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G.R. No. 211850 – ZUNECA PHARMACEUTICAL and/or AKRAM ARAIN and/or VENUS ARAIN, M.D., and style of ZUNECA PHARMACEUTICAL, *petitioners*, v. NATRAPHARM, INC., *respondent.*

Promulgated:
September 8, 2020

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DISSENTING OPINION

LEONEN, *J.*:

The majority correctly stated the general rule. However, with due respect, given the facts, this case presents the exception. We have the opportunity to clarify and give life to the Constitutional precept that the use of property bears a social function and such use should be for the common good. I see no reason why registration with the Intellectual Property Office essentially trumps the elaborate requirements of the Food and Drug Administration for purposes of ensuring the safety, efficacy, and consistency of a drug. Ownership in any jurisdiction is not merely a private commercial construct. It should be a legal concept that performs a truly holistic public function.

While trademarks identifying basic commodities like clothing and appliances may be acquired by registration in accordance with the Intellectual Property Code, a trademark registration for use on medicines requires a broader reading of applicable laws regulating public health and safety in the sale and distribution of such products. Together with ensuring an effective system for the protection of intellectual property rights, the State has the duty to ensure that those engaged in the sale of medicines have complied with the necessary regulations.

In essence, a manufacturer may potentially be liable for infringement when it seeks to register a similar mark, which will tend to cause confusion with another mark already in circulation after prior approval by the Food and Drug Administration. For the label of a drug to be properly registered in good faith, it is not the subjective knowledge of the registrant or corporation that should be examined, but what they should have known as a market participant. An analysis of the parties' rights confined only to who registers first with the Intellectual Property Office would seem callous and agnostic to existing provisions both in the Constitution and in our statute.

We read our laws as a whole. Commercial and civil laws should be read alongside social legislation. In this particular case, the Intellectual Property Code's provisions on trademark ownership should be read in view of the State's Constitutional mandate to ensure that property is used toward the common good. Concurrently, the statutory regulations securing public health and safety must be read together with commercial and civil laws. The right to engage in the business of selling and distributing pharmaceutical products, given the product's social importance, should be qualified by compliance with the necessary safety regulations.

Besides, respondent Natrapharm, Inc. has been proven to have actually known of the existence of petitioner Zuneca Pharmaceutical's drug.

Petitioners Zuneca Pharmaceutical, Akram Arain, and Venus Arain (Zuneca), seek the reversal of the lower courts' rulings that respondent Nartrapharm, Inc. (Natrapharm), acquired ownership and all corresponding rights over its "ZYNAPSE" mark by being the first to register it with the Intellectual Property Office of the Philippines.

Zuneca insists that it has been importing generic drugs from Pakistan and marketing them in the Philippines under different brand names since 1999. Among these drugs was *carbamazepine*, an anti-convulsant for regulating seizures.[1] In order to sell *carbamazepine* in the Philippines as "ZYNAPS", Zuneca procured a Certificate of Product Registration from the then Bureau of Food and Drugs (now the Food and Drug Administration) on April 15, 2003. Local sales and marketing for ZYNAPS then began sometime in 2004.[2] However, Zuneca was not able to register their mark with the Intellectual Property Office of the Philippines.[3]

On the other hand, Natraphram registered the trademark "ZYNAPSE" with the Intellectual Property Office of the Philippines on September 24, 2007, which is covered by Certificate of Trademark Registration No. 4-2007-005596.[4] Natrapharm intended to use "ZYNAPSE" to market its stroke treatment drug, *citicoline*, and conducted a database search for identical or similar "*cerebroprotective* products"[5] prior to registration. Natrapharm's search yielded negative results. After registering its trademark with the Intellectual Property Office of the Philippines, Natrapharm procured a "Certificate of Product Listing" from the Bureau of Food and Drugs.[6]

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1 Ponencia, p. 3.
2 Id. at 4.
3 Id. at 6.
4 Id. at 3.
5 Id. at 5.
6 Id.

Through the course of the parties' respective business operations, they advertised their various products in the same pharmaceutical publications, such as the Philippine Pharmaceutical Directory, and in the same conventions.[7] However, witness testimonies established that Natrapharm's "ZYNAPSE" product, in particular, "[was] not listed in the [Philippine Pharmaceutical Directory]" together with Zuneca's "ZYNAPS" product.[8]

When the parties became aware of the similarity in their marks, they attempted to negotiate a compromise but failed.[9] Thus, Natrapharm filed a Complaint for trademark infringement against Zuneca.[10] The lower courts recognized Natrapharm's right to prevent Zuneca from using and registering the confusingly similar "ZYNAPS" mark, despite Zuneca offering proof of actual use prior to Natrapharm's registration with the Intellectual Property Office.[11] The trial court found that the "first filer in good faith defeats a first user in good faith who did not file any application for registration."[12]

The Court of Appeals reiterated the trial court's ruling, holding that "registration, not prior use, is the mode of acquiring ownership[.]"[13] Further, both lower courts agreed that the presence of Zuneca's "ZYNAPS" mark in the Philippine Pharmaceutical Directory, and in other marketing materials, did not detract from Natrapharm's registration of its "ZYNAPSE" mark in good faith.[14]

The majority affirms the lower courts' findings that rights over a trademark are conclusively acquired solely by prior registration. It then reasons that legislative developments in our intellectual property laws have shifted the regime for acquiring ownership over trademarks from "first-to-use" to "first-to-file[.]"[15] The majority also refers to a Senate sponsorship speech in determining the legislative intent for this shift.[16]

However, a registration "made validly in accordance with the provisions of [Republic Act No. 8293]"[17] connotes registration in good faith. With respect to trademarks used on pharmaceutical goods, such as medicines, registration in good faith should refer not only to the provisions of the Intellectual Property Code, but also to the laws regulating the sale and

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7 Id. at 6.
8 Id. at 7.
9 Id. at 5.
10 Id. at 3.
11 Id. at 10–11.
12 Id. at 7.
13 Id. at 8.
14 Id. at 7–9.
15 Id. at 17.
16 Id. at 19–20.
17 Id. at 17.

distribution of pharmaceuticals. Thus, the actual sale and distribution of medicines, and therefore, the right to use the trademark on one's products, should be read as conditioned upon the registrant's compliance with the necessary safety regulations.

I

Article XII, Section 6 of the 1987 Constitution provides for the State's duty to regulate the use of property, in view of its inherent social function and the need for such use to contribute to the common good:

> 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.

This provision has often been cited as basis for the State's exercise of police power in imposing necessary regulations upon the exercise of private property rights. The same language appears in Republic Act No. 8293, or the Intellectual Property Code, as the reasoning behind regulatory measures imposed by the State on the use of intellectual property:

> Section 2. Declaration of State Policy. — The State recognizes that an effective intellectual and industrial property system is vital to the development of domestic and creative activity, facilitates transfer of technology, attracts foreign investments, and ensures market access for our products. *It shall protect and secure the exclusive rights of scientists, inventors, artists and other gifted citizens to their intellectual property and creations, particularly when beneficial to the people, for such periods as provided in this Act.*
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> *The use of intellectual property bears a social function. To this end, the State shall promote the diffusion of knowledge and information for the promotion of national development and progress and the common good.*
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> It is also the policy of the State to streamline administrative procedures of registering patents, trademarks and copyright, to liberalize the registration on the transfer of technology, and to enhance the enforcement of intellectual property rights in the Philippines. (Emphasis supplied)

In recent Decisions, this Court has also used Article XII, Section 6 to justify the regulation of the pharmaceutical industry.[18] A related opinion

[18] *Drugstores Association of the Philippines, Inc. v. National Council on Disability Affairs*, G.R. No. 194561, September 14, 2016, <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/62361> [Per

also discusses how this same underlying policy informs the regulatory requirements imposed on those engaged in manufacturing, distribution, and sale of pharmaceutical products in our jurisdiction:

> *The approval of any drug as food product destined for public use is not a matter only between the applicant and the regulator. It affects public health.* Ultimately, it is the consumers who are affected. Thus, the process of certification and re-certification is burdened with severe public interest.[19] (Emphasis supplied)

This is consistent with the Food and Drug Administration's duty to "(a) protect and promote the right to health of the Filipino people; and (b) help establish and maintain an effective health products regulatory system and undertake appropriate health manpower development and research, responsive to the country's health needs and problems."[20] Furthermore:

> The Food and Drug Administration was created by Republic Act No. 3720 to regulate food, drug, and cosmetic manufacturers and establishments. In 1982, the Food and Drug Administration was abolished and its functions were assumed by the Bureau of Food and Drugs. In 2009, the Bureau of Food and Drugs was renamed the Food and Drug Administration. *Republic Act No. 9711 outlined the Food and Drug Administration's regulatory capabilities, including the development and issuance of "standards and appropriate authorizations that would cover establishments, facilities and health products."*
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> *Among the authorizations issued by the Food and Drug Administration is the Certificate of Product Registration* of all health products or "food, drugs, cosmetics, devices, biologicals, vaccines, in-vitro diagnostic reagents and household/urban hazardous substances and/or a combination of and/or a derivative thereof," *consistent with its mandate to "insure safe and good quality [supplies] of food, drug[s] and cosmetic[s]."*[21] (Citations omitted, emphasis supplied)

Thus, the regulations imposed under the Intellectual Property Code and the Food and Drug Administration Act are underscored by the same Constitutional mandate to ensure that the use of property and the exercise of private rights is done in pursuit of the common good.

There is a need to broaden the scope of the laws being considered in determining the rights presently in dispute, as they involve property bearing

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J. Peralta, Third Division] (pertaining to the legality of giving discounts to persons with disabilities); *Southern Luzon Drug Corporation v. The Department of Social Welfare and Development*, 809 Phil. 315, 315–398 (2017) [Per J. Reyes, En Banc] (pertaining to the legality of discounts and change of tax treatment for senior citizens under Republic Act No. 9257).

19 J. Leonen, Separate Concurring Opinion, *Alliance for the Family Foundation, Philippines, Inc. v. Garin*, 809 Phil. 897, 964 (2017) [Per J. Mendoza, Special Second Division].

20 Republic Act No. 9711, sec. 3.

21 J. Leonen, Separate Concurring Opinion, *Alliance for the Family Foundation, Philippines, Inc. v. Garin*, 809 Phil. 897, 936–937 (2017) [Per J. Mendoza, Special Second Division].

an inherent social function, geared as they are in direct service to public health and safety.

In view of the serious public interest that must be secured in the distribution and sale of medicines, the right to engage in such a business is subject not only to the rules apportioning private property rights to their respective owners, but also to the regulations ensuring that the undertaking of such a business would not endanger the consuming public.

II

Discussing the legal regime for determining property rights in trademarks requires considering the fundamental reasons for registering trademarks and seeking protection for the property rights therein.

The definition and concept of "property" has proven to be malleable and subject to change based on technological and social innovations. While "property" used to refer to physical and tangible inputs in the process of production, such as land or raw materials, contemporary formulations of "property" have evolved beyond reference to tangible things.[22] The passage of time has seen the creation and protection of private interests ranging from assets previously deemed "outside the law," such as ancestral lands of indigenous peoples, to things that "owe their very existence entirely to the law[,]" such as shares of corporate entities, financial instruments, and intellectual property.[23]

However, a consistent determinant of what may be recognized as "property" pertains to the bundle of valuable rights that may be accorded protection by law.[24] While the changing times have transformed the kinds of assets entitled to legal protection, the extent of protection available to the newly emerging forms of property have remained consistent in according the following benefits to prospective private owners:

> "*Priority*, which ranks competing claims to the same assets; *durability*, which extends priority claims in time; *universality*, which extends them in space; and *convertibility*, which operates as an insurance device that allows holders to convert their … claims into state money on demand and thereby protect their nominal value[.]"[25] (Citation omitted, emphasis in the original)

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22 Remigius N. Nwabueze, Biotechnology and the Challenge of Property, p. 33 (2007).
23 Katharina Pistor, The Code of Capital, p. 108 (2019).
24 Remigius N. Nwabueze, Biotechnology and the Challenge of Property, p. 33 (2007).
25 Katharina Pistor, The Code of Capital, p. 3 (2019).

With increasingly globalized markets for goods and services, owners of highly developed intellectual properties sought to do business in markets with the same "upgraded" and uniform protections for intellectual property,"[26] in order to preserve their right of priority in foreign markets, and to ensure the durability and universality of their highly valued interests in such property. These larger corporations, particularly those in the United States, have been observed to urge their government to "use the leverage inherent in access to the United States market as a means of stimulating countries to upgrade their level of protection [for intellectual property]."[27]

The Paris Convention and, subsequently, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) were the relevant attempts at creating these "upgraded" protections in other markets. In fact, our current law on intellectual property was enacted "not only to amend certain provisions of existing [intellectual property laws]. . . but also to honor the country's commitments under the [TRIPS Agreement]."[28]

However, these uniform regulations often fail to account for the need to develop protections for smaller industries in local markets.[29] In fact, the institutionalization of global free trade, through the World Trade Organization was observed to have "created major carve-outs from the free trade regime for monopolies under the label of intellectual property rights."[30] Simply put, big businesses often seek more expedient ways of excluding other competitors when entering foreign markets, and a purely registration-based regime of acquiring rights to property is indicative of this trend.[31] This often hampers the creation of a conducive "free trade" environment for the intellectual properties of smaller and often local businesses. These competing objectives are a common pitfall in efforts to create uniform protections for intellectual property,[32] and have been observed as an "inherent limitation" therein.[33]

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26 Michael W. Smith, Bringing Developing Countries' Intellectual Property Laws to TRIPS Standards: Hurdles and Pitfalls Facing Vietnam's Efforts to Normalize an Intellectual Property Regime, 31 Case W. Res. J. Int'l. L. 211, 213 (1999).

27 Id. at 212–213.

28 *E.I. Dupont De Nemours and Co. v. Emma C. Francisco*, 794 Phil. 97, 127 (2016) [Per J. Leonen, Second Division].

29 Michael W. Smith, Bringing Developing Countries' Intellectual Property Laws to TRIPS Standards: Hurdles and Pitfalls Facing Vietnam's Efforts to Normalize an Intellectual Property Regime, 31 Case W. Res. J. Int'l. L. 211, 212–213 (1999).

30 Katharina Pistor, The Code of Capital, p. 123 (2019).

31 Id.

32 Michael W. Smith, Bringing Developing Countries' Intellectual Property Laws to TRIPS Standards: Hurdles and Pitfalls Facing Vietnam's Efforts to Normalize an Intellectual Property Regime, 31 Case W. Res. J. Int'l. L. 211, 212–213 (1999).

33 Timothy W. Blakely, Beyond the International Harmonization of Trademark Law: The Community Trade Mark as a Model of Unitary Transnational Trademark Protection, 149 University of Pennsylvania Law Review 309, 311 (1996).

A perusal of our domestic laws shows there is adequate emphasis on the importance of granting legal protection to actual valuable rights, instead of the value created by prioritized exclusion of prospective competitors.

In our jurisdiction, Republic Act No. 8293 defines a "mark" as "any visible sign capable of distinguishing the goods (trademark) or services (service mark) of an enterprise[.]"[34] This definition was derived from Republic Act No. 166, which previously defined trademarks as follows:

> The term "trade-mark" includes any word, name, symbol, emblem, sign or device or any combination *thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them* from those manufactured, sold or dealt in by others."[35] (Emphasis supplied)

Thus, a mark serves the primary purpose of distinguishing one's goods and services from another's. *La Chemise Lacoste, S.A. v. Fernandez* provides further clarity:

> The purpose of the law protecting a trademark cannot be overemphasized. They are *to point out distinctly the origin or ownership* of the article to which it is affixed, *to secure to him, who has been instrumental in bringing into market a superior article of merchandise, the fruit of his industry and skill*, and *to prevent fraud and imposition.*
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> The legislature has enacted *laws to regulate the use of trademarks* and provide for the protection thereof. Modern trade and commerce demands that depredations on legitimate trade marks [sic] of non-nationals including those who have not shown *prior registration* thereof should not be countenanced. The law against such depredations is *not only for the protection of the owner* of the trademark but also, and *more importantly, for the protection of purchasers* from confusion, mistake, or deception as to the goods they are buying.[36] (Citations omitted, emphasis supplied)

Mirpuri v. Court of Appeals also aptly discussed the history behind the development of trademarks as a specific type of property entitled to protection under the law:

> A "trademark" is defined under R.A. 166, the Trademark Law, as including "any word, name, symbol, emblem, sign or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured, sold or dealt in by others." This definition has been simplified in R.A. No. 8293, the Intellectual Property Code of the Philippines, which defines a "trademark" as "any visible sign capable of distinguishing goods." In

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34 Republic Act No. 8293 (1997), Part III, sec. 121.1.

35 Republic Act No. 166 (1947), Chapter XII, sec. 38.

36 *La Chemise Lacoste, S.A. v. Fernandez*, 214 Phil. 332, 355–356 (1984) [Per J. Guttierez, Jr., First Division].

Philippine jurisprudence, *the function of a trademark is* to point out distinctly the origin or ownership of the goods to which it is affixed; *to secure to him, who has been instrumental in bringing into the market a superior article of merchandise, the fruit of his industry and skill*; to assure the public that they are procuring the genuine article; to prevent fraud and imposition; and to protect the manufacturer against substitution and sale of an inferior and different article as his product.

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

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

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

With constant use, the mark acquired popularity and became voluntarily adopted. It was not intended to create or continue monopoly but to give the customer an index or guarantee of quality. It was in the late 18th century *when the industrial revolution gave rise to mass production and distribution of consumer goods* that *the mark became an important instrumentality of trade and commerce.* By this time, trademarks did not merely identify the goods; they also indicated the goods to be of satisfactory quality, and thereby stimulated further purchases by the consuming public. Eventually, they *came to symbolize the goodwill and business reputation of the owner of the product and became a property right protected by law.* The common law developed the doctrine of trademarks and tradenames "to prevent a person from palming off his goods as another's, from getting another's business or injuring his reputation by unfair means, and, from defrauding the public." Subsequently, England and the United States enacted national legislation on trademarks as part of the law regulating unfair trade. It became the

> right of the trademark owner to exclude others from the use of his mark, or of a confusingly similar mark where confusion resulted in diversion of trade or financial injury. At the same time, the trademark served as a warning against the imitation or faking of products to prevent the imposition of fraud upon the public.
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> Today, *the trademark is not merely a symbol of origin and goodwill; it is often the most effective agent for the actual creation and protection of goodwill.* It imprints upon the public mind an anonymous and impersonal guaranty of satisfaction, creating a desire for further satisfaction. In other words, *the mark actually sells the goods.* The mark has become the "silent salesman," the conduit through which direct contact between the trademark owner and the consumer is assured. It has invaded popular culture in ways never anticipated that it has become a more convincing selling point than even the quality of the article to which it refers. In the last half century, *the unparalleled growth of industry and the rapid development of communications technology have enabled trademarks, tradenames and other distinctive signs of a product to penetrate regions where the owner does not actually manufacture or sell the product itself.* Goodwill is no longer confined to the territory of actual market penetration; it extends to zones where the marked article has been fixed in the public mind through advertising. Whether in the print, broadcast or electronic communications medium, particularly on the Internet, advertising has paved the way for growth and expansion of the product by creating and earning a reputation that crosses over borders, virtually turning the whole world into one vast marketplace.[37] (Citations omitted, emphasis supplied)

From the above, it is clear that the law protects the *owner's right to the mark's value*, which is *generated by its actual use in commerce*. Verily, *W Land Holding, Inc. v. Starwood Hotels and Resorts Worldwide, Inc.* recognized that "[t]he *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.*"[38] This is consistent with the essence of marks as intellectual property, being "creations of the human mind"[39] that "identify the origin of a product."[40]

In view thereof, actual use in commerce remains crucial in actualizing the registrant's rights over a mark. Particularly, Section 138 of the Intellectual Property Code provides that the certificate of registration is only *prima facie* evidence of the registrant's ownership. The *prima facie* nature of registration is clarified by Sections 124.2 and 145, which provide specific limitations on the rights accorded by registration:

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37 *Mirpuri v. Court of Appeals*, 376 Phil. 628, 645–649 (1999) [Per J. Puno, First Division].

38 G.R. No. 222366, December 4, 2017, <http://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/63689> [Per J. Perlas-Bernabe, Second Division].

39 World Intellectual Property Organization, Understanding Industrial Property, p. 5; Available at https://www.wipo.int/edocs/pubdocs/en/wipo_pub_895_2016.pdf, last accessed on January 27, 2020.

40 Timothy W. Blakely, Beyond the International Harmonization of Trademark Law: The Community Trade Mark as a Model of Unitary Transnational Trademark Protection, 149 University of Pennsylvania Law Review 309, 309 (1996).

> 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.
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> . . . .
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> 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) (Emphasis supplied)

Requiring the registrant to prove actual use indicates its continued importance, if not in acquiring, then in maintaining rights over trademarks. Moreover, in the context of pharmaceuticals, the intent to actually use a trademark remains a catalyst for creating the valuable interests sought to be protected under law. This interplay between registration and actual use also reflects our domestic laws' inclination toward protecting the developing local market for intellectual property, while at the same time laying the groundwork for the freer movement of goods and services brought about by globalization.

At the very least, prior use should remain a factor in determining who has a better right to the trademark in question for this particular case. As discussed, actual use creates the valuable interest sought to be protected by trademark laws. An unused trademark generates no value for its holder despite its registration with the Intellectual Property Office. Thus, it fails to produce the valuable interest in the property that ought to be protected. Trademarks become valuable through actual use in commerce when they become identifiers of a product's quality and, thus, create market traction for the advertised product. While registration does not create value in a trademark, it operationalizes the acquisition of rights by providing a formal process for proving actual use, and thus, one's acquisition of the full set of rights over the registered mark. It is the actual use of a mark that makes it valuable, and the law should secure such value to the person or entity who created it, and thus, has the right to it.

Having clarified the valuable interest which ought to be protected by trademark laws, it is worth noting that those engaged in the sale and distribution of medicines must comply with specific public health and safety regulations before they may enter the market. Consequently, sellers and distributors of medicines may be deemed to have acquired the right to market their products only upon adequate regulatory compliance. Without such compliance, trademarks on medicines cannot be used and thus cannot

generate the value sought to be protected by our trademark laws. It is therefore important to also consider the relevant regulations imposed on those engaged in the sale and distribution of medicines and pharmaceutical products.

The competing "ZYNAPS" and "ZYNAPSE" marks are used to market pharmaceutical products, which are regulated by the Food and Drug Administration pursuant to State's policy on the protection of public health.[41] The Food and Drug Authority was created under Republic Act No. 3720, and subsequently amended by Republic Act No. 9711, which provides:

> SECTION 3. It is hereby declared a policy of the State to adopt, support, establish, institutionalize, improve and maintain structures, processes, mechanisms and initiatives that are aimed, directed and designed to: (a) protect and promote the right to health of the Filipino people; and (b) help establish and maintain an effective health products regulatory system and undertake appropriate health manpower development and research, responsive to the country's health needs and problems. Pursuant to this policy, the State must enhance its regulatory capacity and strengthen its capability with regard to the inspection, licensing and monitoring of establishments, and the registration and monitoring of health products.[42]

While the regulator's guidelines on product registration specify that they were issued independently from the rules on ownership of trademarks,[43] the particular circumstances of this dispute require a harmonious reading of all relevant laws. Pharmaceutical drugs serve a purpose imbued with public interest, which cannot be separated from its commercial importance as a marketable product in the parties' respective businesses. Consequently, a prospective entrant into the pharmaceuticals market will not be allowed to engage in business without first complying with the regulator's requirements. Thus, entities seeking to profit from the sale of pharmaceutical products, and from the growth of the intellectual property attached to their business, are required to follow public safety regulations.

The implementing rules of Republic Act No. 9711 prohibit the "manufacture, importation, exportation, sale, offering for sale, distribution, transfer, non-consumer use, promotion, advertising, or sponsorship of any

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41 1987 CONST., Art. II, sec. 15.

42 Republic Act No. 9711, amending Rep. Act No. 3720.

43 The Scope and Coverage of the Guidelines Governing Brand Names of Products for Registration with the Bureau of Food and Drugs provides that "This Department acknowledges that it is not the gatekeeper in the promotion and regulation of brand names which are often times being used as marketing tools, without any connection or relation whatsoever to the safety, efficacy and quality of the products. In issuing this Order, this Department, through [BFAD], hereby reiterates and consistently adopts its mandate and responsibility to only ensure the safety, efficacy and good quality of products applied for registration.

health product" without certification from the Food and Drug Authority. "Health products" include, but are not limited to the following:

> a. Under the [Center for Cosmetics Research and Regulation], all cosmetic products, household/urban hazardous substances (HUHS), including household/urban pesticides, and toys and childcare articles;
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> *b. Under the [Center for Drug Regulation and Research], all drugs, including vaccines, biologics, veterinary medicines and animal health products, medical gases, traditional medicine, and herbal medicines*;
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> c. Under the CDRRHR, all medical devices, radiation-emitting devices, in-vitro diagnostic device and reagents; refurbished medical devices; equipment or devices used for treating sharps, pathological and infectious waste, water treatment devices/systems; and other health-related devices as determined by the FDA; and
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> d. Under the CFRR, all processed food products, food supplements, raw materials, ingredients and additives for food.
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> Further inclusion of health products in the list shall be guided by RA 9711 on the definition of health products.[44] (Emphasis supplied)

As such, all entities engaged in the health products business are required to procure a License to Operate from the Food and Drug Administration, together with the applicable product market authorizations, such as the Certificate of Product Registration and the Certificate of Product Notification.[45]

The issuance of a License to Operate requires the submission of the following requirements:

> 1. The requirements for applying for [License to Operate] shall be as follows:
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> A. Initial LTO
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> 1) Accomplished e-Application Form with Declaration of Undertaking;
> 2) Proof of Business Name Registration;
> 3) Proof of Income (Latest Audited Financial Statement with Balance Sheet); and
> 4) Payment of Fees.
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> B. Renewal of LTO
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> 1) Accomplished e-Application Form with Declaration of Undertaking; and
> 2) Payment of Fees.
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> C. Variation

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[44] Department of Health Administrative Order No. 0017-20, Re: Revised Guidelines on the Unified Licensing Requirements and Procedures of the Food and Drug Administration (May 8, 2020), Part III, par. 1(a) to (d).

[45] Id. Part V, par. 1.

> 1) Accomplished e-Application Form with Declaration of Undertaking;
> 2) Documentary requirements depending on the variation or circumstances of the establishment or the product as shown in Annex C of this Order; and
> 3) Payment of Fees.
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> D. For manufacturers and for establishments applying for LTO or for major variations, as applicable, the following documents shall be presented to the FDA inspector for examination or review, when required:
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> 1) Risk Management Plan (RMP), which shall be required for medium and large food manufacturers, and all drug, cosmetics, HUHS, including household/urban pesticides (HUP) and toys and childcare articles (TCCA), medical device manufacturers, traders, and distributors (importer, exporter and/or wholesaler), among others.
> 2. Site Master File (SMF), which shall be required for applicants applying for LTO as manufacturers of drugs (CDRR), cosmetic, household/urban hazardous substances, including household/urban pesticides and toys and childcare articles, (CCRR), medical device manufacturers (CDRRHR), and large and medium food manufacturers (CFRR), among others.[46]

The rules then provide that applications for licenses will be evaluated by the Food and Drug Administration to determine the applicant's technical capacity to undertake the business applied for. Only those entities with a valid License to Operate may apply for a Certificate of Product Registration, which is "the certificate issued to a licensed manufacturer/trader/ importer/distributor for the purpose of marketing or free distribution of a product after evaluation for safety, efficacy and quality."[47] A separate opinion discussed the technical procedure for the issuance of a Certificate of Product Registration for the sale and distribution of medicines:

> Considering the highly technical nature of the registration and certification process, the Food and Drug Administration is further subdivided into four (4) research centers: first, the Center for Drug Regulation and Research; second, the Center for Food Regulation and Research; third, the Center for Cosmetic Regulation and Research; and fourth, the Center for Device Regulation, Radiation Health and Research.
>
> Prior to the issuance of a Certificate of Product Registration of an established drug, the Center for Drug Regulation and Research must first review the technical specifications of the drug, in particular:
>
> 1. Application Letter
> 2. Valid License to Operate of manufacturer/trader/ distributor/importer/exporter/wholesaler
> 3. Certificate of Brand Name Clearance

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[46] Department of Health Administrative Order No. 0017-20, Chapter IV(1).

[47] Part IV, par. 2, Administrative Order No. 2005-0016 (General Policies and Guidelines Governing Brand Names of Products for Registration with the Bureau of Food and Drugs).

4. Agreement between Manufacturer and Trader or Distributor-Importer/Exporter
5. General Information — product's proprietary or brand name, official chemical name(s) and generic name(s) of active ingredient(s), molecular or chemical formula and structure, amount of active ingredient per unit dose, pharmaceutical form of the drug, indication, recommended dosage, frequency of administration, route and mode of administration, contraindication, warnings and precautions
6. Unit dose and batch formulation

- Must be in full compliance with the latest official monograph (United States Pharmacopeia, British Pharmacopeia, Japanese Pharmacopeia, European Pharmacopeia, International Pharmacopeia); name and edition of the reference may be cited in lieu of submitting a detailed list of limits and tests; when an alternative procedure or limit is used, it shall be equal to or more stringent than the official requirement
- For non-official or unofficial substances, separate l ist of technical specifications of each ingredient must include the ff:
    - o Name of substance
    - o detailed information on physical and chemical properties
    - o ID tests
    - o Purity tests
    - o Assay

7. Technical/Quality Specifications of all Raw Materials including Packaging Materials
8. Certificate of Analysis of Active Ingredient(s)
9. Technical Specifications of the Finished Product
    a) The appearance of the product (colour, shape dimensions, odour, distinguishing features, etc.)
    b) Identification of the active ingredient(s) (must include the specific identity test for the active moiety)
    c) Quantitative determination of active ingredient(s) (*i.e.*, Assay)
    d) Test of impurities
    e) The appropriate tests concerning the pharmaceutical properties of the dosage form (*e.g.*, pH, content uniformity, dissolution rate, disintegration, etc.)
    f) Tests for safety, sterility, pyrogens, histamine, abnormal toxicity, etc. where applicable
    g) Technical properties of containers
    h) For drug preparations which are subject of an official monograph, the technical/quality specifications of the finished product as stated in the monograph shall be complied with

10. Certificate of Analysis of the Finished Product
11. Pull description of the methods used, the facilities and controls in the manufacture, processing and packaging of the finished product
12. Details of the assay and other test procedures of finished product including data analysis
13. Detailed report of stability studies to justify claimed shelf-life
14. Labeling materials
15. Representative sample
16. For imported products: Duly authenticated Certificate of Free Sale from the country of origin, and Duly authenticated government certificate attesting to the registration status of the manufacturer.

New drugs, on the other hand, require a longer review process before the issuance of a Certificate of Product Registration. The Center for Drug Regulation and Research must first review the following requirements and conduct a series of scientific tests before the issuance of a certification:

1. All requirements for Established Drugs as stated above
2. Certificate of the Medical Director
3. Reference Standard and its corresponding Certificate of Analysis
4. Pre-clinical Data

Before initial human studies are permitted, the full spectrum of pharmacologic properties of the new drug must be extensively investigated in animals. Animal researches are done to provide evidence that the drug has sufficient efficacy and safety to warrant testing in man.

a) Pharmacodynamics
- to identify the primary action of the drug as distinguished from the description of its resultant effects.
- to delineate the details of the chemical interaction between drug and cell or specific receptor site(s), and
- to characterize the full sequence of drug action and effects.

i. Pharmacologic effects — properties relevant to the proposed indication and other effects. Pharmacodynamic data shall demonstrate the primary pharmacologic effect of the drug leading to its development for the intended use(s) or indication(s). It shall also show the particular tissue (s)/organ(s) affected by the drug and any other effect it produces on the various systems of the body.

ii. Mechanism of action including structure-activity relationship (SAR)

b) Pharmacokinetics
Pharmacokinetic data form the basis for prediction of therapeutic doses and suitable dosage regimen.

These data shall demonstrate the following:

i. the rate and extent of absorption of the drug using the intended route of administration;
ii. the distribution pattern including a determination of the tissues or organs where the drug and its metabolites are concentrated immediately after administration and the time course of their loss from this *[sic]* sites;
iii. the metabolic pathway of the drug or its biotransformation and the biological metabolites;
iv. the route of excretion of the drug and its principal metabolites and the amount of unchanged substance and metabolites for each route of excretion;
v. the drug's half-life or the rate that it is eliminated from the blood, plasma or serum.

c) Toxicity data

i. Acute Toxicity

Acute toxicity data shall show the median lethal dose of a drug.

Ideally, the study shall be carried out in at least two (2) species of animals, one (1) rodent and the other non-rodent, using 5 dose levels with the appropriate number of test animals.

ii. Subchronic Toxicity

Subchronic toxicity studies are carried out using repeated daily exposure to the drug over a period of 21-90 days with the purpose of studying the toxic effects on target organs, the reversibility of the effects and the relationship of blood and tissue levels on the test animals.

iii. Chronic Toxicity

Chronic toxicity studies constitute important steps in the analysis of a chemical. The entire lifetime exposure of an individual or animal to the environment or chemical is an on-going process which neither acute nor subchronic toxicity study can provide. The effect on animals when small doses of the drug are given over a long period of time may not be the same as when large doses are given over a short period.

iv. Special Toxicity Studies

v. *[sic]*

a. Reproduction Tests

1. Multigeneration reproduction study provides information on the fertility and pregnancy in parent animals and subsequent generations. The effects of a potentially toxic substance could be determined by the

reproductive performance through successive generations such as adverse effects on the formation of gametes and on fertilization and to detect gross genetic mutations which may lead to fetal death, fetal abnormalities or inadequate development or abnormal reproductive capacity in the F1 generation. This study can also reveal adverse drug effects that occur during pregnancy or during lactation.

2. Teratologic study determines the effect of a chemical on the embryonic and fetal viability and development when administered to the pregnant female rodent (rat) or nonrodent (beagle dog or monkey) during the period of organogenesis.

3. Peri-natal and post-natal study determines the effects of drugs or chemical given to the pregnant animal in the final one-third of gestation and continued throughout lactation to weaning of pups.

b. Carcinogenicity

Carcinogenicity tests in animals are required when the drug is likely to be given to humans continuously or in frequent short course periods to determine whether chronic administration can cause tumors in animals. Mice and rats are the rodents of choice while dogs or monkeys are preferred non-rodents. These tests may be designed to be incorporated in the protocol for chronic toxicity studies wherein the animals are exposed to the drug after weaning and continued for a minimum of two years. At least 3 dose levels are used with the highest dose approximating the maximal tolerated dose and the route should be similar to that anticipated in man. Repeated expert observation, palpation and thorough examinations of animals for any lumps or masses are essential. All animals must be thoroughly autopsied and histological examination of all organs should be carried out.

c. Mutagenicity

Mutagenicity tests have the primary objective of determining whether a chemical has the potential to cause genetic damage in humans. Animal model systems, both mammalian and non-mammalian together with microbial systems which may approximate human susceptibility, are used in these tests.

5. Clinical Data

a) Certification of an independent institution review board of approval of clinical protocol and monitoring of clinical trial
b) Clinical Investigation Data

i. Phase I Clinical Drug Trial

Phase I Clinical Drug Trial consists of initial testing of the study drug in humans, usually in normal volunteers but occasionally in actual patients. The number of subjects is small (N=15 to [30]). Safety evaluations are the primary objectives and attempt is made to establish the approximate levels of patient tolerance for acute and multiple dosing. Basic data on rates of absorption, degree of toxicity to organs (heart, kidney, liver, hematopoietic, muscular, nervous, vascular) and other tissue, metabolism data, drug concentrations in serum or blood and excretion patterns are also obtained. Subjects shall be carefully screened. Careful monitoring for adverse or untoward effects and intensive clinical laboratory tests are required. This study shall be conducted by an approved or accredited Clinical Pharmacologist. A written informed consent of subject is necessary.

ii. Phase II Clinical Drug Trial

Phase I Clinical Drug Trials are initial studies designed to evaluate efficacy of the study drug in a small number of selected populations or patient for whom the drug is intended which may be open label or single or double blind. Blood levels at various intervals, adverse experiences, and additional Phase I data may be obtained. Small doses are gradually increased until the minimal effective dose is found. All reactions of the subjects are carefully recorded. Preliminary estimates of the dosage, efficacy and safety in man are made. The second part of Phase II consists of pivotal well controlled studied that usually represent the most rigorous demonstrations of a drug efficacy. Relative safety information is also determined in Phase II studies. A larger number of patients are enrolled into the second part (N=60 to 200 subjects). Phase II studies are conducted by accredited Clinical Pharmacologists. Phase II second part studies may be conducted by well qualified practitioners or clinicians who are familiar with the conditions to be treated, the drug used in these conditions to be treated, the drug used in these conditions and the methods of their evaluation. A written informed consent of patients-participants is needed.

iii. Phase III Clinical Drug Trial

Phase III clinical drug trials are studies conducted in patient populations for which the drug is eventually intended. These studies generate data on both safety and efficacy in relatively large numbers of patients under normal use conditions in both controlled and uncontrolled studies. The number of patients required vary *[sic]* (1,000 to 10,000). These studies provide much of the information that is needed for the package insert and labelling of the drug. This phase may be conducted as a multicentric trial among accredited clinicians. The informed consent of participating subject is preferably in written form.

> iv. Biovailability
>
> Bioavailability studies are conducted to determine the rate and extent to which the active substance or therapeutic moiety is absorbed from a pharmaceutical form and becomes available at the site of action.
>
> c) Name of investigator(s) and curriculum vitae
>
> d) Name(s) of center/institution wherein the clinical investigation was undertaken
>
> e) Protocol for local clinical trial[48] (Emphasis in the original)

The foregoing illustrates the necessary care involved in determining a prospective market entrant's ability to supply safe medicines to the public. In view of the importance of actual use in creating the valuable interest sought to be protected by trademark laws, compliance with the Food and Drug Administration's regulatory requirements is a necessary prerequisite to avail of such legal protections. Thus, adequate regulatory compliance with the Food and Drug Administration's requirements should be read as part of the "good faith" required of those seeking to register their pharmaceutical trademarks with the Intellectual Property Office.

III

From a commercial perspective, the TRIPS Agreement states that a mark's registration may be made dependent on use, but the absence of prior use shall not prevent registration.[49] Republic Act No. 8293, Section 122 reiterates this principle, as follows:

> 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*. (Emphasis supplied)

Thus, local rules provide that rights in a mark may be acquired by registration, but such registration must conform to the law's relevant provisions on trademark ownership. When read in the context of trademarks used on medicines, prior-registration accords certain rights to the prior registrant, but should not be understood to conclusively grant ownership over the registered mark. Relevant regulatory considerations, together with the nature of the intellectual property sought to be legally protected, should also be taken into account when determining the property rights thereto.

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[48] J. Leonen, Separate Concurring Opinion, *Alliance for the Family Foundation, Philippines, Inc. v. Garin,* 809 Phil. 897, 937–944 (2017), [Per J. Mendoza, Special Second Division].

[49] TRIPS Agreement, sec. 2, Article 15(3).

While the majority comprehensively discusses the omissions made in transitioning from the old Trademark Law to the Intellectual Property Code, there is no explicit language granting conclusive ownership to the prior registrant of a trademark. Conversely, such language exists in previous versions of the law, which, barring an express repeal or irreconcilable inconsistency, should be read in consonance with the law's current provisions. If the legislative intent were to conclusively grant ownership to the prior registrant, the text of the law would have reflected it in unequivocal terms.

Proceeding from the discussion above, the majority's interpretation of Republic Act No. 8293's provisions should be reassessed. Particularly, the inherent limitations of deriving legislative intent from the deliberations of the framers[50] has been aptly discussed by this Court in *Civil Liberties Union v. Executive Secretary*:

> While it is permissible in this jurisdiction to *consult the debates and proceedings of the constitutional convention* in order to arrive at the reason and purpose of the resulting Constitution, resort thereto may be had *only when other guides fail as said proceedings are powerless to vary the terms of the Constitution when the meaning is clear.* Debates in the constitutional convention "are of value as showing the views of the individual members, and as indicating the reasons for their votes, but *they give us no light as to the views of the large majority who did not talk, much less of the mass of our fellow citizens whose votes at the polls gave that instrument the force of fundamental law.* We think it *safer to construe the constitution from what appears upon its face.*" The proper interpretation therefore depends more on how it was understood by the people adopting it than in the framer's understanding thereof.[51] (Citations omitted, emphasis supplied)

The records of legislative deliberations are inherently limited to the opinions of those present, and neither consider the opinions of those who did not or were not able to speak, nor account for changing circumstances. The risk of adopting a very limited interpretation of the law is even greater when relying on the privilege speech of a single senator. However, a contemporaneous approach to doubts in interpretation of a law's text allows for more objectivity, as discussed in a prior opinion:

> Discerning constitutional meaning is an exercise in discovering the sovereign's purpose so as to judge the more viable among competing interpretations of the same legal text. *The words as they reside in the whole document should primarily provide the clues.* Secondarily, contemporaneous construction may aid in illumination if *verba legis* fails. Contemporaneous construction may also validate the clear textual or contextual meaning of the Constitution.

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50 Ponencia, pp. 17–18.

51 *Civil Liberties Union v. Executive Secretary*, 272 Phil. 147, 169–170 (1991) [Per J. Fernan, En Banc].

> Contemporaneous construction is *justified by the idea that the Constitution is not exclusively read by this court.* The theory of a constitutional order founded on democracy is that all organs of government and its People can read the fundamental law. Only differences in reasonable interpretation of the meaning of its relevant text, occasioned by an actual controversy, will be mediated by courts of law to determine which interpretation applies and would be final. The democratic character of reading the Constitution provides the framework for the policy of deference and constitutional avoidance in the exercise of judicial review. Likewise, this is implied in the canonical doctrine that this court cannot render advisory opinions. Refining it further, this court decides only constitutional issues that are as narrowly framed, sufficient to decide an actual case.
>
> *Contemporaneous construction engages jurisprudence and relevant statutes in determining the purpose behind the relevant text.*
>
> In the hierarchy of constitutional interpretation, *discerning purpose through inference of the original intent of those that participated in crafting the draft* Constitution for the People's ratification, *or discerning the original understanding of the past society that actually ratified the basic document, is the weakest approach.*
>
> Not only do these interpretative methodologies allow the greatest subjectivity for this court, it may also be subject to the greatest errors. For instance, *those that were silent during constitutional conventions may have voted for a proposition due to their own reasons different from those who took the floor to express their views. It is even possible that the beliefs that inspired the framers were based on erroneous facts.*[52] (Citations omitted, emphasis supplied)

Thus, recourse to the text of all relevant provisions, and to cases where such provisions were interpreted, should be sufficient to find consistency between the prior-registration and prior-use regimes. While Republic Act No. 8293 may have superseded certain portions of the old Trademark Law, there was no express repeal of the latter's provisions regarding the acquisition of rights over trademarks. *Samson v. Daway* discussed the nature of Republic Act No. 8293's repealing clause, as follows:

> Notably, the aforequoted clause *did not expressly repeal R.A. No. 166 in its entirety*, otherwise, it would not have used the phrases "parts of Acts" and "inconsistent herewith;" and it would have simply stated "Republic Act No. 165, as amended; Republic Act No. 166, as amended; and Articles 188 and 189 of the Revised Penal Code; Presidential Decree No. 49, including Presidential Decree No. 285, as amended are hereby repealed." It would have removed all doubts that said specific laws had been rendered without force and effect. *The use of the phrases "parts of Acts" and "inconsistent herewith" only means that the repeal pertains only to provisions which are repugnant or not susceptible of*

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[52] J. Leonen, Concurring Opinion, *Poe-Llamanzares v. Commission on Elections*, 782 Phil. 292, 696–697 (2016) [Per C.J. Sereno, En Banc].

> *harmonization with R.A. No. 8293*[.][53] (Citations omitted, emphasis supplied)

In view of this implied repeal, there must be a "substantial and irreconcilable conflict"[54] between registration and prior use, for the former to completely exclude the latter as a mode of acquiring rights over trademarks. Since the law's provisions on registration and actual use work together to vest the full set of rights available in a trademark, there is no inconsistency that should lead to the abandonment of prior use.

As aptly observed by the *ponente*, this interplay between registration and actual use was discussed at length in *Berris Agricultural Co. Inc. v. Abdayang*,[55] and in *E.Y. Industrial Sales, Inc. v. Shen Dar Electricity and Machinery Co. Ltd.*[56]

In *Berris*, this Court determined the parties' right of ownership over the disputed mark in order to resolve the issue of trademark infringement. This Court reasoned that since the provisions of Republic Act No. 8293 require proof of actual use in order to maintain one's rights to the registered mark, the determining factor in acquiring ownership remains actual use of the mark in commerce. Thus, a mark's registration creates a presumption of the "registrant's ownership of the mark," which may be rebutted by proof of another's prior use.[57]

The majority reasons that *Berris* incorrectly applied principles under Republic Act No. 166 to a problem governed solely by Republic Act No. 8239. However, even without the discussion cited by the majority,[58] this Court's *ratio* in *Berris* explained that Republic Act No. 8293's relevant provisions still recognized prior use as a mode of acquiring rights over trademarks. Moreover, the majority's decision to overturn *Berris* may not have considered the possibility that the relevant provisions of Republic Act No. 166 may be read in consonance with those of Republic Act No. 8239.

The same may be true for the majority's assessment of *E.Y. Industrial*'s applicability. In *E.Y. Industrial*, this Court reiterated the importance of "proof of prior and continuous use"[59] in establishing ownership of a trademark. Notably, *E.Y. Industrial* recognized that Republic

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53 *Samson v. Daway*, 478 Phil. 784, 790–791 (2004) [Per J. Ynares-Santiago, First Division].

54 *Berris Agricultural Co., Inc. v. Abyadang*, 647 Phil. 517, 524 (2010) [Per J. Nachura, Second Division].

55 647 Phil. 517 (2010) [Per J. Nachura, Second Division].

56 648 Phil. 572 (2010) [Per J. Velasco, Jr., First Division].

57 *Berris Agricultural Co., Inc., v. Adyadang*, 647 Phil. 517, 525 (2010) [Per J. Nachura, Second Division].

58 Ponencia, p. 20.

59 E.Y. Industrial Sales, Inc. et al. v. Shen Dar Electricity and Machinery Co. Ltd., 648 Phil. 572, 593 (2010) [Per J. Velasco, Jr., First Division].

Act No. 8293 removed prior use as a prerequisite for registration, consistent with the requirement under section 3 of the TRIPS Agreement.[60]

While I agree with the *ponente's* astute observation that *E.Y. Industrial* should not have cited *Shangri-la*,[61] *E.Y Industrial's* issue on ownership was decided primarily by applying the relevant provisions of Republic Act No. 8293:

> RA 8293 espouses the "first-to-file" rule as stated under Sec. 123.1 (d) which states:
>
> > Section 123. *Registrability.* — 123.1. A mark cannot be registered if it:
> >
> > xxx xxx xxx
> >
> > (d) Is identical with a registered mark belonging to a different proprietor or a mark with an earlier filing or priority date, in respect of:
> >
> > > (i) The same goods or services, or
> > > (ii) Closely related goods or services, or
> > > (iii) If it nearly resembles such a mark as to be likely to deceive or cause confusion[.]
>
> Under this provision, the *registration of a mark is prevented with the filing of an earlier application for registration.* This *must not, however, be interpreted to mean that ownership should be based upon an earlier filing date*. While RA 8293 removed the previous requirement of proof of actual use prior to the filing of an application for registration of a mark, *proof of prior and continuous use is necessary to establish ownership of a mark. Such ownership constitutes sufficient evidence to oppose the registration of a mark.*
>
> *Sec. 134 of the IP Code* provides that "any person who believes that he would be damaged by the registration of a mark . . ." may file an opposition to the application. *The term "any person" encompasses the true owner of the mark — the prior and continuous user.*[62] (Citations omitted, emphasis supplied)

Again, Republic Act No. 166's provisions were not expressly repealed,[63] rendering its recognition of prior use as still applicable under Republic Act No. 8293, insofar as it is not substantially in conflict with the latter's provisions. The texts of the two laws are consistent with each other. The presumption of ownership created by prior registration remains dependent on proof of the claimant's actual use of the mark in commerce.

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60 Id.

61 *Shangri-la v. Developers Group of Companies,* 520 Phil. 935 (2006) [Per J. Garcia, Second Division].

62 *E.Y. Industrial Sales, Inc. et al. v. Shen Dar Electricity and Machinery Co. Ltd.*, 648 Phil. 572, 592–593 (2010) [Per J. Velasco, Jr., First Division].

63 *Samson v. Daway*, 478 Phil. 784, 790–791 (2004) [Per J. Ynares-Santiago, First Division].

IV

On the issue of bad faith, the majority rejects the Court of Appeals' interpretation of Section 159.1 of Republic Act No. 8293, which provides for limitations to actions for infringement:

> Section 159. Limitations to Actions for Infringement. — Notwithstanding any other provision of this Act, the remedies given to the owner of a right infringed under this Act shall be limited as follows:
>
> 159.1. Notwithstanding the provisions of Section 155 hereof, a registered mark shall have no effect against any person who, in good faith, before the filing date or the priority date, was using the mark for the purposes of his business or enterprise: Provided, That his right may only be transferred or assigned together with his enterprise or business or with that part of his enterprise or business in which the mark is used.

According to the majority, the Court of Appeals misapplied this provision when it held that petitioner's continued use of the mark "ZYNAPS" subsequent to respondent's registration of "ZYNAPSE" may expose petitioner to an action for infringement. The majority held that this reading of Section 159.1 would render the provision useless. It ruled that, "a third party's prior use of an unregistered mark, if said mark subsequently becomes registered by another, could not be considered as trademark infringement *because there was no trademark registration* – a requirement for a trademark infringement action to prosper – *when the third party was using its mark.*"[64] This is consistent with its reasoned conclusion that all rights in a mark are acquired solely by registration. Thus, it held that there can be no infringement without a registration creating the rights that would be infringed in the first place.

In view of my reservations concerning the source of rights over trademarks, infringement may be committed by one's use of an unregistered mark, if such use was done with knowledge of another's prior use of the same or confusingly similar mark. The acquisition of rights over a mark through a registration "made validly in accordance with the provisions of [Republic Act No. 8293]"[65] thus connotes registration in good faith.

Consistent with the foregoing discussions on how the provisions of the current and past trademark laws may be harmonized to accommodate the acquisition of a mark by prior use, one's appropriation of a mark which has already been in use by another, should expose the user in bad faith to liability for infringement. With respect to medicines, compliance with the

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64 Ponencia, p. 40.
65 Id. at 2.

necessary safety regulations required of prospective sellers and distributors must be considered in assessing whether a registrant acted in good faith in registering a prospective mark with the Intellectual Property Office.

Notably, the majority discussed particular interpretations of Republic Act No. 8293, by which all provisions thereof may be given effect. The majority forwards these interpretations in view of its insistence that rights in marks may be acquired *only* by the first registrant thereof, to the exclusion of a prior user. This also results in the abandonment of lines of jurisprudence previously recognizing the coexistence of both regimes.

However, a textual reading of the provisions, as interpreted by the cases sought to be abandoned, would allow both regimes to coexist and would have the same effect of creating the uniform protections for intellectual property sought by the majority. The particular circumstances of our developing market for intellectual property would be best served by broadening the scope of protection to include those marks which may already be in use without the benefit of registration. It may be the case that prospective entrants into Philippine markets may already be using their own distinctive marks in trade, but have failed to register the same due to lack of technical knowledge or other necessary resources. These disparities should not disadvantage prior users, acting in good faith.

Imposing a purely registration-based system for acquiring ownership over trademarks equates ownership with the mere fact of registration. This cannot be the intent of our domestic laws. This disconnect is particularly stark when examining intellectual property rights involving the sale and distribution of medicines. As property serving an inherent social function in maintaining public health and safety, giving full effect to the State policy of securing the "exclusive rights of scientists, inventors, artists, and other gifted citizens to their intellectual property and creations"[66] while upholding the Constitutionally recognized social function of property requires a broader reading of the applicable laws in determining intellectual property rights.

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

MARVIC M.V.F. LEONEN
Associate Justice

[66] CONST., art. XIV, sec. 13.