

**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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**CONCURRING OPINION**

**PERLAS-BERNABE, J.:**

I concur. Petitioner Zuneca Pharmaceutical, *et al.* (Zuneca) should be considered as a prior user in good faith of the trademark “ZYNAPS” under the auspices of Section 159.1 (or “prior user in good faith rule”) of Republic Act No. (RA) 8293,<sup>1</sup> otherwise known as the “Intellectual Property Code.” The provision states:

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.

x x x x (Emphasis and underscoring supplied)

As aptly discussed in the *ponencia*, ownership over trademarks under RA 8293 is acquired by registration in good faith and not by use, which, however, is a requirement to maintain ownership.<sup>2</sup> While the general rule is that the registered owner “shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion,”<sup>3</sup> the exception, as per Section 159.1 above, is when the mark has been used in good faith prior to the registration. Thus, Zuneca, being a prior user in good faith, cannot be

<sup>1</sup> Entitled “AN ACT PRESCRIBING THE INTELLECTUAL PROPERTY CODE AND ESTABLISHING THE INTELLECTUAL PROPERTY OFFICE, PROVIDING FOR ITS POWERS AND FUNCTIONS, AND FOR OTHER PURPOSES” (January 1, 1998).

<sup>2</sup> See *ponencia*, pp. 12-20.

<sup>3</sup> Section 147.1 of the IP Code.

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held liable for trademark infringement nor its use of the said mark be enjoined, notwithstanding the existence of a confusingly similar trademark “ZYNAPSE” which has been duly registered in the name of respondent Natrapharm, Inc. (Natrapharm).

I write, however, to express my sentiments regarding the apparent dissonance between the “prior user in good faith rule” and the current trademark registration regime under the IP Code. To my mind, this rule, while indeed provided for under the IP Code, appears to stray from the overarching impetus of stability and uniformity which had in fact, prompted the shift of our trademark acquisition regime from being based on use to being based on registration.

To recount, under our old “Trademark Law” (RA 166<sup>4</sup>), which was passed on June 20, 1947, and amended by RA 638<sup>5</sup> on June 11, 1951, ownership of trademarks was acquired through actual use:

*Sec. 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. (Emphasis supplied)

On August 12, 1965, the Philippines acceded to the Paris Convention for the Protection of Industrial Property (Paris Convention), which entered into force with respect to the Philippines on September 27, 1965.<sup>6</sup> Primarily, the Paris Convention sought to ensure that intellectual works in one’s jurisdiction were sufficiently protected in other countries.<sup>7</sup> Further, **the Paris**

<sup>4</sup> Entitled “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.”

<sup>5</sup> Entitled “AN ACT TO AMEND SECTIONS FOUR AND THIRTY-SEVEN OF, AND TO ADD NEW SECTIONS TWO-A, NINE-A, TEN-A, NINETEEN-A, AND TWENTY-ONE-A, AND NEW CHAPTERS II-A-THE PRINCIPAL REGISTER, AND IV-A-THE SUPPLEMENTAL REGISTER TO REPUBLIC ACT NUMBERED ONE HUNDRED AND SIXTY-SIX, ENTITLED ‘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.’”

<sup>6</sup> See <[http://www.wipo.int/treaties/en/ShowResults.jsp?treaty\\_id=2](http://www.wipo.int/treaties/en/ShowResults.jsp?treaty_id=2)>.

<sup>7</sup> <<https://www.wipo.int/treaties/en/ip/paris/>>; See Article 2 of the Paris Convention:

#### Article 2

##### National Treatment for Nationals of Countries of the Union

(1) Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the

**Convention highlighted registration as a means of ensuring protection of trademarks across member-states<sup>8</sup> and likewise, mandated the international protection of “well-known marks.”<sup>9</sup>**

Later, on April 15, 1994, the Philippines adopted the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) in furtherance of the Paris Convention, among other intellectual property treaties.<sup>10</sup> It entered into force with respect to World Trade Organization

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rights specially provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

x x x x

<sup>8</sup> Article 6 and 6<sup>quinquies</sup> of the Paris Convention read:

Article 6

Marks: Conditions of Registration; Independence of Protection of Same Mark in Different Countries

(1) The conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation.

x x x x

(3) A mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin.

x x x x

Article 6<sup>quinquies</sup>

Marks: Protection of Marks Registered in One Country of the Union in the Other Countries of the Union

A.

(1) Every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union, subject to the reservations indicated in this Article. Such countries may, before proceeding to final registration, require the production of a certificate of registration in the country of origin, issued by the competent authority. No authentication shall be required for this certificate.

(2) Shall be considered the country of origin the country of the Union where the applicant has a real and effective industrial or commercial establishment, or, if he has no such establishment within the Union, the country of the Union where he has his domicile, or, if he has no domicile within the Union but is a national of a country of the Union, the country of which he is a national.

x x x x

<sup>9</sup> Article 6<sup>bis</sup> of the Paris Convention reads:

Article 6<sup>bis</sup>

Marks: Well-Known Marks

(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

x x x x

<sup>10</sup> Articles 2 and 5 of the TRIPS Agreement read:

ARTICLE 2

Intellectual Property Conventions

(WTO) members, including the Philippines, upon the WTO's founding on January 1, 1995. Mainly, the TRIPS Agreement sought “to reduce distortions and impediments to international trade, x x x taking into account the need to promote effective and adequate protection of intellectual property rights x x x,”<sup>11</sup> and recognized the need for new rules and disciplines concerning “adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights.”<sup>12</sup> Thus, to this end, the TRIPS Agreement pushed for a shift to a “registration system” as a means of acquiring exclusive rights over trademarks.<sup>13</sup>

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1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).

x x x x

#### ARTICLE 5

##### Multilateral Agreements on Acquisition or Maintenance of Protection

The obligations under Articles 3 and 4 do not apply to procedures provided in multilateral agreements concluded under the auspices of WIPO relating to the acquisition or maintenance of intellectual property rights.

<sup>11</sup> See preambular statement of the TRIPS.

<sup>12</sup> Id.

<sup>13</sup> See Articles 15 and 16 (1) of the TRIPS Agreement, which read:

#### ARTICLE 15

##### Protectable Subject Matter

1. Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, **shall be eligible for registration as trademarks.** Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.

2. Paragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967).

3. Members may make registrability depend on use. **However, actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application.**

4. The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.

5. Members shall publish each trademark either before it is registered or promptly after it is registered and shall afford a reasonable opportunity for petitions to cancel the registration. In addition, Members may afford an opportunity for the registration of a trademark to be opposed.

#### ARTICLE 16

##### Rights Conferred

1. The owner of a **registered trademark** shall have the **exclusive right** to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. **The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.**

x x x x (Emphases and underscoring supplied)

As I see it, registration, as compared to use, denotes a standardized procedure to determine, on both domestic and international levels, at what point in time has a person acquired ownership of a trademark to the exclusion of others. Because “registration” is a formal, definite, and concrete act that is processed through official State institutions, whereas “use” is arbitrary individual action that remains subject to evidentiary proof, the protection of trademark rights is therefore more stable and uniform with the former.

On June 6, 1997, RA 8293 was passed. Among others, it provided for the shift from the old “use-based” system under RA 166, as amended, to a “registration-based” system of acquiring rights over of a trademark. The pertinent provision which reflects this is Section 122 of the IP Code:

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.

As may be gleaned from the legislative deliberations, the main reason behind abandoning the old rule that use is a pre-requisite for the registration of a trademark was for the Philippines to comply with its international obligations under the foregoing agreements which introduced a system of trademark registration.<sup>14</sup> Likewise, legislators envisioned that the registration

<sup>14</sup> Pertinent portions on the House of Representatives deliberations of House Bill No. 8098, the sponsorship speech of Senator Roco for Senate Bill No. 1719, and the fact sheet attached to the committee report on House Bill No. 8098 respectively read:

**Deliberations on House Bill No. 8098**

Mr. Gonzales. I was informed, Madam Speaker, that the information of the honorable Gentleman representing the Peasant Sector is not accurate. **The provision of the codified IPR is in compliance with TRIPS Agreement, no more and no less.**

Mr. Montemayor. Yes. Well, the reason I am raising that, Madam Speaker, is the 1991 agreement between the Philippines and the US is an executive agreement to my knowledge, and, therefore, the legislature is not duty bound to accept everything or even to accept anything in that agreement. Now, subsequently in 1994 a TRIPS Agreement was concluded, the Philippines acceded to it. I just wanted to find out if **the provisions in this bill incorporate only that we are duty bound to incorporate under the 1994 TRIPS Agreement.**

Mr. Gonzales. That is correct, Madam Speaker. (emphases supplied)

**Sponsorship Speech of Senator Roco for Senate Bill No. 1719**

Senator Roco. x x x **To comply with TRIPS and other international commitments, this bill no longer requires prior use of the mark as a requirement for filing a trademark application. It also abandons the rule that ownership of a mark is acquired through use by now requiring registration of the mark in the Intellectual Property Office.** Unlike the present law, it establishes one procedure for the registration of marks. **This feature will facilitate the registration of marks.** (Emphasis supplied)

**Fact Sheet attached to Committee Report No. 620 on House Bill No. 8098, submitted by the Committee on Economic Affairs and Committee on Trade and Industry**

Part III: The Law on Trademarks, Service Marks and Trade Names. The current law governing trademarks, RA 166, which came into force on June 1947, provides that ownership of trademark is acquired through use. **However, by virtue of the Lisbon Act of the Paris Convention for the Protection of Industrial Property, our country was**

system would actually free the Intellectual Property Office (IPO) from having to adjudicate the circumstances surrounding the creation of the trademark in order to determine its true owner.<sup>15</sup> Accordingly, it may therefore be discerned that the shift to a trademark acquisition regime based on registration is premised on practical considerations of stability and uniformity. Indeed, while it may be true that intellectual property is a creation of the mind and hence, conceptually acquired through use, our present laws recognize that, ***by legal fiction, ownership acquisition must be reckoned from the more definite and concrete act of registration***; otherwise, trademark ownership may always be subject to adverse claims of other parties who insist that they were the first ones who have thought of and used a certain intellectual property and hence, entrench uncertainty, if not chaos, to the regulatory and even commercial aspects of trademark protection.

Nonetheless, it must be clarified that the shift from the old “use-based” system under RA 166, as amended, to a “registration-based” system of acquiring rights over trademark under RA 8293 did not entirely take away the importance of use in the realm of trademark ownership. For instance, under Section 124.2<sup>16</sup> of RA 8293, the applicant or registrant of a trademark is required, within three (3) years from the filing date of its application, to file before the IPO a **declaration of actual use** (DAU) of the mark with evidence to that effect. Similarly, Section 145<sup>17</sup> of the same Code requires the filing of

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obliged to introduce a system of registration of marks of nationals of member countries of the Paris Convention which is based no longer on use in the Philippines but on foreign registration. This procedure is defective in several aspects: first, it provides to a foreign applicant procedure which is less cumbersome compared to that required of local applicants who need to establish prior use as a condition for filing a trademark application; and second, it is incompatible with the “based on use” principle which is followed in RA 166.

Our adherence to the Paris Convention binds us to protect well-known marks. Unfortunately, the provisions of Art 6bis of the Paris Convention on this matter are couched in broad terms which are not defined in the Convention. This has given rise to litigation between local businessmen using the mark and foreigners who own the well-known marks. The conflicting decisions of our courts on this issue aggravates the situation.

**The Bill proposes solutions to these problems by mandating that prior use of the mark is no longer a requirement for filing a trademark application. It also abandons the rule that the ownership of a mark is acquired through use but rather through registration of the mark in the BPTTT. Unlike the current regime, it establishes only one procedure in the registration of marks. The removal of prior use as a condition for filing the application also facilitates greatly the registration of marks.** Likewise, the Bill provides that use or registration in the Philippines is not a requirement for the protection of well-known marks there, and if registered in the Philippines, the registration can prohibit its use by another in connection with goods or services that are identical or similar with those in respect to which the registration is applied for. This resolves many of the questions that have remained unanswered by existing statute and jurisprudence.

<sup>15</sup> See House of Representatives Deliberations, House Bill No. 8098, November 12, 1996, p. 499.

<sup>16</sup> Item 124.2, Section 124 of RA 8293 reads:

Section 124. *Requirements of Application.* – x x x

x x x x

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.

<sup>17</sup> Section 145 of RA 8293 reads:

the same declaration within one (1) year from the fifth anniversary of the date of registration of such trademark. Alternatively, the applicant/registrant may file a declaration of non-use (DNU) if there are justifiable circumstances for doing so.<sup>18</sup> Failure to file a DAU/DNU within the prescribed period will result in the automatic refusal of the application or cancellation of registration of the mark, as the applicant/registrant is considered to have abandoned and/or withdrawn any right/s that he/she has over the trademark.<sup>19</sup> In all of these regulatory facets, however, use is relevant to maintain ownership of the trademark, as opposed to its acquisition, which, as mentioned, is reckoned upon good faith registration.

At this juncture, it is important to stress that in order to be considered as a valid mode of ownership acquisition, **registration of a trademark under the provisions of RA 8293 must be made in good faith.** The good faith of the registrant is a legal pre-requisite and delimitation, without which registration is not considered to have been validly made and consequently, nullifies the registrant's ownership acquisition.

Generally speaking, "[g]ood faith is an intangible and abstract quality with no technical meaning or statutory definition, and it encompasses, among other things, an honest belief, the absence of malice and the absence of design to defraud or to seek an unconscionable advantage. It implies honesty of intention, and freedom from knowledge of circumstances which ought to put the holder upon inquiry. The essence of good faith lies in an honest belief in the validity of one's right, ignorance of a superior claim and absence of intention to overreach another."<sup>20</sup>

As applied to trademark registration, one should be considered a registrant in good faith if there is no showing that he knew of any prior creation, use, or registration of another of an identical or similar mark at the time of registration. Otherwise, if he had such knowledge, then he is not considered as a registrant in good faith, which thus negates his ownership over the trademark registered in his name. To reiterate, when a registration is not in good faith, it is not considered as a valid registration and hence, no ownership rights are acquired in the first place. In this regard, the registrant in bad faith is divested of ownership **not because of the oppositor's prior use of the mark, but rather, because the legal requisite of a registration in good faith was not complied with.** Simply put, a registration not in good faith is

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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.

<sup>18</sup> See Dissenting Opinion of Associate Justice Lazaro-Javier, p. 7.

<sup>19</sup> See *Birkenstock Orthopaedie GMBH and Co. KG (formerly Birkenstock Orthopaedie GMBH) v. Philippine Shoe Expo Marketing Corporation*, 721 Phil. 867, 878 (2013). See also *ABS-CBN Publishing, Inc. v. Director of the Bureau of Trademarks*, G.R. No. 217916, June 20, 2018, 867 SCRA 244, 263-264.

<sup>20</sup> *Ochoa v. Apeta*, 559 Phil. 650, 655-656 (2007).

equivalent to no registration at all and hence, no ownership rights were transmitted.

At the risk of belaboring the point, registration was a move towards a more stable and uniform system of trademark protection based on a standardized procedure that is recognized between and among nationals of the member states privy to the TRIPS and the Paris Convention, among others. The regime of registration is a legal fiction that is based on practical considerations of stability and uniformity. Our policy makers needed to devise a way to address the uncertain scenario where any person can loosely assert ownership of trademarks through intellectual creation and use, and thus, perpetually subject another person's intellectual property to an adverse claim.

*However, as I have earlier intimated, the "prior user in good faith rule" under Section 159.1 appears to stray from these practical considerations of stability and uniformity.* As it is currently formulated, Section 159.1 states that "[n]otwithstanding 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." To be sure, Section 155 of the IP Code enumerates all the rights of a registered owner of a trademark:

Section 155. *Remedies; Infringement.* – Any person who shall, without the consent of the owner of the registered mark:

155.1. Use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark or the same container or a dominant feature thereof in connection with the sale, offering for sale, distribution, advertising of any goods or services including other preparatory steps necessary to carry out the sale of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

155.2. Reproduce, counterfeit, copy or colorably imitate a registered mark or a dominant feature thereof and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action for infringement by the registrant for the remedies hereinafter set forth: Provided, That the infringement takes place at the moment any of the acts stated in Subsection 155.1 or this subsection are committed regardless of whether there is actual sale of goods or services using the infringing material.

**"No effect" means that the prior user in good faith is not only completely insulated from a criminal prosecution for trademark infringement, it also means that he can continue to use the mark simultaneous with the registered owner's own use. The only condition**

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given to a prior user in good faith is 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.”<sup>21</sup> *To my mind, the concept of good faith underlying Section 159.1 of the IP Code should only go as far as negating the criminal intent of the prior user in good faith and hence, be considered as a defense in a criminal case for infringement. But because of the sweeping language of the law, i.e., no effect, Section 159.1 appears to create an anomalous situation where a person who never registers his mark is still allowed to propagate, on a commercial level, his rights to the trademark even as against a person who has fully complied with the legally prescribed process of duly registering his rights pursuant to the IP Code.*

Indeed, by having a safe harbor provision that cuts across both criminal and civil aspects of an action for infringement, Section 159.1 therefore, on the one hand, practically incentivizes lackadaisical business owners to simply not register their trademarks by conveniently claiming earlier use. On the other hand, vigilant business owners who have duly complied with the law have to suffer the prejudice of having the goodwill of their registered trademarks diluted because of the existence of other unregistered trademarks regardless of whether they cover goods that compete with their own. Not only that, the public is also faced with the quandary of having two confusingly similar trademarks in the market which, pursuant to Section 159.1, would be legally sanctioned. **This danger of public confusion is, in fact, greatly magnified in this case because two (2) medicines, i.e., Zuneca’s carbamazepine under the trademark “ZYNAPS” and Natrapharm’s citicoline under the trademark “ZYNAPSE,” are allowed to be publicly sold under confusingly similar trademarks, notwithstanding the difference in their usage, i.e., epilepsy for ZYNAPS and stroke for ZYNAPSE.** Clearly, these precarious situations created by Section 159.1 of the IP Code run anathema to the objectives of stability and uniformity which motivated the Philippines’ shift from a regime of use to registration as discussed above.

Notably, the “prior user in good faith rule” was part of both House Bill No. 8098 and Senate Bill No. 1719, which were the precursor bills of the IP Code.<sup>22</sup> However, it is interesting to note that after a careful scrutiny of the

<sup>21</sup> Section 159.1 of the IP Code.

<sup>22</sup> House Bill No. 8098 and Senate Bill No. 1719 provide:

**House Bill No. 8098**

Section 139. *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:

(a) Notwithstanding the provisions of Section 135 hereof, a registered mark shall have no effect against any person (prior user) who, in good faith, before the filing date or, where the priority is claimed, the priority date of the application on which the mark is registered, was using the mark for the purposes of his business or enterprise: *Provided*, his right may only be transferred or devolved together with his enterprise or business or with that part of his enterprise or business in which the use of the mark has been made thereof.

x x x x

deliberations, there exists no explicit discussion or interpellation regarding the intent behind Section 159.1 of the IP Code. As above-mentioned, part of the thrust in the shift from the “use” system to the “registration” system is to comply with our obligations under international agreements,<sup>23</sup> and to align ourselves with the majority of countries who are signatories thereto.<sup>24</sup> The goal of the shift is to achieve “a uniform, universal standard insofar as the trademark, the patents, and the copyright laws are concerned,”<sup>25</sup> and to “reduce distortions and impediments to international trade, and [take] into account the need to promote effective and adequate protection of intellectual property rights x x x.”<sup>26</sup> However, the prior user exception under Section 159.1, as it is currently framed, does not appear to further this thrust as its application can actually lead to confusion and the dilution of the rights of the actual registered owner. In contemplation, it would have made sense if Section 159.1 was established as a mere transitory provision to bridge the gap between the former “use-based” system and the new “registration-based” system insofar as protecting vested rights that have already been acquired through use, *sans* registration, under the old law. However, Section 236 of the IP Code,<sup>27</sup> reflecting Article 16, Section 2, Part II of the TRIPS,<sup>28</sup> is the provision which applies to rights acquired in good faith prior to its effectivity. Besides, Section 159.1 makes no mention of prior vested rights as it in fact, condones the continuing and prospective use of the mark priorly used in good faith with the only limitation as follows:

Section 159. *Limitations to Actions for Infringement*. – x x x.

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**

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**Senate Bill No. 1719**

Section 148. *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:

148.1 Notwithstanding the provisions of Section 144 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.

x x x x

<sup>23</sup> See Sponsorship Speech of Senator Roco for Senate Bill No. 1719, Senate Records, October 8, 1996, pp. 131-132.

<sup>24</sup> House of Representatives Deliberations, House Bill No. 8098, January 23, 1997, p. 619.

<sup>25</sup> House of Representatives Deliberations, House Bill No. 8098, March 17, 1997, p. 727.

<sup>26</sup> See preambular statement of the TRIPS.

<sup>27</sup> SECTION 236. *Preservation of Existing Rights*. — Nothing herein shall adversely affect the rights on the enforcement of rights in patents, utility models, industrial designs, marks and works, acquired in good faith prior to the effective date of this Act.

<sup>28</sup> Article 16, Section 2, Part II of the TRIPS pertinently states:

Article 6  
Rights Conferred

1. x x x The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

x x x x


**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.**

x x x x (Emphasis and underscoring supplied)

Indeed, it would have been enlightening to uncover the intent behind incorporating Section 159.1 but unfortunately, the deliberations are silent on this score. Nevertheless, it is a given fact that Section 159.1 exists and functions as an express exception to trademark infringement. To disregard the same or to attempt to add a further requirement to the law, without any ample textual support, would be clearly tantamount to judicial legislation. Consequently, the Court is constrained to recognize and apply Section 159.1 in its most ordinary meaning, as the *ponencia* has done so. The remedy to the dilemma of having a system of trademark ownership through registration, whilst at the same time, diminishing the stability and uniformity of this same system by recognizing the rights of a prior user in good faith under Section 159.1 of the IP Code, rests with Congress. Until such time that this matter is addressed through amendatory legislation, the Court must perform its constitutional mandate of upholding the law as it is.

  
**ESTELA M. PERLAS-BERNABE**  
Senior Associate Justice

CERTIFIED TRUE COPY

  
**EDGAR O. ARICHETA**  
Clerk of Court En Banc  
Supreme Court