



## Question Q214

**National Group:** The Philippines

**Title:** **Protection against the dilution of a trade mark**

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### Questions

#### I. Analysis of current law and case law

The Groups are invited to answer the following questions under their national laws:

1. Do the laws of your country provide for protection against dilution of a trademark? If so, which laws?

Yes. Several provisions in the chapter on Trademark in Republic Act No. 8293, otherwise known as the Intellectual Property Code (IP Code, for brevity), provide for protection against dilution of a trademark.<sup>1</sup>

2. Is there a legal definition of dilution in your legislation or case law?

The IP Code does not categorically define what constitutes trademark dilution. This notwithstanding, considering that the protection of trademarks against dilution is synonymous with the protection of the reputation and distinctiveness of a trademark, especially well-known marks, the following provisions of the IP Code can be used to protect one's mark against dilution:

"Section 147. Rights Conferred. – 147.1. The owner of a registered mark 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

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<sup>1</sup> The IP Code was enacted in 01 January 1998.

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.

147.2. The exclusive right of the owner of a well-known mark defined in Subsection 123.1(e) which is registered in the Philippines shall extend to goods and services which are not similar to those in respect of which the mark is registered: *Provided*, That use of that mark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered mark: *Provided, further*, That the interests of the owner and of the registered mark are likely to be damaged by such use.

Section 168. Unfair Competition, Rights, Regulation and Remedies. – 168.1. A person who has identified in the mind of the public the goods he manufactures or deals in, his business or services from those of others, whether or not a registered mark is employed, has a property right in the goodwill of the said goods, business or services so identified, which will be protected in the same manner as other property rights.”<sup>2</sup>

The aforementioned provision of Subsection 147.2 of the IP Code was adopted from Article 16(3) of the TRIPS Agreement.<sup>3</sup>

In the case *Levi Strauss & Co. v. Clinton Apparelle, Inc.*,<sup>4</sup> the Philippine Supreme Court defined trademark dilution as “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of: (1) competition between the owner of the famous mark and other parties; or (2) likelihood of confusion, mistake, or deception. The *Levi Strauss* case is the only local jurisprudence that specifically defined trademark dilution. In defining trademark dilution in the *Levi Strauss* case, the Philippine Supreme Court was quoting the ruling in the U.S. case of *Toys “R” Us v.*

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<sup>2</sup> With respect to the aforementioned Subsection 147.2 of the IP Code on well-known marks, Subsection 123.1(e) of the IP Code provides:

“Section 123. – 123.1. A mark cannot be registered if it:

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- (e) Is identical with, or confusingly similar to, or constitutes a translation of a mark which is considered by the competent authority of the Philippines to be well-known internationally and in the Philippines, whether or not it is registered here, as being already a mark of a person other than the applicant for registration, and used for identical or similar goods or services: *Provided*, That in determining whether a mark is well-known, account shall be taken of the knowledge of the relevant sector of the public, rather than of the public at large, including knowledge in the Philippines which has been obtained as a result of the promotion of the mark XXX XXX XXX.”

<sup>3</sup> Paragraph 13 of the Working Guidelines recognizes Article 16(3) of the TRIPS Agreement as a protection against trademark dilution. Article 16(3) of the TRIPS Agreement provides:

“Article 16 – Rights Conferred

XXX XXX XXX

3. Article 6(bis) of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided, that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged.”

<sup>4</sup> G.R. No. 138900, 20 September 2005.

*Akkaoui*.<sup>5</sup> Moreover, the discussion by the Supreme Court of the concept of trademark dilution is not the part of the main ruling of the Court, but is merely an *obiter dictum*.

Notwithstanding the express definition of trademark dilution in the *Levi Strauss case*, the Supreme Court had the occasion to discuss the nature or essence of trademark dilution as early as 1942 in the case of *Ang v. Teodoro*.<sup>6</sup> Unlike the *Levi Strauss case*, the discussion on trademark dilution in the *Ang case* is part of the main ruling of the Supreme Court, albeit the Court did not explicitly use the term “trademark dilution” but used the term “unfair competition” and “unfair trading” in their generic sense. In the *Ang case*, the Supreme Court made the following discussion on the nature of trademark dilution:

“The courts have come to realize that there can be unfair competition or unfair trading even if the goods are noncompeting, and that such unfair trading can cause injury or damage to the first user of the given trademark, first, by prevention of the natural expansion of his business and, second, by having his business reputation confused with and put at the mercy of the second user. When noncompetitive products are sold under the same mark, **the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark created by its first user inevitably results. The original owner is entitled to the preservation of the valuable link between him and the public that has been created by his ingenuity and the merit of his wares or services.** Experience has demonstrated that **when a well-known trademark is adopted by another even for a totally different class of goods, it is done to get the benefit of the reputation and advertisements of the originator of said mark, to convey to the public a false impression of some supposed connection between the manufacturer of the article sold under the original mark and the new articles being tendered to the public under the same or similar mark.** XXX XXX XXX **The owner of a trademark or trade name has a property right in which he is entitled to protection, since there is damage to him from confusion of reputation or goodwill in the mind of the public as well as from confusion of goods. The modern trend is to give emphasis to the unfairness of the acts and to classify and treat the issue as a fraud** [underscoring added].”<sup>7</sup>

3.1. Which trademarks are afforded protection against dilution? What are the eligibility criteria? (Please only briefly list the eligibility criteria here; more detailed explanations will be required below).

Generally, a trademark which is determined by a competent authority in the Philippines as a well-known mark is entitled to protection against dilution. In the *Levi Strauss case*, the Supreme Court outlined the following criteria in order that a mark be entitled to protection against dilution:

1. The trademark sought to be protected is famous and distinctive;
2. The use by the junior user began after the prior user’s mark became famous; and
3. Such subsequent use defames prior user’s mark.<sup>8</sup>

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<sup>5</sup> 40 U.S. P.Q. 2d (BNA) 1836 (N.D. Cal. 1996).

<sup>6</sup> G.R. No. 48226, 14 December 1942.

<sup>7</sup> *Ibid*.

<sup>8</sup> *Supra*, at note 4.

In order that a mark be considered as a famous or well-known mark, Rule 102 of the Rules and Regulations on Trademarks, Service Marks, Trade Names and Marked or Stamped Containers (Trademark Regulations, for brevity) provides for the following criteria for determining whether a mark is well-known:

“Rule 102. Criteria for determining whether a mark is well-known. – In determining whether a mark is well-known, the following criteria or any combination thereof may be taken into account:

- (a) The duration, extent and geographical area of any use of the mark, in particular, the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
- (b) The market share, in the Philippines or in other countries, of the goods and/or services to which the mark applies;
- (c) The degree of the inherent or acquired distinction of the mark;
- (d) The quality-image or reputation acquired by the mark;
- (e) The extent to which the mark has been registered in the world;
- (f) The exclusivity of registration attained by the mark in the world;
- (g) The extent to which the mark has been used in the world;
- (h) The exclusivity of use attained by the mark in the world;
- (i) The commercial value attributed to the mark in the world;
- (j) The record of successful protection of the rights in the mark;
- (k) The outcome of litigations dealing with the issue of whether a mark is a well-known mark; and
- (l) The presence or absence of identical or similar marks validly registered for or used on identical or similar goods or services and owned by persons other than the person claiming that his mark is a well-known mark.”

3.2. To be eligible for protection against dilution, does a mark need to be distinctive? If so, does the protection depend upon the mark being inherently distinctive or are marks that have acquired distinctiveness through use also protected?

Prevailing local laws, regulations, and jurisprudence do not distinguish between a mark that is inherently distinctive and that which has acquired distinctiveness through use before it becomes entitled to protection against dilution.

3.3.1 To be eligible for protection against dilution, does a mark need to have a reputation or be well-known or famous? If so, when does a mark have a reputation, when is it well-known or when is it famous? Are the factors mentioned in paragraph 15 and 22 above relevant for determining whether a mark has a reputation, is well known or famous? For what point in time does this have to be assessed?

As stated in the *Levi Strauss case*, a mark needs to be famous or well-known before it becomes eligible for protection against dilution. Under Subsections 123.1(e) and (f) of the IP Code, a mark shall attain well-known status if so determined and declared by a competent authority in the Philippines. For purposes of determining whether a mark is well-known, Rule 100(c) of the Trademark Regulations defines “competent authority” as “the Court, the Director General [of the Intellectual Property Office], the Director of the Bureau of Legal Affairs [of the Intellectual Property Office], or any administrative agency or office vested with quasi-judicial or judicial jurisdiction to hear and adjudicate any action to enforce the rights to a mark.” Generally, the determination of whether a mark has attained a well-known status is made when such is raised as an issue in a case filed with any of the aforementioned “competent authorities”, and the latter promulgates a decision declaring that the mark is well-known.

As discussed in our answer to Question 3.1 above, Rule 102 of the Trademark Regulations provides for the criteria for determining whether a mark is well-known. The criteria outlined in said provision are substantially the same as the factors mentioned in paragraphs 15 and 22 of the Working Guidelines.

3.3.2 For a mark to have a reputation or to be considered well known or famous, must it meet a certain knowledge or recognition threshold? If so, what is that threshold? What percentage of population awareness is required? How widespread must the awareness be across the country? If a mark is well known or famous in one country, what effect, if any, does this have with regard to other countries?

To be considered well-known, a mark must meet a certain degree of public knowledge or recognition. Under Sec. 123.1(e) of the IP Code, in determining whether a mark is well-known, account shall be taken of the knowledge or recognition of the “relevant sector of the public”, as opposed to the public at large. There is no required percentage of the population or recognition threshold. The law simply requires that there is recognition of the mark in the “relevant sector of the public”.

The fact that a mark is well-known or famous in another country shall also be taken into account in determining whether a mark is well-known in the Philippines. Rule 102 of the Trademark Regulations considers, among others, the extent of the use and recognition of a mark in other countries in determining whether a mark is well-known under Philippine laws. Under said rule, the following criteria consider the status of the mark in other countries:

1. The duration, extent and geographical area of any use or promotion of the mark;
2. The market share, in the Philippines and in other countries, of the goods and/or services to which the mark applies;
3. The extent of the worldwide registration of the mark;
4. The extent of the worldwide use of the mark;
5. The commercial value attributed to the mark worldwide; and
6. The record of successful protection of the rights in the mark in other countries and the outcome of cases dealing with the issue of whether the mark is a well-known mark in foreign countries.

Applying the foregoing criteria, the Philippine Supreme Court, in the case of *Sehwani v. In-N-Out Burger*<sup>9</sup> took account of the “registrations in various countries around the world and its comprehensive advertisements therein” in declaring the mark “In-N-Out Burger” as a well-known mark.

3.3.3 What is the relevant population in determining the knowledge, recognition or fame of the mark, the general public at large or the relevant sector of public? Is recognition or fame in a limited product market (“niche market”) sufficient?

As mentioned in our answer to Question 3.3.2 above, Subsection 123.1(e) of the IP Code requires that there is recognition of the mark in the “relevant sector of the public”, as opposed to the public at large. While our law and jurisprudence do not categorically define what constitutes the “relevant sector of the public”, guidance may be found in Article 1708 of the North American Free Trade Agreement, which interprets the foregoing phrase as “that sector of the public that normally deals with the relevant goods or services”. In light of the foregoing interpretation, recognition or fame in a limited product or “niche” market is one of the considerations in determining whether a mark is a well-known mark under our local laws and jurisprudence.

3.4. To be eligible for protection against dilution, is it required that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in the country where protection is being sought?

To be protected against dilution, there is no requirement that the mark is registered or that an application for the registration of the mark has been filed with the Intellectual Property Office (IPO, for brevity). As discussed in our answer to Question 3.1, the Philippine Supreme Court ruled in the *Levi Strauss case*<sup>10</sup> that to be eligible for protection against dilution, there has to be a finding that: (1) the trademark sought to be protected is famous and distinctive; (2) the use by the junior user began after the prior user’s mark became famous; and (3) such subsequent use defames prior user’s mark.

3.5. Are there any other criteria a mark must comply with to be eligible for protection against dilution?

Apart from the relevant provisions of the IP Code and the Trademark Regulations and rulings of the Supreme Court above quoted or discussed, there are no other criteria a mark must comply before it becomes eligible for protection against dilution.

3.6. Is eligibility for protection against dilution a matter of law or an issue of fact? Who bears the burden of proof regarding the eligibility criteria? How does one prove that a mark meets the eligibility criteria? Are sales and advertising figures sufficient or is survey evidence required? Which evidential standard must this proof satisfy?

As above discussed, for a mark to be entitled for protection against dilution, the mark must be declared by a competent authority in the Philippines as a well-known mark. The right to claim protection may be made when the issue of its well-known status is raised in a case filed with any of the “competent authorities” in the Philippines as enumerated in Rule 100(c) of the Trademark Regulations.

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<sup>9</sup> G.R. No. 171053, 15 October 2007.

<sup>10</sup> *Supra*, at note 4.

If a party to a case asserts that his mark is a well-known mark, he must be able to present proof of its well-known status, following the criteria set out in Rule 102 of the Trademark Regulations as outlined in our answer to Question 3.1.

Sales and advertising figures or survey evidence would figure under letter (b) of Rule 102 of the Trademark Regulations as quoted in our answer to Question 3.1. Since the list is not exclusive, ultimately, the question of whether the proof presented would suffice to qualify a particular mark as a well-known mark would depend on the appreciation of the competent authority that will examine the submitted proof. The determination of the status of a well-known mark is, therefore, an issue of fact. If the issue is presented before any of the competent authorities under the auspices of the IPO (i.e., the Director General or the Director of the Bureau of Legal Affairs), the well-known status of the mark is established by substantial evidence.<sup>11</sup>

In the *Sehwani case*,<sup>12</sup> the Philippine Supreme Court held that the question of whether or not the trademark in question is considered “well-known” is factual in nature since it involves the appreciation of evidence adduced before the IPO’s Bureau of Legal Affairs. It is a settled rule in Philippine jurisprudence that the factual findings of quasi-judicial agencies, like the IPO, which have acquired expertise since their jurisdiction is confined to specific matters, are generally accorded not only respect, but, at times, even finality if such findings are supported by substantial evidence.

On the other hand, in the event that the issue of well-known status is presented before a regular court, the party asserting its well known status must be able to establish such status by a preponderance of evidence.<sup>13</sup>

3.7. Is there any registry of eligible marks in your country? If so, what is the evidentiary value of registration? Can it be challenged in litigation?

Currently, there is no registry of marks eligible for protection against dilution (i.e., registry of well-known marks) in the Philippines.

However, under the regime of the old trademark law (i.e., Republic Act No. 166, which is the predecessor of the current IP Code) and pursuant to our commitments under the Paris Convention with respect to protection of well-known marks, on 20 November 1980, then Minister of Trade and Industry Luis Villafuerte issued a Memorandum to the Director of the then Philippine Patent Office (PPO, for brevity), the predecessor agency of the current IPO. Said memorandum is more popularly known as the “Villafuerte Memorandum”. The Villafuerte Memorandum ordered the Director of PPO to reject “all pending applications for Philippine registration of signature or other world-famous trademarks by applicants other than its original owners or users”. It enumerated the following marks as well-known marks:

1. “LACOSTE”
2. “JORDACHE”;
3. “VANDERBILT”;

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<sup>11</sup> Rule 134, Section 5, Revised Rules on Evidence.

<sup>12</sup> *Supra*, at note 9.

<sup>13</sup> Rule 134, Section 1, Revised Rules on Evidence.

4. "SASSON";
5. "FILA";
6. "PIERRE CARDIN";
7. "GUCCI";
8. "CHRISTIAN DIOR";
9. "OSCAR DE LA RENTA";
10. "CALVIN KLEIN";
11. "GIVENCHY";
12. "RALPH LAUREN";
13. "GEOFFREY BEENE";
14. "LANVIN"; and
15. "TED LAPIDUS".

The Villafuerte Memorandum also stated that any registration for the foregoing well-known marks that were previously issued by the PPO in favor of local registrants who were not the true and legitimate owners thereof should be ordered by the PPO to surrender the registration certificates.

Pursuant to Executive Order No. 913, series of 1983 (issued on 07 October 1983), which strengthened, among others, the Minister of Trade and Industry's rule-making and adjudicatory powers in order to deliver effective solution to problems, such as infringement of internationally-known marks, then Trade and Industry Minister Roberto Ongpin issued, on 25 October 1983, a Memorandum (known as the Ongpin Memorandum) outlining the guidelines in determining whether a particular mark was entitled to protection accorded to a well-known mark in the Philippines. Unlike the Villafuerte Memorandum, the Ongpin Memorandum did not enumerate specific marks that were considered well-known. The Ongpin Memorandum laid down the following criteria (any combination thereof) in determining whether a mark enjoys a well-known status:

1. Declaration by the Trade and Industry Minister that the trademark is a well-known mark;
2. International use of the trademark;
3. Registration of trademark in other country(ies);
4. Possession of substantial goodwill and international consumer recognition; and/or
5. Trademark actually belongs to a party claiming ownership and has right to registration thereof under the provision of the Paris Convention.

The Ongpin Memorandum also ordered the PPO to "refuse all applications for, or cancel the registration of, trademarks which constitute a reproduction, translation, or imitation



of a trademark owned by a person, natural or corporate, who is a citizen of a country signatory to the Paris Convention”.

To date, no such list of well-known marks was further issued by the then PPO, the IPO, or any competent authority in the Philippines. Efforts to establish a registry for well-known marks are being exerted by the private sector, led by AIPPI Philippine Group members.

4. Does your law require the existence of a ‘mental association’ or ‘link’ between the earlier trademark and the later trademark? If so, in which circumstances does a ‘mental association’ or ‘link’ between the earlier trademark and the later trademark exist? Are the factors mentioned in paragraph 27 and 28 above relevant for assessing the existence of such a ‘mental association’ or ‘link’? Are there other factors to take into account? Is the assessment of a link a question of fact (so something that can be established by market surveys), or is it a question of law to be established by the courts or authorities on the basis of such factors?

As a general rule, the law does not require that there must be a “mental association” or “link” between the earlier well-known mark and the later mark, as long as the later mark is used on goods and/or services that are identical with or similar to the goods and/or services of the well-known mark. The requirement of “mental association” between two marks would come into play if the owner of the earlier well-known mark, which is registered in the Philippines, is claiming protection against dilution caused by a later mark being used in goods and/or services not similar to the goods and/or services of the well-known mark. Subsection 147.2 of the IP Code provides that the use of the later mark in relation to goods or services would indicate a connection between the goods or services and the owner of the registered well-known mark.

Our IP Code, adopting the relevant provisions of the TRIPS Agreement, provides for a different scope of protection to well-known marks depending on whether the mark is registered in the Philippines or not. If the **well-known mark is registered in the Philippines**, the protection extends even to dissimilar goods or services, provided that such goods or services using the later mark would indicate a connection between those goods or services and the owner of the registered well-known mark. However, if the **well-known mark is not registered in the Philippines**, the protection only extends to identical or similar goods or services.

Philippine jurisprudence regarding “mental association” or “link” is usually taken in connection with confusing similarity. In the *Ang* case (discussed in our answer to Question 2 above), the Supreme Court held that the use of the same mark on non-competing goods would cause the whittling away of the identity of the mark upon the public mind. Meanwhile, in the case of *McDonald’s Corporation v. MacJoy Fastfood Corporation*,<sup>14</sup> the Supreme Court held that similarities in the dominant features of the marks will make ordinary purchasers conclude an association or relation between the marks.

The factors mentioned in paragraphs 27 and 28 of the Working Guidelines are relevant. These factors are usually considered to determine the marks’ confusing similarities. The assessment of “mental association” or “link” is a question of fact which must be proven by relevant evidence.

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<sup>14</sup> G.R. No. 166115, 02 February 2007.

5. Does such 'mental association' or 'link' between the earlier trademark and the later trademark automatically result in detriment to the earlier trademark's repute or distinctive character? Or does detriment have to be proved over and above the existence of a 'mental association' or 'link'?

Detriment to a well-known mark's reputation is presumed in instances where the later mark is used on goods and/or services that are identical with or similar to the goods and/or services of the well-known mark. However, in the case of a registered well-known mark where the later mark is used on dissimilar goods and/or services, detriment or damage to the reputation of the well-known mark is not automatically presumed and must be independently proven, as provided for in Subsection 147.2 of the IP Code.

6. Are the same factors taken into consideration to assess the existence of detriment as those already discussed for the link? Are there additional ones?

Philippine jurisprudence has not categorically provided for factors regarding the assessment of such detriment; petitioner must show proof that he will "likely be damaged" by the use of the later mark in dissimilar goods and/or services.

7. Must actual dilution be proved or is a showing of likelihood of dilution sufficient? Whose burden of proof is it? How does one prove dilution or likelihood of dilution? Does detriment require evidence of a change in the economic behaviour of the average consumer or that such change in behaviour is likely? If so, what is a change in the economic behaviour of the average consumer? Is reduced willingness to buy goods sold under the earlier mark a change in the economic behaviour? How do you prove a change in the economic behaviour of the average consumer or likelihood of such change in behaviour?

Our local laws and regulations are silent on this matter. However, based on the Supreme Court ruling in the *Levi Strauss case*,<sup>15</sup> it appears that actual dilution must be shown before a mark becomes eligible for protection against dilution. In said case, while there was no categorical ruling on the arguments put forward by the owner of the well-known mark that he need not wait until the mark loses its distinctiveness to obtain injunctive relief and that damage to the trademark owner is not necessary, the Supreme Court held that for a mark to be protected from dilution, the following elements (discussed in our answer to Question 3.1 above) must be established by the trademark owner seeking such protection: (1) the mark sought to be protected is famous and distinctive; (2) the use of the later trademark began after the earlier trademark became famous; and (3) such subsequent use defames the earlier trademark. In proving dilution, the Supreme Court explained that competition between the owner of the well-known mark and the owner of the later mark, and likelihood of confusion, mistake or deception, are immaterial and hence, may not be sufficient to prove dilution.

Philippine courts have not had the opportunity to refer to change in the economic behavior of the average consumer, or even the likelihood of such change, in its discussion on dilution of trademarks. Neither do Philippine laws require a change in the economic behavior of the average consumer to confirm the dilution of a mark.

8. What is the extent of protection afforded to marks which are eligible for dilution protection? May the owner of the earlier trademark object

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<sup>15</sup> *Supra*, at note 4.

- to the registration of a later trademark?
- to the actual use of a later trademark?
- in respect of dissimilar goods only or also in respect of similar goods?

The owner of the earlier well-known trademark may object to the registration of a later trademark by filing an opposition to the registration thereof. Said owner may also object to the actual use of a later trademark by seeking injunctive relief or by filing an infringement or unfair competition case.

Subsection 147.2 of the IP Code provides that the exclusive right of the owner of a well-known mark which is registered in the Philippines, shall extend to goods and services which are not similar to those in respect of which the mark is registered, provided that use of that mark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered mark, and that the interests of the owner of the registered mark are likely to be damaged by such use.

9. What are the legal remedies? May the owner of the earlier trademark file an opposition and/or a cancellation action? May he ask for injunctive relief or preliminary injunctive relief? Does your trademark office refuse the registration of a later trademark on grounds of likelihood of dilution?

#### Opposition

While the IP Code does not expressly provide for legal remedies against dilution of trademarks, based on Section 147.2 of the IP Code, the owner of a well-known earlier mark may file an opposition to the application for registration of the later mark, on the ground that he will be damaged by the registration of the said later mark. To illustrate, in the case of *McDonald's Corporation v. MacJoy Fastfood Corporation*,<sup>16</sup> therein owner of the registered mark filed an opposition to the application for registration of the later mark "MACJOY & DEVICE," alleging that the use and adoption thereof in bad faith would falsely tend to suggest a connection or affiliation with the well-known mark used on restaurant services and food products, thus, constituting a fraud upon the general public and further cause the dilution of the distinctiveness of the registered and internationally recognized "MCDONALD'S" marks to its prejudice and irreparable damage.

#### Injunctive Relief

In the case of *Levi Strauss case*,<sup>17</sup> on the other hand, it was held that a preliminary injunction will not be issued for the protection of trademarks against dilution unless its issuance is warranted under Section 3, Rule 58 of the Rules of Court, i.e., there must exist an actual right and a clear showing by the complainant of the existence of a right that must be protected and that the acts against which the writ is to be directed are violative of said right. An urgent and permanent necessity for the injunctive writ to prevent serious damage must likewise be shown. Hence, there must be a finding that: (1) the mark sought to be protected is famous and distinctive; (2) the use of the later trademark began after the earlier trademark became famous or well-known; and (3) such subsequent use defames the earlier trademark.<sup>18</sup>

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<sup>16</sup> *Supra*, at note 14.

<sup>17</sup> *Supra*, at note 1.

<sup>18</sup> As held in the *Levi Strauss case*, *supra* at note 4.

## Refusal of Registration

Under Subsection 123.1 of the IP Code, a mark which is identical or similar to a well-known registered or unregistered mark cannot be registered if it is used for identical or similar goods or services.<sup>19</sup> Moreover, a mark which is identical or similar to a well-known registered mark cannot be registered even with respect to goods or services which are not similar, provided that use of the mark in relation to those goods or services would indicate a connection between those goods or services, and the owner of the registered mark, and that the interests of the owner of the registered mark are likely to be damaged by such use.<sup>20</sup>

## II. Proposals for adoption of uniform rules

The Groups are invited to put forward proposals for adoption of uniform rules with a view to protecting trademarks against dilution. More specifically, the Groups are invited to answer the following questions:

1. Which trademarks should be eligible for protection against dilution? What should the eligibility criteria be? Should recognition or fame in a limited product market (“niche market”) be sufficient?

Marks that have been determined to be of well-known status must be eligible for protection against dilution. The criteria which are currently outlined in Rule 102 of the Trademark Regulations (discussed in our answer to Question 3.1 above) appear to be a sufficient guideline in determining whether a mark has the status of a well-known mark, thus eligible for protection against dilution. It is proposed that the standard of recognition in a limited product market (or “niche market”) – which is currently being adopted by our local laws and jurisprudence – be maintained since notoriety in the general public or the public at large would unduly restrict the application of the protection against trademark dilution.

2. Should it be a criteria for being eligible for dilution protection that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in the country?

It is proposed that a well-known mark be eligible for dilution protection regardless of whether the mark is registered or covered by a pending application in the relevant country. Moreover, the requirement of actual commercial usage of the mark in the relevant country (i.e., actual sales and distribution of goods and actual rendering of services) should be dispensed with. These proposals are in view of the advent of a shrinking global economy and the developments in the fields of information and communications technology, which made possible the widespread promotion and dissemination of information on, among others, products and services worldwide, regardless of whether the product is actually sold or the service is actually offered in a particular jurisdiction. Nowadays, a brand of a particular product or service can gain widespread recognition and notoriety in a country even if such product or service is not actually sold or offered in the market.

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<sup>19</sup> Subsection 123.1(e), IP Code; *vide* note 2.

<sup>20</sup> Subsection 123.1(f), IP Code.

3. Should there be a registry of eligible marks? If so, what should the evidentiary value of registration be? Should it be possible to challenge it in litigation?

There should be a registry of well-known marks. This would address the issue of uncertain and subjective determination by competent authorities as to whether a particular mark has attained a well-known status. The registration issued to a well-known mark by the registry of well-known marks is proposed to be a *prima facie* evidence of the well-known status thereof and its eligibility to claim protection against dilution, and such registration can be assailed on the ground that it was fraudulently secured (e.g., evidence submitted to support the application for well-known status is fabricated, etc.).

4. Should the existence of a 'mental association' or 'link' between the earlier trademark and the later trademark be an independent requirement for a trademark dilution claim?

The existence of "mental association" or "link" should be an independent requirement only in instances where the later mark is used on dissimilar goods or services. In cases where the later mark is used on identical or similar goods or services, the owner of the well-known mark need not independently prove the existence of "mental association" or "link".

5. Should detriment to the distinctive character or reputation of the earlier mark require evidence of a change in the economic behaviour of the average consumer or that such change in behaviour is likely?

No. The imposition of this requirement would unduly restrict the application of dilution protection to well-known marks.

6. What should the remedies be for dilution of a mark?

It is proposed that the following legal remedies which are available for infringement and unfair competition be also extended to cases involving dilution of well-known marks:

1. Opposition against the application for the registration of the later mark;
2. Cancellation against the registration of the later mark;
3. Injunctive relief; and
4. Unfair competition case.

### **Summary of the Philippine Group Report to Question 214**

The developments in information and communications technology has resulted in innovative ways of product and service marketing, distribution, and delivery. The ease of transborder flow of information, products, and services has created a shrinking global market. As a result, product manufacturers and service providers are becoming more competitive and protective over their products and services. Owners of well-known trademarks are becoming more zealous in protecting the reputation and goodwill of their products and services against dilution. A clear, adequate, and uniform legal framework is needed in order to protect well-known marks against dilution. Such framework must take into account the current economic and social environment, cognizant that old or existing legal structures may not be sufficient to

protect the interests of owners of well-known marks. It is proposed that a registry of well-known marks be established to address the uncertain determination whether a mark has attained a well-known status. Thereafter, the criteria for determining eligibility for protection against dilution should be reasonable so as not to unduly restrict its application. Moreover, a well-known mark should be eligible for dilution protection regardless of whether the same is registered or not.