

realities of the apprehension of fugitives from justice."¹¹⁵ In the words of the Philippine Supreme Court, "it is necessary to adopt a realistic appreciation of the physical and tactical problems of the latter, instead of critically viewing them from the placid and clinical environment of judicial chambers."¹¹⁶

On the other hand, the courts should never lose sight of the fact that the right against unreasonable searches and seizures is one of the most treasured rights of a free citizen. Article III, section 2 of the 1987 Constitution stands guard at the threshold of homes and prohibits the State's agents from knocking on doors with the butt of their assault rifles, disturbing the public in their quiet slumber, and forcibly hauling them away in the dead of night.

The balance between the competing interests of the individual and the law enforcer is not an even one, nor should it be. Between the individual and the State, the scales of justice should tilt in favor of the former. The Constitution prohibits unreasonable searches and seizures not because it wishes to take the side of the criminal as against the law enforcer. It is because it has chosen to take the side of the citizen as against the State.

As can be seen from the review of relevant Philippine jurisprudence, the individual can continue to sleep easy within the four walls of his home, secure in the knowledge that the Supreme Court has, except for the occasional wayward ruling, generally upheld the right of the citizen against unreasonable intrusions by the State.

Intellectual Property Rights Enforcement Issues for the Judiciary

Judge Reynaldo B. Daway*

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115. *Steagald v. United States*, 451 U.S. 204, 226 (1981).

116. *People v. Montilla*, 285 SCRA 703, 719 (1998).

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I. INTRODUCTION

Intellectual property (IP) rights have gained much importance in recent years. However, notwithstanding the recognition, many questions as to enforcement remain unaddressed. Such drawback may only serve to negate the legal advancement in this field because without proper enforcement, the IP rights vested by law are rendered meaningless.

This article deals with six issues on intellectual property rights (IPR) enforcement for judges and public prosecutors under the following topics: 1) The Need for Specialized Courts; 2) Collection Societies, Copyright Licensing, and Royalty Disputes; 3) Search and Seizure Motions and Orders; 4) Deterrence: A Judicial Perspective on Appropriate Criminal Sentencing; 5) Case Studies and Discussions on Handling IP Cases; and 6) Survey of Recent Significant Decisions on IP-Related Issues.

The principal focus of this article is on the criminal aspect of IPR enforcement, including the civil aspect thereof, whenever necessary, from the point of view of a judge. It will deal in particular with trademark counterfeiting and copyright piracy since many jurisdictions do not have criminal statutes on patents.¹

A brief definition of basic terms is warranted to facilitate an understanding of the issues.

1. Office of Overseas Prosecutorial Development, Assistance and Training, U.S. Department of Justice, Intellectual Property Crimes Seminar (Apr. 25-27, 2001). The Seminar was held in Manila. In the Philippines, there is no criminal action for infringement of patents, but there is a criminal action for repetition of infringement of a patent punishable under section 84 of the Intellectual Property Code. See, An Act Prescribing the Intellectual Property Code and Establishing the Intellectual Property Office, Providing for its Powers and Functions, and for Other Purposes [IP CODE], Republic Act No. 8293, § 84 (1998).

The term "intellectual property" refers to "products and information that derive most of their value from the creative and intellectual ideas that led to their creation."² Although often intangible in nature, they are usually contained in a tangible and fixed medium, such as paper, compact discs, computer chips, and the like.³ On the other hand, "intellectual property rights" are "rights bestowed on owners of ideas, inventions, and creative expressions in such a way that the latter will attain the same legal status as tangible property."⁴ They give IP rights owners the right to exclude others from access to or the use of their property.

"Trademark" is "a distinctive logo, mark, sign, symbol, emblem, word, or phrase which a manufacturer or merchant affixes to the goods or services he produces so that these goods or services may be identified and distinguished from those sold by others."⁵ "Trademark counterfeiting" is not limited to the reproduction and distribution of the infringing merchandise by the infringer but extends to duplication of the genuine packaging of the product.⁶

The elements of trademark counterfeiting are: 1) the defendant acted intentionally; 2) the defendant trafficked, or attempted to traffic, in goods or services; 3) the defendant used a "counterfeit mark" on, or in connection with, such goods or services; 4) the defendant knew that the mark was counterfeit; 5) the mark was identical or substantially indistinguishable from a mark in use and registered for those goods or services; and 6) the use of the mark is likely to cause confusion or mistake, or is likely to be deceiving.⁷

"Copyright" is "a right granted by statute to the author or originator of certain literary or artistic productions, through which he is vested, for a limited period, with the sole and exclusive privilege of multiplying copies of the same, and publishing and selling them."⁸ "Copyright piracy" is the "unauthorized reproduction of an existing work or distribution of an

2. OFFICE OF OVERSEAS PROSECUTORIAL DEVELOPMENT, ASSISTANCE AND TRAINING, U.S. DEPARTMENT OF JUSTICE, LECTURE NOTES ON INTELLECTUAL PROPERTY CRIMES SEMINAR 16 (2001) (on file with author) [hereinafter U.S. DOJ]. Richard P. Salgado, a trial attorney from the Computer Crime and Intellectual Property Section of the U.S. Department of Justice presented the lecture entitled "International Intellectual Property Rights: Trends, Challenges & Accomplishments" during the aforementioned seminar.

3. *Id.*

4. *Id.*

5. *Id.* at 5.

6. *Id.* at 17.

7. See, 18 U.S.C. § 2320 (1999).

8. U.S. DOJ, *supra* note 2, at 5.

infringing copy,"⁹ with the original packaging or graphics of the genuine product not being duplicated.¹⁰ The exclusive rights of a copyright holder involve reproduction, distribution, public display, and public performance of the copyrighted and derivative works.¹¹ Criminal law on copyright piracy is chiefly concerned with reproduction and distribution.¹²

"Infringer" is someone who infringes on the right of a right-holder by stealing, selling, and/or distributing the latter's property without permission.¹³ A "right-holder" is a person or entity who has a sole right to a piece of intellectual property.¹⁴

A "specialized IP court" is a permanently organized body with independent judicial powers defined by law, consisting of one or more judges who sit on and adjudicate disputes and administer justice in the IP field. This is the subject matter of the first issue to be discussed.

II. IS THERE A NEED FOR SPECIALIZED COURTS?

A. Brief Background

During the Association of Southeast Asian Nations (ASEAN) regional IP seminar held for judges and other participants in 1995,¹⁵ the need for specialized courts was highlighted by the Philippine Supreme Court's designation of IP Courts¹⁶ in various parts of the country to specialize in the expeditious disposition of cases involving IP rights. The specialized IP courts in France and Germany, as well as the bill then pending before the Thai Parliament for the establishment of a specialized IP court were also discussed.¹⁷

In 1996, shortly after the seminar, Thailand established its specialized IP court called the Central Intellectual Property and International Trade Court

9. *Id.* at 17.

10. *Id.*

11. *Id.* at 6.

12. *Id.*

13. *Id.* at 18.

14. U.S. DOJ, *supra* note 2, at 18.

15. ASEAN Regional Symposium on Enforcement of Industrial Property Rights (Oct. 23-25, 1995). The Symposium was held at Makati City.

16. Supreme Court, Administrative Order No. 113-95, Oct. 2, 1995, amended by Supreme Court, Administrative Order No. 104-96, Oct. 21, 1996. After a survey was conducted in 2002, the handling of IP cases is now given to Special Commercial Court judges who also hear other types of commercial cases.

17. Rapporteur's Report before the ASEAN Regional Symposium on Enforcement of Industrial Property Rights (Oct. 23, 1995).

(CIPITC), which has its own rules of procedure.¹⁸ Singapore also subsequently developed its Copyright Tribunal, a specialized court that exclusively hears IP cases. Indonesia, Malaysia, and other ASEAN countries are likewise exploring and contemplating the possibility of establishing their own specialized IP courts.¹⁹

During the International Conference on Judicial Capacity Regarding Intellectual Property-Enforcement and Dispute Settlement held on 12-13 September 2002 in Washington, D.C.,²⁰ the need for the establishment of specialized IP courts was extensively discussed. As a participant, the Philippines maintained the position that the establishment of specialized IP courts has benefited the country.

B. Benefits of Having Specialized IP Courts

The benefits yielded by having specialized IP courts can be broadly categorized into three: expertise, effectiveness, and efficiency.

1. Expertise

IP courts can be catalysts to produce more reasoned and practical decisions owing to the experience they will gain in dealing with IP issues.²¹ Since specific training in IP issues is more attainable when it is learned as an expertise, the establishment of IP courts guarantee that the resources needed for the field are already available in the judiciary.²² If the specialist judge is familiar with the particular area of law, the court, at an early stage of the case, "through case management at a directions hearing, can ensure that only the core issues are pursued and, if necessary, that discovery is tailored to the particular case."²³ Due to the informal atmosphere of the process, the judge may express some preliminary views about the overall merit of the case, and

18. Act for the Establishment of and Procedure for Intellectual Property and International Trade Court, B.E. 2539 (1996) (Th.); Rules for Intellectual Property and International Trade Cases, B.E. 2540 (1997) (Th.).

19. Study Visit to the CIPITC and the Thai Supreme Court and EU-ASEAN Symposium on IP Enforcement by Specialized Courts (Nov. 28-Dec. 2, 2005).

20. The author presented a paper on the training of specialized IP court judges in the Philippines and made a verbal presentation thereon on Sep. 12, 2002 at the George Washington University Law School.

21. International Bar Association's Intellectual Property and Entertainment Committee, International Survey of Specialized Intellectual Property Courts and Tribunals — 2004, at 11, <http://www.comml-iba.org/pdf/ipsurvey.pdf> (last accessed Nov. 2, 2007) (citing Robert M. Sherwood, Specialised Judicial Arrangements for Intellectual Property (1998)).

22. *Id.*

23. *Id.*

this in turn, may point out a possible settlement or a reduction in the number of issues.²⁴

The ultimate effect of this system is consistency in the legal doctrines in the IP field.²⁵ "IP courts are more able to keep up with new IP issues and laws."²⁶ "This comprehensive understanding of and familiarity with the surrounding case material can be expected to provide greater consistency in the decision-making process and should bring with it"²⁷ more predictable outcomes in the proceedings — an advantage to litigants.²⁸ "Consistency in decision-making is of extreme importance" as inconsistencies lead to a lack of confidence in the system and the diminution of court authority.²⁹

The creation of a specialized court will be accompanied by the development of a *corpus* of specialist advocates. They will either be in existence at the time of the court's creation or will evolve to meet the needs of the court.³⁰

2. Effectiveness

Another consequence of the formation of IP courts is a "[q]uicker and more effective decision-making process."³¹ The time that would otherwise be used in a case "to educate the judge will be saved, thereby shortening hearings and reducing costs for litigants, courts, and administrative staff."³² Theoretically, specialization reduces delay as judges gain familiarity with case patterns and legal issues raised in the cases before them. Judges hearing similar cases regularly begin to recognize fact patterns and issues promptly and accurately, as compared to those who encounter such cases only occasionally.³³ Consequently, they are able to "control the lawyers more

24. *Id.*

25. *Id.*

26. *Id.*

27. International Bar Association's Intellectual Property and Entertainment Committee, International Survey of Specialized Intellectual Property Courts and Tribunals — 2004, at 11, <http://www.comml-iba.org/pdf/ipsurvey.pdf> (last accessed Nov. 2, 2007).

28. *Id.*

29. *Id.*

30. *Id.*

31. *Id.*

32. *Id.*

33. International Bar Association's Intellectual Property and Entertainment Committee, International Survey of Specialized Intellectual Property Courts and Tribunals — 2004, at 12, <http://www.comml-iba.org/pdf/ipsurvey.pdf> (last accessed Nov. 2, 2007).

easily, see possibilities for settlement, and write better decisions."³⁴ Having an increased opportunity to see trends places them in a better position than judges who see a mix of cases, in developing jurisprudence which will suit evolving conditions.³⁵

The efficacy of IP courts can also be ascertained by looking at the quality of understanding of IP issues by judges. This may be evident in the establishment of rules and procedures unique to IP issues, such as appointing associate judges or assessors to assist and provide technical knowledge.³⁶

In the long run, we can expect reduced risk of judicial errors and expeditious administration of justice. The establishment of specialized courts reduces the caseload of overburdened general courts. If a rash of cases in a special field emerges, or if there is new legislation in the special field which requires thorough interpretation by the court, then the specialized court relieves the general court of this burden, ensuring that the flow of litigation remains unimpeded.³⁷

3. Efficiency

"IP courts are more likely to manage the challenges of complex IP cases more efficiently and more precisely."³⁸ Appeals may be made directly to the Supreme Court, bypassing the Court of Appeals.³⁹ This is certainly more cost-effective due to the more efficient and rapid adjudication of cases. Court proceedings may be shortened as exhibits and expert testimonies may be unnecessary. In addition, as many IP rights have acquired a multinational aspect, specialized IP courts can take judicial cognizance of judicial findings in other jurisdictions, a practice generally not permitted in general courts.⁴⁰

34. *Id.*

35. *Id.*

36. *Id.*

37. *Id.*

38. *Id.*

39. REVISED RULES OF CRIMINAL PROCEDURE, rule 41, § 2(c) ("Appeal by certiorari. — In all cases where only questions of law are raised or involved, the appeal shall be to the Supreme Court by petition for review on certiorari in accordance with Rule 45.").

40. International Bar Association's Intellectual Property and Entertainment Committee, International Survey of Specialized Intellectual Property Courts and Tribunals — 2004, at 12, <http://www.comml-iba.org/pdf/ipsurvey.pdf> (last accessed Nov. 2, 2007).

There are also benefits to jurisdictions that establish specialized IP courts to its litigants.⁴¹ "[A]n increase in foreign direct investments may be realised by countries that create specialised IP courts. Additionally, litigation costs for plaintiffs and defendants may decrease as exhibits and experts needed to establish facts in general courts may be unnecessary."⁴²

C. Questions That Need to Be Addressed

Nevertheless, there are certain issues to be considered by a country before deciding to establish its own specialized IP courts. Studies show that current deficiencies can be remedied, and that thriving and properly functioning specialized IP courts start with a substantial reform of the whole legal and procedural system in a given court. These questions or issues are as follows:

- Do problems in the particular area disclose a genuine need for a specialised court? How have the problems been dealt with before the courts?
- Is the current court system failing to provide an effective enforcement mechanism for IP rights holders? If so, what are the concerns with the current system?
- Has there been any important legislation that has prompted or will prompt an increase in the number of cases being litigated in this area over a period of time?
- Are the general courts experiencing a backlog in regard to this particular area of law?
- Is the volume or potential volume of work in this area sufficient to justify the creation of a specialist court?
- How will the centralisation of a specialised court affect the practicalities of litigation?
- How will the creation of a specialised court in this area affect the quality of justice in general courts?⁴³

A serious consideration of these questions is necessary before the establishment of IP courts to ensure that the reform is responsive to the problems at hand.

D. The Need for Specialized IP Courts

As global trade increases, the importance of protecting IP rights has received heightened recognition. IP is a valuable asset, but protection is not sufficient without adequate and effective enforcement. Thus, the major problem faced

41. *Id.*

42. *Id.*

43. *Id.* at 14.

by IP rights holders is in the effective and efficient enforcement of their rights against commercial-scale infringement. IP rights holders are concerned with speedy and cost-effective mechanisms for enforcement, timeliness of decisions, predictability of adjudication as well as the unification of and consistency in IP legal doctrines, and precision in decision-making. While the World Intellectual Property Office (WIPO) treaties⁴⁴ and the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement⁴⁵ do not require the creation of specialized IP courts, many countries have now created them as the most appropriate way to implement their obligations under international IP agreements.

The survey conducted by the International Bar Association shows that five countries now have specialized courts that hear IP cases exclusively. Thailand's CIPITC is included in this enumeration together with Turkey, the United Kingdom, Korea, and, recently, Japan.⁴⁶ Eight countries have specialized tribunals that hear IP cases exclusively, including the Philippines and Singapore. 29 countries have general jurisdiction courts with specialized IP divisions or specialist judges. Six countries have commercial courts or divisions that hear IP cases, including Indonesia. 13 countries have appellate courts that hear IP cases exclusively together with other types of appeals. 11 countries have explored or announced their intention to establish IP-specialized courts, including Malaysia and Vietnam. Based on these numbers, there appears to be a clear global trend towards the creation or establishment of specialized IP courts. Countries have realized that their economies will benefit, through increases in foreign direct investment, among other things, with the establishment of specialized IP courts. They likewise hope that their courts will, consequently, become more efficient in the administration of justice.⁴⁷

44. See, e.g., WIPO Copyright Treaty, Dec. 20, 1996, 36 I.L.M. 65; WIPO Performances and Phonograms Treaty, Dec. 20, 1996, 36 I.L.M. 76.

45. Agreement on Trade-Related Aspects of Intellectual Property Rights, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Apr. 15, 1994, 1869 U.N.T.S. 299 [hereinafter TRIPS Agreement].

46. Western Hemisphere and Asia Pacific Conference on Optical Media Piracy (Aug. 21-25, 2006). This Conference was held in Santiago, Chile.

47. Copyright in the Knowledge Economy: Challenges, Emerging Issues and Future Prospects (Sep. 13-14, 2006). This conference was held in Makati City, Philippines.

III. COLLECTION SOCIETIES, COPYRIGHT LICENSING, AND ROYALTY DISPUTES

Literary and artistic works are original intellectual creations in the literary and artistic domain and are protected from the moment of their creation.⁴⁸ Copyright licensing therefore originates with a person composing a song or any other literary, scholarly, scientific and artistic works.⁴⁹ The composer subsequently approaches a lawyer who draws up the necessary contracts. A publishing agreement can be executed with a publisher. Licensing agreements — which may include the mechanical reproduction license, synchronization license, print license, grand rights (dramatic performances) — may also be executed. A deed of assignment over the performance right and the other rights over the musical work may be executed with a society of composers, artists, and/or writers. The bottom line for the licensor is that he or she assigns less of his or her rights for the most money; and for the licensee, the most rights for the longest term for the least cost.⁵⁰

In the Philippines, local composers, authors, and publishers oftentimes designate a society⁵¹ of artists, writers, composers, and/or publishers to enforce their copyright or economic rights and moral rights.⁵² Under reciprocal representation agreements, the society also represents foreign societies⁵³ and the members thereof to institute and prosecute actions and to retain and recover damages for infringement of copyright committed in the Philippines. The society then monitors the activities of persons or companies that make unauthorized use of copyrighted works being administered by the society. Once it is determined that there is such use, the society, representing the copyright owners, demands the payment of license fees or royalties from the infringer. The license fees or royalties demanded by the society are computed based on guidelines which take into account the type of activity, the area, audiences, and the like. Once the infringer agrees to pay the license

48. IP CODE, § 172.1.

49. *Id.*

50. Advanced Course on Intellectual Property Law for Commercial Court Judges (Nov. 14-17, 2006). This was held at Makati City.

51. For instance, the Filipino Society of Composers, Authors and Publishers, Inc. (FILSCAP) is a domestic non-profit corporation representing the public performance, mechanical reproduction, synchronization, and publishing rights of its members.

52. IP CODE, § 183. The section grants copyright owners or their heirs the choice of designating a society of artists, writers or composers to enforce their economic and moral rights on their behalf.

53. Some examples of these groups in the United States are the American Society of Composers, Authors and Publishers (ASCAP) and Broadcast Music, Inc. (BMI).

fees or royalties demanded by the society, the amount of license fees/royalties ultimately benefit the copyright owners.

A problem of enforcement arises if the infringer does not pay the license fees or royalties. Enforcement by the society⁵⁴ or the IP copyright owner⁵⁵ primarily involves a civil case for injunction and damages.⁵⁶ In addition, Philippine law allows the filing of a criminal case for the infringement of a copyright.⁵⁷ The Philippine government, through its enforcement agencies, is duty-bound to become involved in such IP disputes once the society or copyright owner decides to pursue either the civil or the criminal route or both simultaneously.

IV. SEARCH AND SEIZURE MOTIONS AND ORDERS

Search and seizure refers to the examination of a person's house or other buildings or premises or of his person with a view of discovering illicit property or some evidence of guilt that may be used in the prosecution of a criminal action for which such person is charged,⁵⁸ and to the act performed by an officer of the law under a writ in taking possession of property in consequence of a violation of public law.⁵⁹ In the event of counterfeiting or piracy, the IP right holder may wish to have recourse to search warrants or search and seizure orders. If recourse to search warrants is chosen, the assistance of an investigation agency⁶⁰ is sought, and surveillance, when necessary, may be conducted. Once the result of the investigation turns out to be positive, the investigating agents prepare a sworn statement or affidavit stating the facts and circumstances establishing the existence of probable cause that a crime has been committed at the prescribed location, and that evidence of the criminal activity may be found at such location. The merchandise to be seized must also be set forth in detail. The affidavit or sworn statement is then attached to an application for a search warrant. The application is then presented to a judge or magistrate who either grants or denies the application after asking searching questions from the applicant and

54. *See*, IP CODE, § 183.

55. In one case, Alphonse Mouzon, a foreign composer, was granted an injunction and awarded damages in Civil Case No. Q-99-36527 by the Regional Trial Court of Quezon City, Branch 90. The decision was affirmed on appeal and became final and executory on Mar. 15, 2006 as against the local infringer.

56. IP CODE, § 216.1 (a), (b), & (e).

57. IP CODE, §§ 216-17.

58. BLACK'S LAW DICTIONARY 1591 (3d ed. 1933).

59. *Id.* at 1598.

60. In the U.S., the FBI's assistance may be sought; in the Philippines, the National Bureau of Investigation.

his witnesses.⁶¹ If the application is granted and a search warrant is issued by the judge or magistrate, the agents generally have up to 10 days to execute the warrant.⁶² In the event of recourse to civil search and seizure motions,⁶³ a writ for the issuance of an Anton Piller order or *saisie contrefacon*,⁶⁴ or the like may be sought.⁶⁵

A. A Warrant for Search and Seizure under Rule 126

Under Philippine law, to merit the issuance of a warrant for search and seizure, the personal property must be that which is: a) the subject of an offense; b) stolen or embezzled and other proceeds or fruits of the offense; or c) used or intended to be used as the means of committing an offense.⁶⁶ The Rules of Court further provide that:

A search warrant shall not issue except upon probable cause in connection with one specific offense to be determined personally by the judge after examination under oath or affirmation of the complainant and the witnesses he may produce, and particularly describing the place to be searched and the things to be seized which may be anywhere in the Philippines.⁶⁷

61. REVISED RULES OF CRIMINAL PROCEDURE, rule 126, § 5.

62. *Id.* § 10.

63. This is the IP right holder's usual recourse in the event that judges or magistrates do not grant applications for search warrants in a particular territorial jurisdiction.

64. The Anton Piller Order (APO) became popular because of the first reported case of *Anton Piller KG v. Manufacturing Processes Ltd.*, handled by the English judge, Lord Denning, M.R. See, *Anton Piller KG v. Manufacturing Processes Ltd.*, 1 All ER 779 (1976). The essential pre-conditions for the issuance of an APO are: (1) the plaintiff must have an extremely strong *prima facie* case; (2) the potential or actual damage must be serious for the plaintiff; (3) the plaintiff must have clear evidence that the defendant has in his possession incriminating documents or things, and that there is a real risk that the defendant will destroy them if given time to do so; and (4) the inspection of the defendant's premises will do no real harm to the defendant or his case, and that there be proportionality between the perceived threat to the plaintiff and the remedy granted.

Saisie contrefacon is a form of seizure which is a means of proof against an alleged infringer of IP rights under French law. In response to an application, the President of a District Court may make the order authorizing the seizure.

65. LECTURE NOTES FROM EPO INTERNATIONAL ACADEMY SEMINAR-WORKSHOP FOR JUDGES (June 26-30, 2000). This Seminar-Workshop was held at Strasbourg, France.

66. REVISED RULES OF CRIMINAL PROCEDURE, rule 126, § 3.

67. *Id.* § 4.

The judge shall release the search warrant only after he is satisfied that facts upon which the application is based exist or that there is probable cause to believe that they exist.⁶⁸

In one case, probable cause was held to mean:

such reasons, supported by facts and circumstances as will warrant a cautious man in the belief that his action and the means taken in prosecuting it are legally just and proper. Thus, probable cause for a search warrant requires such facts and circumstances that would lead a reasonably prudent man to believe that an offense has been committed and the objects sought in connection with an offense are in the place to be searched.⁶⁹

In 2002, however, the Supreme Court approved a new rule for searches and seizures in IP cases. This is taken up in the next section.

B. Civil Search and Seizure Motion and Order

No less than the Philippine Constitution protects intellectual property in this wise: "The State shall protect and secure the exclusive rights of scientists, inventors, artists; and other gifted citizens to their intellectual property ..."⁷⁰ The Constitution likewise empowers the Philippine Supreme Court to promulgate rules and procedure in all courts.⁷¹ It also protects the right of the people against unreasonable searches and seizures.⁷²

Moreover, the Philippines has bound itself to the agreement establishing the World Trade Organization (WTO).⁷³ A significant part of the WTO Agreement is the TRIPS Agreement, article 50 of which provides:

1. The judicial authorities shall have the authority to order prompt and effective provisional measures:

- (a) to prevent an infringement of any intellectual property rights from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods immediately after customs clearance;

68. *Id.* § 6.

69. *Microsoft Corporation v. Maxicorp, Inc.*, 438 SCRA 224, 234 (2004) (citing *United States v. Addison*, 28 Phil. 566 (1914); *Burgos, Sr. v. The Chief of Staff*, AFP, 133 SCRA 800 (1984)).

70. PHIL. CONST. art XIV, § 13.

71. PHIL. CONST. art VIII, § 5, ¶ 5.

72. PHIL. CONST. art III, § 2.

73. Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 1867 U.N.T.S. 154. This Agreement came into effect on Jan. 1, 1995. It was ratified by the Philippine Senate on Dec. 14, 1994, while the President signed the instrument of ratification on Dec. 15, 1994.

- (b) to preserve relevant evidence in regard to alleged infringement.
2. The judicial authorities shall have the authority to adopt provisional measures *inaudita altera parte* where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is demonstrable risk of evidence being destroyed.

Article 41 of the TRIPS Agreement likewise mandates members to adopt expeditious enforcement procedures to prevent infringement of intellectual property rights.

On 6 June 1997, the Philippine Congress enacted Republic Act No. 8293 or the IP Code. In relation to article 50 of the TRIPS Agreement, section 156.2 of the IP Code provides that, in actions involving infringement of a registered trademark, "the court may impound during the pendency of the action, sales invoices and other documents evidencing sales." In addition, section 216.2 states that, in cases of copyright infringement, "the court shall also have power to order the seizure and impounding of any article, which may serve as evidence in court proceedings."

These substantive laws (the IP Code and the TRIPS Agreement) cannot be effectively enforced without the corresponding rules of procedure to be followed in the courts. The then existing rules of procedure were insufficient to effectuate these new laws and there was an urgent need to supplement them in light of the seeming impunity with which IP rights were violated.

The Supreme Court Committee on Revision of the Rules of Court⁷⁴ studied various models enforcing the TRIPS Agreement, particularly those of the United Kingdom, France, Germany, Italy, the Netherlands, the United States, and Japan. In light of the Philippine Constitution and the peculiar needs of the country, the Committee recommended to the Supreme Court the adoption of the English rule, known all over the world as the *Anton Piller Order*.

The best-known enhancement of procedure in the interest of intellectual property owners has been the development by the court of the *Anton Piller Order* for the preservation of evidence and the disclosure of information by the party subject of it. This is now known as a 'search order.' The order is sought by proceedings held in closed session of which the defendant has no notice, the whole object being to spring a surprise.

The order will require the defendant to admit the claimant — and, all-importantly, the claimant's solicitor — in order: (i) to inspect the defendant's premises and seize, copy or photograph materials demonstrating the alleged infringement; (ii) to print out infringing

74. The Committee was headed by then Supreme Court Senior Associate Justice, now Chief Justice, Reynato S. Puno. The author was one of the resource persons during one of the Committee's deliberations.

computer programs or data, and to deliver up infringing goods and keep infringing stock or incriminating papers; and (iii) in many cases, to require answers to questions concerning sources of supply or the subsequent destination of illicit material. To obtain this relief, the claimant must satisfy the court of three things: (i) that there is an extremely strong *prima facie* case of infringement; (ii) that the damages is likely to be very serious; and (iii) that the defendant possesses incriminating articles or documents which otherwise may well be destroyed or removed before any application *inter partes* can be made.

The procedure has been used regularly against evident pirates of copyright material (notably on records, videos and computer games) and counterfeiters of trademarks. It can be effective particularly against small-scale distributors, operating often enough at markets, sports grounds and other fly-by-night venues.⁷⁵

The Supreme Court subsequently approved the same on 22 January 2002 and it became known as the Rule on Search and Seizure in Civil Actions for Infringements of Intellectual Property Rights.⁷⁶

The rule is a *modified version of the Anton Piller Order*. The heart of the Rule is found in section 2 thereof, which provides:

Section 2. The writ of search and seizure. — Where any delay is likely to cause irreparable harm to the intellectual property right holder or where there is demonstrable risk of evidence being destroyed, the intellectual property right holder or his duly authorized representative in a pending civil action for infringement or who intends to commence such an action may apply *ex parte* for the issuance of a writ of search and seizure directing the alleged infringing defendant or expected adverse party to admit into his premises the persons named in the order and to allow the search, inspection, copying, photographing, audio and audiovisual recording or seizure of any document and article specified in the order.

It cannot be gainsaid that an *ex parte* order allowing search and seizure is a harsh remedy. It is an exception to the rule against unreasonable searches and seizures. Thus, measures were provided to prevent its abuse. These are:

1. The standard of probable cause is adopted to align it with the constitutional provision that likewise provides the same standard of probable cause on search and seizure.⁷⁷

75. Letter from Committee on Revision of the Rules of Court to the Supreme Court (Oct. 25, 2001) (on file with author).

76. RULE ON SEARCH AND SEIZURE IN CIVIL ACTIONS FOR INFRINGEMENTS OF INTELLECTUAL PROPERTY RIGHTS [RULE ON SEARCH AND SEIZURE], A.M. NO. 02-1-06-SC (2002). This became effective on Feb. 15, 2002 following its publication in two newspapers of general circulation.

77. *Id.* § 6 (b).

2. The filing of the application/motion is to be made with the Regional Trial Courts designated to try violations of intellectual property rights. These specialized courts have developed expertise on the matter.⁷⁸
3. The application/motion has to be verified. It must be supported by affidavits of witnesses who personally know the facts and by authenticated or certified documents.⁷⁹
4. The applicant/movant and his or her witnesses must be personally examined by the judge in the form of searching questions and answers in writing and under oath and affirmation.⁸⁰
5. The enforcement of the writ shall be supervised by an independent commissioner to be appointed by the court.⁸¹
6. The writ shall issue only upon the filing of a bond by the applicant/movant. The bond "will pay all the costs which may be adjudged to the defendant or expected adverse party and all damages which the latter may sustain by reason of the issuance of the writ."⁸²
7. The writ shall be served only on weekdays and from eight a.m. to five p.m. unless the court directs that the writ be served on any day and at any time for compelling reasons stated in the application/motion and duly approved by the court.⁸³
8. The writ has to be served on the defendant or expected adverse party and in his absence, his agent or representative or the person in charge of the premises or residing or working therein, who is of sufficient age and discretion.⁸⁴
9. The manner of search and seizure is scrupulously spelled out, especially the duties of the sheriff. The articles seized are to be deposited in a bonded or government warehouse to preserve their integrity.⁸⁵

78. *Id.* § 3.

79. *Id.* § 4.

80. *Id.* § 5.

81. *Id.* § 7; *See, e.g.,* ABC Corp. v. XYZ Corp., Civil Case No. 4165(04) (Regional Trial Court, National Capital Judicial Region, Branch 90, Quezon City, July 12, 2004) (writ of search and seizure, Dec. 14, 2004). In this case, retired Supreme Court Associate Justice Jose C. Vitug was appointed as independent commissioner. The actual names of the litigants have been withheld by the author.

82. RULE ON SEARCH AND SEIZURE, § 9.

83. *Id.* § 10.

84. *Id.* § 11.

85. *Id.* § 14.

10. The procedure for the return or discharge of the writ is given in detail. The defendant or expected adverse party or the party whose property has been searched, inspected, copied or seized may immediately ask for its discharge on specific grounds.⁸⁶
11. The sheriff has the duty to make a verified return within three days from its enforcement.⁸⁷ If no return was made by the sheriff, the court, within five days after issuance, shall ascertain whether the writ was properly enforced.⁸⁸
12. The procedure is provided for the defendant or expected adverse party to claim for damages in case the writ is discharged or where it is found after trial that there has been no infringement or threat of infringement of the intellectual property right of the applicant/movant.⁸⁹
13. Separate docket and logbooks are required for applications/motions for writ of search and seizure.⁹⁰

This order has been implemented both here and overseas. In one civil case for the infringement of a trademark, a Philippine court issued a search and seizure order,⁹¹ which resulted in the seizure of a truckload of alleged counterfeit products. Abroad,

[o]ne of the most interesting cases, where it has been used, has been where a large-scale manufacturing operation was set in Taiwan under the name Levi's Strauss, Taiwan. The documentation and other materials used in connection with that business were such good copies of genuine Levi's Strauss documents and materials that once the products had left Taiwan, it was difficult, even for legitimate traders, to know that the goods were counterfeit. The operation was a very large scale one. The goods were shipped by the container load and found their way in large quantities into the European markets. The operation was eventually cracked because the investigations had shown that payments were made through a small trading company in Hong Kong. The first Anton Piller Order was against the proprietor of that trading company. He was only a small trader but he managed the letters of credit both into and out of Hong Kong. An Anton Piller raid having been conducted on his premises, it was found out that his instructions came from a firm of accountants operating in Hong Kong, with offices throughout the world. An Anton Piller Order was obtained

86. *Id.* § 18.

87. *Id.* § 17.

88. RULE ON SEARCH AND SEIZURE, § 19.

89. *Id.* § 21.

90. *Id.* § 24.

91. ABC Corp. v. XYZ Corp., Civil Case No. 4165(04) (Regional Trial Court, National Capital Judicial Region, Branch 90, Quezon City, July 12, 2004) (writ of search and seizure, Dec. 14, 2004).

against the firm of accountants. That proved to be like a gold mine since it revealed the whole operation, that was quickly brought to a halt.⁹²

At this juncture, it is well to quote the importance of the Anton Piller order, which was cited in an ASEAN seminar in this wise:

The Anton Piller Order has been described as one of the law's nuclear weapons. It is particularly effective. It is the order made *ex parte*, whereby the Court orders the defendant to disclose documents and information relating to alleged wrongful activities. It is an order that requires a defendant to permit the plaintiff and his representatives access to his premises for the purpose of looking for documents and items.⁹³

The re-creation of this legal basis for the protection of intellectual property rights in Philippine law is therefore a worthwhile development in a region where many commercial manufacturers believe they are most abused or not accorded sufficient importance through appropriate government policy.

V. DETERRENCE: A JUDICIAL PERSPECTIVE ON APPROPRIATE CRIMINAL SENTENCING

A. Legal Basis

The TRIPS Agreement provides for the mandatory imposition of imprisonment and/or monetary fines by member-states for willful trademark counterfeiting or copyright piracy on a commercial scale, sufficient to provide a deterrent, consistent with the level of penalties applied for crimes of a corresponding gravity.⁹⁴ These penalties of imprisonment and/or fines may be imposed upon offenders of other cases of infringement of IP rights where they are committed willfully and on a commercial scale. Thus:

Members shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and

92. Justice J.A. Rogers, Court of Appeals of the High Court in Hong Kong, Address at the WIPO ASEAN Sub-Regional Colloquium for Judges and Prosecutors (Oct. 27-29, 1999). The Colloquium was held in Manila, Philippines.

93. *Id.*

94. TRIPS Agreement, art. 61.

*penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed willfully and on a commercial scale.*⁹⁵

Some suggestions for criminal sentencing are herein provided to effectively deter willful trademark counterfeiting or copyright piracy on a commercial scale or other IP-related crimes.

B. Willful Trademark Counterfeiting or Copyright Piracy on a Commercial Scale

The elements of willful trademark counterfeiting on a commercial scale are that: 1) the defendant acted *intentionally*; 2) the defendant trafficked, or attempted to traffic, in goods or services; 3) the defendant used a "counterfeit mark" on or in connection with such goods or services; 4) the defendant knew that the mark was counterfeit; 5) the mark was identical, or substantially indistinguishable from a mark in use and registered for those goods or services;⁹⁶ and 6) the counterfeiting is on a commercial scale.⁹⁷ This must be a case of trademark counterfeiting, not misuse. What makes this criminal is the intent of the offender: it must have the element of willfulness like theft, the motivation is one of commercial advantage or private financial gain, and the scale must be one of commercial or large scale reproduction or distribution.⁹⁸

C. Other Factors that May Be Considered in Imposing Appropriate Criminal Sentences

When there is willful trademark counterfeiting or copyright piracy on a commercial scale, and the same is punishable by a range of penalties consisting of imprisonment and/or fines in their minimum up to their maximum ranges, the penalty to be imposed, it is respectfully submitted, must be in its maximum range.

In the event that there is willful trademark counterfeiting or copyright piracy, but not on a commercial or large scale, it is respectfully submitted that the judge must consider other factors in sentencing the offender with the appropriate penalty. These factors may include the involvement or non-involvement of organized crime, the presence or absence of public health and safety concerns, the commercial nature of the violation, the amount of loss and harm, and the violation of a previous judgment.

The U.S. Congress directed the Sentencing Commission in 1997 to ensure that the applicable guideline range for a defendant convicted of a crime against intellectual property would be sufficiently stringent to deter

95. *Id.* (emphasis supplied).

96. U.S. DOJ, *supra* note 2, at 7.

97. 18 U.S.C. § 2320.

98. *Id.*

such a crime and to adequately reflect consideration of the rental value and quantity of the items with respect to which the crime against the intellectual property was committed.⁹⁹ As a consequence, the Sentencing Commission, in 2000, issued an amended guideline that provides for stiffer penalties by increasing the base offense levels by two levels — from six to eight — by specifically providing for the use of the retail value of the infringed (legitimate) item, instead of the retail value of the infringed-upon (counterfeit or pirated) item.¹⁰⁰

D. Application in the Philippines

In the Philippines, trademark counterfeiting,¹⁰¹ is punishable with imprisonment from two years to five years and a fine ranging from Php50,000.00 to Php200,000.00.¹⁰² It is respectfully submitted that the judge must consider sentencing an offender to suffer imprisonment and to pay the fine in their maximum or near the maximum provided by law in case there is counterfeiting on a commercial or large scale.

On the other hand, the first-time offender of copyright piracy or infringement shall be punished with imprisonment of one year to three years plus a fine ranging from Php50,000.00 to Php150,000.00. A second-time offender shall be punished with imprisonment of three years and one day to six years plus a fine ranging from Php150,000.00 to Php500,000.00. A third and subsequent offender shall be punished with imprisonment of six years and one day to nine years plus a fine ranging from Php500,000.00 to Php1,500,000.00.¹⁰³ "In determining the number of years of imprisonment and the amount of fine, the judge shall consider the value of the infringing materials that the defendant has produced or manufactured and the damage that the copyright owner has suffered by reason of the infringement."¹⁰⁴

VI. CASE STUDIES AND DISCUSSIONS ON HANDLING IP CASES

Applying the principles discussed in the topics presented earlier, a case study on each and every topic will now be presented, together with suggested points, to consider how to resolve or decide the given case.

99. Office of Overseas Prosecutorial Development, Assistance and Training, U.S. Department of Justice, Intellectual Property Crimes Seminar (Apr. 25-27, 2001).

100. This information was given during the conference with Superior Court judges on July 2-3, 2003 at the Southwest Justice Center in Murrieta, California, U.S.A. (on file with author).

101. *Asia Brewery, Inc. v. Court of Appeals*, 224 SCRA 437, 444 (1993). (To be liable for trademark counterfeiting, the mark has to be a registered mark.)

102. IP CODE, § 170; See generally, IP CODE § 155 (for the list of punishable acts).

103. *Id.* § 217.1.

104. *Id.* § 217.2.

A. Deterrence and Specialized IP Courts

For instance, Country A had set up specialized IP courts to hear and decide civil and criminal cases involving any violation of the IP laws of the country. The constitution and laws of Country A do not expressly provide for the creation of such courts. The country, however, is a member of the WTO. Citizen B was charged in a criminal case before the specialized IP court having territorial jurisdiction over the place where the alleged IP offense was committed. B now challenges the authority of the specialized IP court to try and hear his case on the ground that Country A is not empowered to create such specialized IP courts.

In deciding this case, the judge should consider the constitution and the pertinent laws of Country A. The application of the pertinent provision of paragraph 1 of article 41 of the TRIPS Agreement which reads: "[m]embers shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements" This should be contrasted with the pertinent portion of paragraph 5 of the same article which provides: "It is understood that this Part does not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general, nor does it affect the capacity of Members to enforce their law in general"

B. Collection Societies and Criminal Sentencing

In another scenario, the copyright law of Country X provides for recourse by the IP right holder against the alleged infringer. C, the composer of several songs, had assigned his copyright or economic rights over the songs to D, a society of composers and writers, with authority to institute and prosecute actions and to recover damages on account of infringement. D was able to monitor E as having infringed the copyright or economic rights assigned by C to D. D commences a criminal case for infringement against E. E sets up the defense that the criminal case is unwarranted as the case only concerns a simple civil case for payment of license fees or royalties.

In settling the dispute, it must first be ascertained if the copyright law of Country X also provides for criminal recourse against the alleged infringer. If such remedy exists and assuming that the infringement is on a large or commercial scale, the judge would then have to consider imposing both imprisonment and payment of fines upon the infringer. This is anchored on the fact that imposable penalty could be imprisonment and/or fine. Article 61 of the TRIPS Agreement, as quoted in full in the previous chapter, may be of help in solving the case at bar.

C. Search and Seizure Motions

As a final example, Hamburger X, Inc. filed a search and seizure motion against Hamburger Z, Inc., on the ground that the latter spread the rumor that the hamburgers sold by the former are unsafe for human consumption. Hamburger X, Inc. prays for the issuance of a search and seizure order based on its claim that the evidence against Hamburger Z, Inc. as being the source of such rumor is stored in the company computers and in the company files located at the company's principal office.

The judge should first take into account whether the case involves any violation of the IP laws of the country, particularly infringement of any IP rights. He could also deliberate on the applicability of article 50 of the TRIPS Agreement.¹⁰⁵

VII. SURVEY OF RECENT SIGNIFICANT DECISIONS ON IP-RELATED ISSUES IN THE PHILIPPINES

A. Questions of Jurisdiction: Which Court Should Take Cognizance over IP Cases

After the approval of the Philippine IP Code on 6 June 1997, and its effectivity on 1 January 1998, there were many jurisdictional disputes on whether the first level courts,¹⁰⁶ the Metropolitan Trial Courts, or the second level courts, the Regional Trial Courts,¹⁰⁷ have jurisdiction over cases involving violations of IP rights in the country. Faced with these jurisdictional issues, the Supreme Court, in the leading case of *Samson v.*

105. TRIPS Agreement, art. 50.

1. The judicial authorities shall have the authority to order prompt and effective provisional measures:

(a) to prevent an infringement of any intellectual property rights from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods immediately after customs clearance;

(b) to preserve relevant evidence in regard to alleged infringement.

2. The judicial authorities shall have the authority to adopt provisional measures *inaudita altera parte* where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is demonstrable risk of evidence being destroyed.

106. The first-level courts are comprised of the Metropolitan Trial Courts, the Municipal Trial Courts, and the Municipal Circuit Trial Courts.

107. These courts have been designated as special IP courts for certain defined territorial areas all over the country.

Daway,¹⁰⁸ upheld the jurisdiction of the Regional Trial Courts, as IP courts, to hear and decide IP cases.¹⁰⁹

B. Infringement of A Registered Trademark

In the case of *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*,¹¹⁰ petitioner is a United States (U.S.) corporation that registered the "Big Mac" mark for its "double-decker hamburger sandwich" with the U.S. Trademark Registry on 16 October 1979.¹¹¹ Based on this Home Registration, McDonald's applied for the registration of the same mark. Pending approval of its application, McDonald's introduced its "Big Mac" hamburger sandwiches in the Philippine market in September 1991.¹¹² On 18 July 1985, the "Big Mac" mark was registered in the Philippines based on its Home Registration in the U.S.¹¹³ Like its other marks, McDonald's displays the "Big Mac" mark in items and paraphernalia in its restaurants.¹¹⁴

Respondent L.C. Big Mak Burger, Inc., a domestic corporation operating fast-food outlets and snack vans, includes hamburger sandwiches in its menu using a "Big Mak" mark.¹¹⁵

Resolving the issue on whether or not there was trademark infringement, the Supreme Court held that the registration by petitioner of the "Big Mac" mark is *prima facie* evidence of the validity of petitioner's exclusive right to use the mark on the goods specified in the certificate.¹¹⁶ Thus, the elements of trademark infringement relative to 1) the validity of the petitioner's mark; and 2) the petitioner's ownership of the mark, that is "Big Mac," in its entirety, as being distinctive, had been met.¹¹⁷

108. *Samson v. Daway*, 434 SCRA 612 (2004). This ruling, in effect, clarified the jurisdiction of Regional Trial Courts, as IP courts, over cases involving violations of IP rights, whether criminal or civil.

109. *See, Re: Designation of an Intellectual Property Judge for Mla.*, Supreme Court, Administrative Matter No. 02-1-11-SC, Feb. 19, 2002. This designated certain branches of the Regional Trial Courts as IP courts, in addition to their jurisdiction to hear and decide certain Securities and Exchange Commission cases.

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

111. *Id.* at 13-14.

112. *Id.* at 14.

113. *Id.*

114. *Id.*

115. *Id.*

116. *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*, 437 SCRA 10, 24-25 (2004).

117. *Id.* at 24.

On the third element, the use of the mark or its colorable imitation by the infringer (respondent) results in the "likelihood of confusion."¹¹⁸ Expounding on this element, the Court held that there was both confusion of goods and confusion of business. Confusion of goods was present because the respondent used the "Big Mak" mark on the same kind of goods — that is, hamburger sandwiches — upon which petitioner's "Big Mac" mark was used.¹¹⁹ There was confusion of business because the respondent admitted that it was in the same line of business as the petitioner.¹²⁰

The Supreme Court further declared that "respondents' use of the 'Big Mak' mark on non-hamburger food products cannot excuse their infringement of petitioners' registered mark, otherwise registered marks will lose their protection under the law."¹²¹ The Court also said that it has "recognized that the registered trademark owner enjoys protection in product and market areas that are the *normal potential expansion of [its] business.*"¹²²

In determining "likelihood of confusion," the Court cited jurisprudence that developed the *dominancy test* and the *holistic test*.¹²³ The *dominancy test* focuses on the similarity of the prevalent features of the competing trademarks that might cause confusion.¹²⁴ In contrast, the *holistic test* requires the entirety of the marks as applied to the products, including the labels and packaging, in determining confusing similarity.¹²⁵

In applying the test to this case, the Supreme Court held that the proper test to be used is the *dominancy test*, instead of the *holistic test*.¹²⁶ The Supreme Court said it had relied on the *dominancy test* in many cases and rejected the *holistic test*.¹²⁷ Under the *dominancy test*, the Supreme Court assigns greater weight to the "similarity of the appearance of the product arising from the adoption of the dominant features of the registered mark, disregarding minor differences."¹²⁸ It is a test where courts will take into

118. *Id.*

119. *Id.* at 29.

120. *Id.* at 30.

121. *Id.* at 31.

122. McDonald's Corporation v. L.C. Big Mak Burger, Inc., 437 SCRA 10, 31 (2004).

123. *Id.*

124. *Id.* at 32.

125. *Id.*

126. *Id.*

127. *Id.* at 33.

128. McDonald's Corporation v. L.C. Big Mak Burger, Inc., 437 SCRA 10, 32 (2004).

account more the "aural and virtual impressions created by the marks in the public mind, giving little weight to factors like prices, quality, sales outlets, and market segments."¹²⁹

The Supreme Court then ruled:

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

Applying the dominancy test, the Court finds that respondents' use of the 'Big Mak' mark results in likelihood of confusion. First, 'Big Mak' sounds exactly the same as 'Big Mac.' Second, the first word in 'Big Mak' is exactly the same as the first word in 'Big Mac.' Third, the first two letters in 'Mak' are the same as the first two letters in 'Big Mac.' Fourth, the last letter in 'Mak' while a 'k' sounds the same as 'c' when the word 'Mak' is pronounced. Fifth, in Filipino, the letter 'k' replaces 'c' in spelling, thus 'Caloocan' is spelled 'Kalookan.'¹³⁰

The Court, then, went on to conclude: "Clearly, respondents have adopted in 'Big Mak' not only the dominant but also almost all the features of 'Big Mac.' Applied to the same food product of hamburgers, the two marks will likely result in confusion in the public mind."¹³¹ "Petitioner's failure to present proof of *actual* confusion does not negate their claim of trademark infringement Section 22 requires the less stringent standard of 'likelihood of confusion' only. While proof of actual confusion is the best evidence of infringement, its absence is inconsequential."¹³²

On the issue of whether or not there was unfair competition, the Supreme Court said that:

The essential elements of an action for unfair competition are (1) confusing similarity in the general appearance of the goods, and (2) intent to deceive the public and defraud a competitor. The confusing similarity may or may not result from the similarity in the marks, but may result from other external factors in the packaging or presentation of the goods. The intent to deceive and defraud may be inferred from the similarity of the appearance of the goods as offered for sale to the public. Actual fraudulent intent need not be shown.

Unfair competition is broader than trademark infringement and includes passing off goods with or without trademark infringement. Trademark infringement is a form of unfair competition. Trademark infringement constitutes unfair competition when there is not merely likelihood of confusion, but also actual or probable deception on the public

129. *Id.*

130. *Id.* at 33.

131. *Id.* at 34.

132. *Id.*

because of the general appearance of the goods. There can be trademark infringement without unfair competition as when the infringer discloses on the labels containing the mark that he manufactures the goods, thus preventing the public from being deceived that the goods originate from the trademark owner.¹³³

In finding respondents guilty of unfair competition, the Supreme Court held that the "dissimilarities in the packaging are minor compared to the stark similarities in the words that give respondents' 'Big Mak' hamburgers the general appearance of petitioner's 'Big Mac' hamburgers."¹³⁴ This is based on section 29 (a) of Republic Act No. 166, as amended by the IP Code, which provides that the respondent gives "his goods the general appearance of goods of another manufacturer."¹³⁵ Moreover, the Supreme Court held that there is no notice that the "Big Mak" hamburgers are products of "L.C. Big Mak Burger, Inc." which affirms respondents' intent to deceive the public.¹³⁶ If they placed a notice on their plastic wrappers and bags, respondents could have validly claim that no public deception is intended.¹³⁷

C. No Infringement of Registered Trademarks Because of Absence of Evidence of Actual Use by Trademark Owners

In the case of *Philip Morris, Inc. v. Fortune Tobacco Corporation*,¹³⁸ petitioners are foreign corporations who are the registered owners of the trademarks MARK VII, MARK TEN, and LARK for cigarettes, registered sometime in 1964 and 1973. The respondent is a domestic corporation that manufactures and sells cigarettes using the trademark MARK.¹³⁹ On 18 August 1982, petitioners sued respondent for trademark infringement. After trial, the Regional Trial Court made a finding that respondent did not commit trademark infringement.¹⁴⁰

The Philippine Supreme Court affirmed that there was indeed no trademark infringement. It ruled that the petitioners failed to present

¹³³. *Id.* at 37.

¹³⁴. *McDonald's Corporation v. L.C. Big Mak Burger, Inc.*, 437 SCRA 10, 38 (2004).

¹³⁵. An Act to Provide for the Registration and Protection of Trade-Marks, Trade-Names and Service-Marks, Defining Unfair Competition and False Marking and Providing Remedies Against the Same, and for Other Purposes, Republic Act No. 166, § 29 (a) (1947), as amended by the IP Code.

¹³⁶. *McDonald's Corporation*, 437 SCRA at 39.

¹³⁷. *Id.*

¹³⁸. *Philip Morris, Inc. v. Fortune Tobacco Corporation*, 493 SCRA 333 (2006).

¹³⁹. *Id.* at 340.

¹⁴⁰. *Id.*

evidence of actual commercial use of the marks or emblems in local commerce and trade to entitle them to protection of their trademarks in the country.¹⁴¹ This was despite the fact that the Philippines adhered to the TRIPS Agreement only on 16 December 1994, after the case was filed.¹⁴² The Supreme Court opined that the petitioners likewise failed to present evidence to support their claim that their marks were well-known marks to entitle them to protection even without actual use in the country in accordance with article 6bis of the Paris Convention,¹⁴³ and that there was no likelihood of confusion because the "products involved are addicting (sic) cigarettes purchased mainly by those who are already predisposed to a certain brand."¹⁴⁴

The Supreme Court's rationale was stated in this manner:

[t]rue, the Philippines' adherence to the Paris Convention effectively obligates the country to honor and enforce its provisions as regards the protection of industrial property of foreign nationals in the country. However, any protection accorded has to be made subject to the limitations of Philippine laws. Hence, ... foreign nationals must still observe and comply with the conditions imposed by Philippine law on its nationals.

Considering that R.A. No. 166, as amended, ... mandates *actual use* of the marks and/or emblems in local commerce and trade before they may be registered and ownership thereof acquired, the petitioners cannot, therefore, dispense with the element of actual use. Their being nationals of member-countries of the Paris Union does not alter the situation.¹⁴⁵

D. A Search Warrant May Be Partially Nullified

In *Microsoft Corporation v. Maxicorp, Inc.*,¹⁴⁶ the issue brought before the Philippine Supreme Court was whether or not a partially defective search warrant should be nullified.¹⁴⁷ The disputed paragraph in the Search Warrant reads: "(c) Sundry items such as labels, boxes, prints, packages, wrappers,

¹⁴¹. *Id.* at 354.

¹⁴². *Id.* at 355.

¹⁴³. Paris Convention for the Protection of Industrial Property, July 14, 1967, art. 6bis, 21 U.S.T. 1583, 828 U.N.T.S. 305.

¹⁴⁴. *Philip Morris, Inc. v. Fortune Tobacco Corporation*, 493 SCRA 333, 359 (2006).

¹⁴⁵. *Id.* at 350-52.

¹⁴⁶. *Microsoft Corporation v. Maxicorp, Inc.*, 438 SCRA 224 (2004).

¹⁴⁷. *Id.* at 230.

receptacles, advertisements and other paraphernalia bearing the copyrights and/or trademarks owned by MICROSOFT CORPORATION."¹⁴⁸

In ruling on the issue, the Supreme Court held that the search warrant could still be validly upheld but the partially defective portion thereof had to be nullified in this wise:

Still, no provision of law exists which requires that a warrant, partially defective in specifying some items sought to be seized yet particular with respect to the other items, should be nullified as a whole. A partially defective warrant remains valid as to the items specifically described in the warrant. A search warrant is severable, the items not sufficiently described may be cut off without destroying the whole warrant. The exclusionary rule found in Section 3(2) of Article III of the Constitution renders inadmissible in any proceeding all evidence obtained through unreasonable searches and seizure. Thus, all items seized under paragraph (c) of the search warrants, not falling under paragraphs a, b, d, e or f, should be returned to Maxicorp, Inc.¹⁴⁹

In finding such a warrant to be so separable, the Supreme Court has impliedly given the new law an interpretation that will more likely increase its effectivity and value in light of the goals of its implementation.

E. Trademark Dilution and Bad Faith Use of a Trademark and Copyright Infringement and Piracy

In *Levi Strauss & Co. v. Clinton Apparelle, Inc.*,¹⁵⁰ the Supreme Court explained the concept of trademark dilution:

Trademark dilution is the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of: (1) competition between the owner of the famous mark and other parties; or (2) likelihood of confusion, mistake or deception ...¹⁵¹

Based on the foregoing, to be eligible for protection from dilution, there has to be a finding that: (1) the trademark sought to be protected is famous and distinctive; (2) the use by respondent of 'Paddocks and Design' [or the competing trademark] began after the petitioners' mark became famous; and (3) such subsequent use defames petitioners' mark ...¹⁵²

On the *bad faith use* of a trademark, the Supreme Court said:

One who has imitated the trademark of another cannot bring an action for infringement, particularly against the true owner of the mark, because he would be coming to court with unclean hands. Priority is of no avail to the bad faith plaintiff. Good faith is required in order to ensure that a second user may not merely take advantage of the goodwill established by the true owner.¹⁵³

In *NBI-Microsoft Corporation v. Hwang*,¹⁵⁴ the Supreme Court elucidated on copyright infringement and piracy:

[T]he gravamen of copyright infringement is not merely the unauthorized 'manufacturing' of intellectual works but rather the unauthorized performance of any of the acts covered by Section 5 [of Presidential Decree No. 49] (with respect to rights of an author). Hence, any person who performs any of the acts under Section 5 without obtaining the copyright owner's prior consent renders himself civilly and criminally liable for copyright infringement.

Infringement of a copyright is a trespass on a private domain owned and occupied by the owner of a copyright, and, therefore, protected by law, and *infringement of copyright, or piracy, which is a synonymous term in this connection, consists in the doing by any person, without the consent of the owner of the copyright, of anything the sole right to do which is conferred by statute on the owner of the copyright.*

Significantly, under Section 5 (A), a copyright owner is vested with the exclusive right to 'copy, distribute, multiply, [and] sell' his intellectual works.¹⁵⁵

VIII. CONCLUSION

Effective IP rights enforcement, usually being an inter-country matter, has been a contentious issue between ASEAN countries and the countries demanding stricter IP rights implementation. To avoid trade sanctions, the governments of Southeast Asian countries, including the Philippines, have taken steps in enacting better IP laws and establishing the proper IP rights framework towards enforcing their IP laws against those who violate them. Seminars and workshops conducted throughout the region are all geared towards the goal of effective IP rights enforcement. Participants coming from the law enforcement agencies, the customs bureaus, the prosecution, and the judiciary, who have attended these seminars from time to time, have shown their sincere desire to be part of this region-wide undertaking. For after all, it

¹⁴⁸. *Id.* at 242.

¹⁴⁹. *Id.*

¹⁵⁰. *Levi Strauss & Co. v. Clinton Apparelle, Inc.*, 470 SCRA 236 (2005).

¹⁵¹. *Id.* at 255 (citing *Toys "R" Us v. Akkaoui*, 40 U.S. P.Q. 2d (BNA) 1836 (N.D. Cal. 1996)) (emphasis supplied).

¹⁵². *Id.* at 255-56.

¹⁵³. *Shangri-La International Hotel Management, Ltd. v. Developers Group of Companies, Inc.*, 486 SCRA 405, 424 (2006) (citing *Ubeda v. Zialcita*, 13 Phil. 11, 19 (1909)).

¹⁵⁴. *NBI-Microsoft Corporation v. Hwang*, 460 SCRA 428 (2005).

¹⁵⁵. *Id.* at 443-44; See, Decree on the Protection of Intellectual Property, Presidential Decree No. 49, § 5 (1972).

would have served no useful purpose to enact laws which would and could not be implemented effectively.

It is, therefore, hoped that the various IP laws of ASEAN countries can be harmonized and that there will be uniformity of, and consistency in, efforts for effective IP rights enforcement in the entire region. The Philippines, cognizant of its role as a member of this community and the economic benefits of such participation, has laid the groundwork to achieve this end. What therefore remains to be seen is a more concrete effort on the structural end in order to attain the goals of greater protection of intellectual property rights in the Philippines, perhaps through the creation of permanent specialized IP courts similar to those of other countries. In this manner, enforcement of such laws and the procedures relating thereto could be given greater attention and specialization in light of the increasing influx of branded goods into the country. A development of the legal measures to protect such additional investments in our country would provide an incentive to future investors and bode well for continued Philippine economic prosperity.

Writ of Possession in Extra-Judicial Foreclosure of Real Estate Mortgage: A Critical Analysis

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