

G.R. No. 211850: ZUNECA PHARMACEUTICAL AND/OR AKRAM
ARAIN AND/OR VENUS ARAIN, M.D., AND STYLE OF
ZUNECA PHARMACEUTICAL, Petitioner, vs.
NATRAPHARM, INC., Respondent. Promulgated:
September 8, 2020

X-----

DISSENTING OPINION

LAZARO-JAVIER, J.:

The *ponencia* essentially states:

- The deletion of Section 2¹ and Section 2a² of Republic Act No. 166³ and the enactment of Section 122⁴ of Republic Act No. 8293 show the intent of the lawmakers to **completely and totally abandon use** as a mode of acquiring trademark ownership and to **institute registration as the exclusive means of acquiring trademark ownership**;
- As a result, *actual use* is no longer necessary to acquire or perfect ownership of a mark. Rather, *actual use* of a trademark is only meant to underscore that a registered owner of a trademark must *actually use* the mark to maintain his or her ownership thereof. In other words, first registrants **do not have to demonstrate prior actual use** of the trademark, **but they may subsequently lose ownership of their trademarks** if they fail to prove actual use of the trademark in commerce after specified periods in RA 8293;
- There can be no infringement of an unregistered mark. This is not merely a consequence of the abandonment of the old *first-to-use*

¹ Section 2. What are registrable. — Trademarks, tradenames, and service marks owned by persons, corporations, partnerships or associations domiciled in the Philippines and by persons, corporations, partnerships or associations domiciled in any foreign country may be registered in accordance with provisions of this Act: Provided, That said trademarks, tradenames, and service marks are actually in use in commerce and services not less than two months in the Philippines before the time the applications for registrations are filed: And, Provided further, That the country of which the applicant for registration is a citizen grants by law substantially same privileges to citizens of the Philippines, and such fact is officially certified, with a certified true copy of the foreign law translated into the English language, by the government of the foreign country to the Government of the Republic of the Philippines.

² Section 2-A. Ownership of trade-marks, trade-names and service-marks; how acquired. — Anyone who lawfully produces or deals in merchandise of any kind or who engages in any lawful business, or who renders any lawful service in commerce, by actual use thereof in manufacture or trade, in business, and in the service rendered, may appropriate to his exclusive use a trade-mark, a trade-name, or a service-mark not so appropriated by another, to distinguish his merchandise, business or service from the merchandise, business or services of others. The ownership or possession of a trade-mark, trade-name, service-mark, heretofore or hereafter appropriated, as in this section provided, shall be recognized and protected in the same manner and to the same extent as are other property rights known to the law.

³ 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.

⁴ Section 122. How Marks are Acquired. — The rights in a mark shall be acquired through registration made validly in accordance with the provisions of this law. (Sec. 2-A, R.A. No. 166a).

11

regime, but is in fact a pre-requisite under the law for filing an infringement case under RA 8293; and

- The *first user* of an unregistered trademark has remedies though the first use does **not** vest trademark ownership. The *first user* has the option of enforcing his or her rights administratively **by filing an opposition** against the trademark application of a bad faith applicant or **request for the cancellation** of a trademark registered in bad faith.

Foremost, the *ponencia* holds that registration exclusively vests trademark ownership. Hence, the element of actual use as a mode of acquiring ownership rights should be totally dismissed.

I dissent.

Registration and actual use together perfect ownership of a trademark. **Registration and prior actual use individually** creates **imperfect ownership** of a trademark. Thus, only registration with actual use made in good faith gives the registrant the **full** rights of ownership attributable to such registration.

I agree with Justice Leonen that our trademark laws are aimed to “protect the owner’s right to the mark’s value, *which is generated* by its actual use in commerce.”⁵ Too, the factual backdrop of this case and its effects are not limited to the fictions of civil and commercial law, but the reality of public health and safety.

The *ponencia* cites Section 122 of RA 8293 and interprets that this provision commands registration as an exclusive mode of acquiring trademark ownership, thus:

SECTION 122. How Marks are Acquired. — The rights in a mark shall be acquired through registration made validly in accordance with the provisions of this law. (Sec. 2-A, R.A. No. 166a)

Section 122, however, is **silent** on and does not repudiate property in trademark recognized by common law. Thus, “[t]he right of property in a trade mark is recognized by the common law, and does not in any manner depend for its inceptive existence or support upon statutory law, although its exercise may be limited or controlled by statute.”⁶ As further held in this opinion:

Does not the Act of 1863, instead of constituting a “complete scheme” for the acquisition and protection of property in trade marks, rather proceed on the theory that this species of property did exist, and might thereafter be acquired, under the rules of the common law, and provide that

⁵ Page 10 of Justice Leonen’s Reflections.

⁶ *Derringer v. Plate*, 29 Cal. 293, 294, 1865 Cal. LEXIS 244, *1 (Cal. October 1, 1865).



those securing such right according to the provisions of the act, might have a further or more efficient protection than those who failed to avail themselves of the statute, and relied upon the common law remedies?

X X X X X X X X X

At common law, the remedies for invasions of trade mark property were an action at law for the recovery of damages, and an injunction, in which case pecuniary compensation might be incidentally awarded. Several of the States have, by statute, added a criminal prosecution as a further remedy or protection. **The remedies at common law are still left by our statute in those cases where the trade mark has not been registered according to the act**, for not only is **the right of property recognized and affirmed as it existed at common law, and the common law remedies are not taken away**, but the protection afforded by suits at law and bills for injunctions is expressly conceded. Those provisions add nothing to the rights previously possessed by the owner of the trade mark, and are only in affirmance of the common law. But he does not have the aid of a criminal prosecution for his protection.

On the other hand, those owning trademarks, who have filed their claims and affidavits, and paid the fees, have the protection accorded to the other class of cases, and have also that arising from the criminal prosecutions, with penalties, upon conviction, of more than usual severity.

We do not fully agree with counsel for either party in his construction of the act in respect to its relation to and effect upon the common law remedies. The remedies provided by the act, at least those applicable to registered trademarks, are not cumulative to those possessed at common law, but in that respect provision is made by the act for a new case; **nor do we think the act forms a “complete scheme” of itself**, in the sense that counsel regards it, **as requiring all trademarks to be registered under the act, to entitle them to protection; though it may be regarded as a “complete scheme” in the respect that it grants certain remedies in cases of registered trademarks, and expressly reserves to the owners in other cases the usual remedies enjoyed at common law.**⁷

I concur with Justice Leonen that in the **absence of an express repeal or a clear and categorical incompatibility** between RA 8293 and our jurisprudence echoing common law and the provisions of RA 166, there is **no reason** to interpret Section 122 as an *exclusive mode* or a *complete scheme* of acquiring trademark ownership and to jettison **prior actual use** as a means to obtain trademark ownership.

I also posit that while Section 122 mentions that registration acquires trademark ownership, besides **not** stating that registration is the *only* mode, it **does not declare that conclusive and full ownership is vested in the registrant.** Further, since registration is indeed a convenient means of establishing trademark *imperfect* ownership, ultimately its function is a mechanism “to allocate the burden in the trial of an action for infringement.”⁸

⁷ *Derringer v. Plate*, 29 Cal. 293, 298-299, 1865 Cal. LEXIS 244, *11-13 (Cal. October 1, 1865).

⁸ *Excell Consumer Prods. v. Smart Candle LLC*, 2013 U.S. Dist. LEXIS 129257, *60, 2013 WL 4828581 (S.D.N.Y. September 10, 2013).

Surely, **actual use** remains to be a complementing scheme for perfecting ownership under RA 8293. If actual use is crucial in **maintaining** trademark ownership, I cannot justify dismissing **prior actual use** as **another mode** of attaining trademark ownership.

Too, Section 124.2 of the IP Code requires that a declaration of actual use with evidence to that effect must be filed within three (3) years from the filing date of the application, *viz.*⁹

The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations within three (3) years from the filing date of the application. Otherwise, the application shall be refused or the mark shall be removed from the Register by the Director.

After the declaration of **actual use** is filed, the Intellectual Property Office shall issue the registration certificate covering only the particular goods on which the mark is in **actual use** in the Philippines as disclosed in the declaration.

More, Section 145,¹⁰ provides that the declaration of actual use is an essential requisite in *maintaining* trademark rights, thus:

SECTION 145. Duration. - A certificate of registration shall remain in force for ten (10) years: Provided, That the registrant shall file a declaration of actual use and evidence to that effect, or shall show valid reasons based on the existence of obstacles to such use, as prescribed by the Regulations, within one (1) year from the fifth anniversary of the date of the registration of the mark. Otherwise, the mark shall be removed from the Register by the Office. (Sec. 12, R.A. No. 166a)

Meanwhile, the Intellectual Property Office issued Office Order No. 056-13¹¹ amending Rule 205¹² of the Trademark Regulations for the purpose

⁹ Intellectual Property Code. 124.2. The applicant or the registrant shall file a declaration of actual use of the mark with evidence to that effect, as prescribed by the Regulations within three (3) years from the filing date of the application. Otherwise, the application shall be refused or the mark shall be removed from the Register by the Director.


¹⁰ Intellectual Property Code. SECTION 145. Duration.

¹¹ Amendment of the Provisions on Declaration of Actual Use of the Trademark Regulations < <https://www.federislaw.com.ph/wp-content/themes/federis/files/Office%20Order%20No%20%2013-056,%20Series%20of%202013.pdf>; last accessed July 10, 2020.>

¹² RULE 205. *Contents of the Declaration and Evidence of Actual Use.*—

(a) The declaration shall be under oath and filed by the applicant or registrant (or the authorized officer in case of a juridical entity) or the attorney or authorized representative of the applicant or registrant. The declaration must refer to only one application or registration, shall contain the name and address of the applicant or registrant declaring that the mark is in actual use in the Philippines, the list of goods or services where the mark is used, the name/s of the establishment and address where the products are being sold or where the services are being rendered. If the goods or services are available only by online purchase, the website must be indicated on the form in lieu of name or address of the establishment or outlet. The applicant or registrant may include other facts to show that the mark described in the application or registration is actually being used in the Philippines. The date of first use shall not be required.

x x x x (Emphasis supplied)



of streamlining administrative procedures in registering trademarks and also to address the need to clarify what will be accepted as **proof of use**,¹³ viz.:

RULE 205. Contents of the Declaration and Evidence of Actual Use.—

(a) The declaration shall be under oath and filed by the applicant or registrant (or the authorized officer in case of a juridical entity) or the attorney or authorized representative of the applicant or registrant. The declaration must refer to only one application or registration, shall contain the name and address of the applicant or registrant declaring that the mark is in actual use in the Philippines, the list of goods or services where the mark is used, the name/s of the establishment and address where the products are being sold or where the services are being rendered. If the goods or services are available only by online purchase, the website must be indicated on the form in lieu of name or address of the establishment or outlet. The applicant or registrant may include other facts to show that the mark described in the application or registration is actually being used in the Philippines. The date of first use shall not be required.

(b) Actual use for some of the goods and services in the same class shall constitute use for the entire class of goods and services. Actual use for one class shall be considered use for related classes. In the event that some classes are not covered in the declaration, a subsequent declaration of actual use may be filed for the other classes of goods or services not included in the first declaration, provided that the subsequent declaration is filed within the three year period or the extension period, in case an extension of time to file the declaration was timely made. In the event that no subsequent declaration of actual use for the other classes of goods and services is filed within the prescribed period, the classes shall be automatically dropped from the application or registration without need of notice to the applicant or registrant.

(c) **The following shall be accepted as proof of actual use of the mark:** (1) labels of the mark as these are used; (2) downloaded pages from the website of the applicant or registrant clearly showing that the goods are being sold or the services are being rendered in the Philippines; (3) photographs (including digital photographs printed on ordinary paper) of goods bearing the marks as these are actually used or of the stamped or marked container of goods and of the establishment/s where the services are being rendered; (4) brochures or advertising materials showing the actual use of the mark on the goods being sold or services being rendered in the Philippines; (5) for online sale, receipts of sale of the goods or services rendered or other similar evidence of use, showing that the goods are placed on the market or the services are available in the Philippines or that the transaction took place in the Philippines; (6) copies of contracts for services showing the use of the mark. Computer printouts of the drawing or reproduction of marks will not be accepted as evidence of use.

(d) The Director may, from time to time, issue a list of acceptable evidence of use and those that will not be accepted by the Office. (Emphases and underscoring supplied)

¹³ See *W Land Holdings, Inc. v. Starwood Hotels and Resorts Worldwide, Inc.*, 822 Phil. 23, 40 (2017).

The Intellectual Property Office propounded the significance of requiring **actual use** to perfect trademark ownership which bolsters the fact that registration is not the sole mode of acquiring trademark rights, thus:

Imagine trademark protection as a **similar process to how the human brain works in adopting new skills or knowledge.**

The more a person **uses and practices** a skill or knowledge, the likelier it will be **retained in his brain's functions** over time, especially as a person ages.

Protection for a registered trademark works in the same vein; A trademark gives its owner particular rights but to keep enjoying those rights, the trademark **has to keep being used.**

A business owner with a trademark has the **exclusive right to make use** of his mark, and prevent others from using the same or similar marks, on identical or related goods or services.

If he fails to maintain his trademark, that is, file a Declaration of Actual Use, he loses those rights, and his trademark is removed from the Intellectual Property Office of the Philippines (IPOP HL) Register.

xxx xxx xxx

In requiring DAU, the IPOP HL is **filtering trademark-owners who just stockpile marks without genuinely using them**, and may just be cutting in the financial gain from owners of identical/confusingly similar trademarks.

The DAU requirement, then works as tool to deter the 'trademark squatting' - when a party registers a trademark in bad faith. This occurs when a party registers another's trademark as his own in a jurisdiction where the original trademark owner has yet to register.

In countries where the trademark system is 'first-to-file', this is problematic as the the 'squatter' essentially blocks the registration of the original brand-owner, and may extract benefits from him just so he can register.

Additionally, in the name of competition, removal of marks because of non-compliance with DAU will free up the same marks to other potential trademark registrants.

A trademark registration is in force for 10 years but, to maintain it, the DECLARATION OF ACTUAL USE of the mark, with accompanying evidence of its use, must be filed with the Intellectual Property Office of the Philippines according to the following schedule:

- DAU filed within three (3) years from the filing date of the trademark application;
- DAU filed within one (1) year from the fifth anniversary of the registration/within one (1) year from the fifth anniversary of the renewal of registration; and

- DAU to be filed within one (1) year from the date of renewal of registration (*This additional requirement applies to all marks due for renewal on 1 January 2017 and onwards, regardless of the filing date of the request for renewal).

A single extension of six months can be requested to file for the 3rd Year DAU, provided the request was made before the three-year period expired, and upon payment of the necessary fees.

But, if a registrant has valid reasons which prohibit him from using the mark, a Declaration of Non-Use may be filed instead of the DAUs. However, the non-use of a mark may only be excused in the following circumstances:

- the registered owner is prevented from using it as a requirement imposed by another government agency
- an existing restraining order or injunction issued by a court, the IPO or other quasi-judicial bodies prevents the use or,
- the mark is the subject of an opposition or cancellation case.¹⁴

Evidently, the affidavit of actual use or declaration of continued use presupposes that the owner of the registered mark continues the *bona fide* use of its mark on the goods or services in the course of trade. Failing to satisfy the scrutiny of the respective trademark officers, a registered mark may be cancelled on account of non-use amounting to abandonment. Clearly, the Intellectual Property Law does not reject the fact that prior registration, as indicated under Section 122, actually relies on a claimant's **actual use** of the mark in commerce.

Section 159.1¹⁵ also recognizes **rights to prior actual users** of a trademark later on registered, thus:

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

RA 8293, therefore, does not eliminate prior actual use as a foundation for trademark ownership. Just as Section 122 is **not a complete scheme** for trademark ownership, Section 159.1 cannot also be interpreted as the *only right* given to prior actual users.

While Section 138¹⁶ provides that a certificate of registration is a *prima facie* evidence of the registrant's ownership of the mark, jurisprudence

¹⁴ How to Maintain a Registered Trademark in the Philippines, at <https://www.ipophil.gov.ph/news/how-to-maintain-a-registered-trademark-in-the-philippines/> (last accessed June 23, 2020).

¹⁵ Intellectual Property Code. Section 159.1.

¹⁶ Intellectual Property Code. Section 138.

dictates that registration does not confer upon the registrant an **absolute** right to the registered mark.¹⁷

The Court in *UFC Philippines, Inc. v. Barrio Fiesta Manufacturing Corporation*¹⁸ clarified that *prima facie* presumption brought about by the registration of a mark may be challenged and overcome, in an appropriate action, by proof of the nullity of the registration or of non-use of the mark, except when excused.

Corollary thereto, *W Land Holdings, Inc. v. Starwood Hotels and Resorts Worldwide, Inc.*¹⁹ ordained that the actual use of the mark representing the goods or services introduced and transacted in commerce over a period of time creates that goodwill which the law seeks to protect.

Both *UFC and W Land Holdings, Inc.* (among other jurisprudence) cited *Berris* which emphasized the important factor of prior actual use in one's claim of trademark ownership which the *ponencia* wishes to overturn.

Indubitably, **actual use** cannot be downplayed as an essential element in protecting trademark laws. To be sure, the **real value** of a trademark lies in its actual use. Trademark is important to commerce, and commerce is about **execution** and not about abstract and academic steps or procedures.

The trademark dispute here involves not just any other commercial good. The products here relate to the general population's health and safety. Thus, our concern should focus how trademark laws can be better harmonized in the context of determining the rights accorded in the sale and distribution of these medical products bearing specific trademarks. For the protection of trademarks as intellectual property is intended not only to preserve the goodwill and reputation of the business established on the goods bearing the mark through actual use over a period of time, but more importantly, to safeguard the public as consumers.²⁰

We have to consider the long history articulating the ownership rights of prior actual users. This shall subsist in the absence of its express repudiation and express good commercial reasons for discarding it.

A final word. The sale and distribution of medicine are not merely commercial in nature even if pharmaceutical giants make handsome profits from these endeavors. Rather, our lens should be widened to equally view medicine trademarks also as a matter of public health and safety.

Certificates of Registration. - A certificate of registration of a mark shall be *prima facie* evidence of validity of the registration, the registrant's ownership of the mark, and of the registrant's exclusive right to use the same in connection with the goods or services and those that are related thereto specified in the certificate. x x x.

¹⁷ See *Phillip Morris, Inc. v. Fortune Tobacco Corp.*, 526 Phil. 300, 317 (2006).

¹⁸ See 778 Phil. 763, 790 (2016), citing *Berris Agricultural Co., Inc. v. Abyadang*, 647 Phil. 517, 525-533 (2010).

¹⁹ *Supra* note 13.

²⁰ See *UFC Philippine, Inc. v. Barrio Fiesta Manufacturing Corporation*, *supra*.

In its closing statements, the *ponencia* admits that *the issue on likelihood of confusion on medicines may pose a significant threat to public health*, and adds that *there is a need to improve our intellectual property laws and the government's manner of regulation of drug names to prevent the concurrent use in the market of confusingly similar names for medicines.*²¹ But why wait when we can already reconcile the existing legal precepts to address this? The 1987 Constitution itself guides us, thus:

Article XII, Section 6. The use of property bears a social function, and all economic agents shall contribute to the common good. Individuals and private groups, including corporations, cooperatives, and similar collective organizations, shall have the right to own, establish, and operate economic enterprises, subject to the duty of the State to promote distributive justice and to intervene when the common good so demands.

As Justice Leonen aptly points out in his Dissenting Opinion, this is the very foundation of regulations behind both the IP Code and the Food and Drug Administration Act.²² Verily, even with the safeguards of intellectual rights protection and policy in place, and no matter the effectiveness of their enforcement, the truth is that it is human to err. It is not a question of *if*, but *when* a person will mistake ZYNAPSE for ZYNAPS and suffer its consequences, if only to strictly interpret a legal provision. This myopic reading of IP laws is inconsistent with the demand of the Constitution²³ for a holistic approach on national economic policies in consideration of their social function and the common good.

ACCORDINGLY, I vote to **GRANT** the petition.

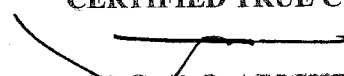

AMY C. LAZARO-JAVIER
Associate Justice

²¹ *Ponencia*, p. 43.

²² J. Leonen *Reflections*, p. 5.

²³ 1987 Constitution, Article XII, Section 6.

CERTIFIED TRUE COPY


EDGAR O. ARICHETA
Clerk of Court En Banc
Supreme Court