademark, and that mere adoption is not use.<sup>12</sup> But in *Converse Rubber Corp. v. Jacinto Rubber and Plastics Co., Inc.*,<sup>13</sup> the Supreme Court took notice of the modern tendency to mold and even expand legal remedies in this field to conform to ethical practices, and to give emphasis to the unfairness of the acts and by classifying and treating the issue as fraud.

The most common problem is, of course, the determination of whether competing marks are similar or dissimilar, upon which hinges the more important issue of the presence or absence of infringement or unfair competition. In response, the Court has resorted to a uniform application of the so-called "dominancy test."<sup>14</sup>

Another problem arises when the same trademark is used by unrelated goods. In *Faberge, Inc. v. IAC*,<sup>15</sup> the Court held that "the certificate of registration issued by the Director of Patents can confer upon the petitioner the exclusive right to use its own symbol only to those goods specified in the certificate," and 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." In *Philippine Refining Co. v. Ng Sam*,<sup>16</sup> the Court even held that:

While ham and some of the products of the petitioner are classified under Class 47 (Foods and Ingredients of Food), this alone cannot serve as the decisive factor in the resolution of whether or not they are related goods. Emphasis should be on the similarity of the products involved and not on the arbitrary classification or general description of their properties and characteristics.<sup>17</sup>

<sup>12</sup> *Sterling Products International, Inc. v. Fabensfabriken Bayer Aktiengesellschaft*, 27 SCRA 1214 (1969).

<sup>13</sup> 97 SCRA 158 (1980).

<sup>14</sup> "If the competing trademark contains the main or essential or dominant features of another, and confusion and deception is likely to result, infringement takes place. Duplication or imitation is not necessary; nor is it necessary that the infringing label should suggest an effort to imitate." See *Asia Brewery v. Court of Appeals*, 224 SCRA 437, at 445 (1993), citing *Co Tiong Sa v. Director of Patents*, 95 Phil. 1, at 4 (1954) and *Lim Hoa v. Director of Patents*, 100 Phil. 214, at 216-217 (1956).

<sup>15</sup> 215 SCRA 316 (1992).

<sup>16</sup> 115 SCRA 472 (1982).

<sup>17</sup> *Id.* at 478.

Problems of a more immediate import are those regarding the issuance of preliminary injunctions and search warrants. To the person claiming infringement or unfair competition, the speedy issuance of these processes is often of prime importance. Obviously, however, the rights of the defendant also have to be safeguarded. Where then lies the balance?

As a general rule, a writ of injunction cannot be issued without notice to the defendant unless it appears from the factual allegations in the affidavits or verified complaint that great or irreparable injury would be inflicted upon the applicant before the matter could be heard.<sup>18</sup> The requirements for the issuance of a search warrant are even more stringent.<sup>19</sup>

Moreover, the service and enforcement of these writs require the cooperation of law enforcement agents, such as sheriffs and policemen, whose methods of enforcement may, at times, pollute the warrant. It is important that they observe the proper procedure.

Finally, there is the problem of determining the amount of damages that should be awarded. Section 23 of R.A. 166 provides that the measure of such damages shall be "either the reasonable profit which the complaining party would have made, had the defendant not infringed his rights, or the profit which the defendant actually made out of the infringement, or in the event that such measure of damages cannot be readily ascertained with reasonable certainty, then the court may award as damages a reasonable percentage based upon the amount of gross sales of the defendant or the value of the services in connection with which the mark or trade-name was used." These are matters of proof the resolution of which are often attended with uncertainty.

#### IV. THE ROLE OF THE JUDICIARY

Courts exist for the adjudication of controversies. They cannot, in any proper sense, function as law-enforcement agencies. They cannot act *motu proprio*. The courts can do nothing but wait for a controversy to be brought before them; it is only then that they can act in the discharge of their functions.

<sup>18</sup> Rules of Court, Rule 58, sec. 5 (1964).

<sup>19</sup> *Id.*, Rule 126, sec. 3.

The courts, however, can cooperate in the enforcement of trademark laws by seeing to it that speedy justice is rendered. Time is often of the essence in commercial concerns. Thus, courts should keep themselves abreast of current developments in trademark law as well as emerging trends in commercial practice. In so doing, however, courts should not lose sight of the two themes earlier adverted to — the proprietary character of trademarks, tradenames, and service marks, and the prohibition of unfair competition.

## CONTRACT FORMATION UNDER THE VIENNA SALES CONVENTION: REFLECTIONS FOR THE PHILIPPINES

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*In international trade relations, divergent national laws governing sales transactions hamper the fluidity of trade between countries. In view of the fast paced trade environment, significant economy and convenience for contracting parties can result from having clear-cut rules and legal certainty.*

*As early as the 1930's, efforts to advance uniform laws to govern the international sale of goods had been initiated in order to stimulate trade between countries. More recently, in 1980, the United Nations sponsored a conference in Vienna on the International Sale of Goods. Needless to say, the success of its brainchild, the Uniform Law for International Sales, will depend on the extent of cooperation and participation that it will engender.*

*The Philippines is currently not a signatory to the said Uniform Law. However, it can decide to submit an instrument of adherence to the UN Secretary-General indicating an intent to participate, and the extent of such participation. From this standpoint, the significance of this legal article becomes apparent.*

*By a detailed presentation of the formation of the contract of sale proposed by the convention and its comparison with the prevailing Philippine law on sales, this article will examine what modifications would be entailed by a subscription to the Uniform Law for International Sales.*

### I. HISTORICAL BACKGROUND OF THE CONVENTION

In the 1930's, the International Institute for the Unification of Private Law (UNIDROIT) requested a distinguished group of European scholars to prepare a draft of a uniform law for the international sale of goods.<sup>1</sup>

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<sup>1</sup> JOHN HONNOLD, UNIFORM LAW FOR INTERNATIONAL SALES UNDER THE 1980 UNITED NATIONS CONVENTION 5 (2nd Ed., 1991).