

Opinion

The Honorable Supreme Court of the Philippines

From: International Trademark Association

Date: December, 2015

Re: **THE H.D. LEE COMPANY, INC. AND AUTHENTIC AMERICAN APPAREL, INC. vs. EMERALD GARMENT MANUFACTURING CORPORATION, G.R. No. 207060** – Opinion relating to the appeal of the Philippines Court of Appeals' decision (Case No. CA-G.R. CV No. 96850), which overturned a decision of the Regional Trial Court of Parañaque City, Branch 258 (Case No. 03-0355) and found against unfair competition.

The International Trademark Association ("INTA") is a global association of more than 6,600 trademark owners and professionals from more than 190 countries around the world, including 44 members in the Philippines. The Association is dedicated to supporting trademarks and related intellectual property in order to protect consumers and to promote fair and effective commerce. An important objective of INTA is to protect the interest of the public and brand owners through the proper use of trademarks and trademark-related law. In this regard, INTA strives to advance the development of trademark and unfair competition laws and treaties throughout the world.

INTA has acted in the capacity of *amicus curiae* in 27 cases over the past five years in courts such as the Court of Justice of the European Union, the United States Supreme Court, the Indonesian Supreme Court, the Supreme Court of Canada, the Full Court of the Federal Court of Australia, the Arbitrazh Court of Moscow, the Supreme Court of India, and numerous other appeals courts in several other jurisdictions. INTA has also submitted briefs to the World Trade Organization Dispute Settlement Panel.

INTA has been an official non-governmental observer to the World Intellectual Property Organization since 1979 and actively participates in all trademark-related WIPO proposals. INTA has contributed to WIPO trademark initiatives such as the Trademark Law Treaty and is active in other multi-lateral forums, including the Asia Pacific Economic Cooperation Forum, the Association of Southeast Asian Nations, and the European Union.

INTA is writing because, as an international organization, it is concerned with the decision of the Philippines Court of Appeals in the above-referenced case and wishes to express its opinion for the Honorable Court's consideration.

Summary

This case involves an appeal by the H.D. Lee Company, Inc. (the "Petitioner") from a decision by the Philippines Court of Appeals (the "CA") on 29 October 2012 finding Emerald Garment Manufacturing Corporation (the "Respondent") not liable for unfair competition.¹ The CA's decision overturned a decision of the Regional Trial Court of Parañaque City, Branch 258 (the "RTC") finding the Respondent liable for unfair competition, in part because "the virtual identity in the general appearance of both goods [jeans] guarantees confusion or even deception of the purchasing public as it appears there are no significant differences between the two (2) products."² The CA's decision was based in large part on a previous Supreme Court decision, *Emerald Garments Manufacturing Corporation vs. Court of Appeals*,³ which held that "the issue of confusing similarity between trademarks is resolved by considering the distinct characteristics of each case. ... [W]e conclude that the similarities in the trademarks in question are not sufficient as to likely cause deception and confusion tantamount to infringement."⁴ The CA concluded (emphasis added) that "[t]he above-quoted pronouncement of the Supreme Court determined with finality the question of whether there was '**confusing similarity in the general appearance**' of the products of [Respondent] on one hand, and [Petitioner] on the other" and thus, under the principle of *res judicata*, "[Petitioner's] argument on 'confusing similarity in the manner of display and presentation' therefore lacks legal basis."

After reviewing the record, INTA's opinion is that the CA's decision was in error for the following reasons:

- 1) The CA incorrectly applied the principle of *res judicata* from a trademark action involving the issue of confusing similarity in the trademarks at issue to an unfair competition action involving the issue of confusing similarity in the appearance of the goods at issue;
- 2) The CA incorrectly confused unfair competition law with trademark law and merged two independent legal claims and bodies of law into one; and
- 3) The CA's decision contravenes well-established international principles of unfair competition law, which recognize unfair competition as a body of law and legal claim separate from trademarks and do not require confusing similarity of trademarks as a necessary element of the claim.

INTA limits its comments to the issues of law regarding the principles above, and does not take any position on the issues of fact in this case.

¹ *The H.D. Lee Company, Inc. and Authentic American Apparel, Inc. vs. Emerald Garment Manufacturing Corporation*, CA-G.R. CV No. 96850, 29 October 2012.

² *The H.D. Lee Company, Inc. and Authentic American Apparel, Inc. vs. Emerald Garment Manufacturing Corporation*, Civil Case No. 03-0355, 07 December 2010.

³ G.R. No. 100098, 29 December 1995, 251 SCRA 600.

⁴ *Id.* at 618.

We explain the background of the case, the CA's decision and our opinion in more detail below.

Background

The history and background of the case are presented in detail in the Petitioner's **Petition for Review on Certiorari** and the Respondent's **Comment on Petition for Review**. We provide only a brief summary here based on the record of the case.

- The Petitioner is the registered owner of the Philippine trademarks "LEE" for jeans and related products (Registration Nos. 30578, issued on 15 February 1982 and RSR-1520, issued on 20 June 1992) and "LEE JEANS" for the same goods (Registration No. 062538, issued on 5 February 1996). The Petitioner markets and distributes its "LEE" products through an exclusive licensee, Authentic American Apparel, Inc. ("AAA").
- In 2001-2002, the Petitioner conducted an investigation and discovered the Respondent was selling and distributing jeans under its "STYLISTIC MR LEE" brand in a manner the Petitioner believed constituted unfair competition.
- In 2003, the Petitioner filed a complaint for unfair competition against the Respondent with the RTC, alleging the Respondent was committing acts of unfair competition under Section 168 of the Intellectual Property Code of the Philippines⁵ (the "IP Code") by selling and distributing jeans and other products using the nearly identical design, color scheme and manner of display and presentation as those of the Petitioner's products. The Petitioner submitted evidence allegedly showing: (1) the designs of the Respondent's jeans and other products are almost identical to those of the Petitioner's products; (2) the way the Respondent displays its products in its stores is almost identical to the way the Petitioner displays its products; (3) the Respondent uses hang-tags placed beside the back labels of its jeans in such a way that the "MR" part of the Respondent's "STYLISTIC MR LEE" brand on the back labels was covered, thereby making readily visible only the prominent word "LEE"; and (4) certain customers had confused the Respondent's products for those of the Petitioner due to the nearly identical manner and style in which they are displayed and marketed.
- On 7 December 2010, the RTC issued a decision in favor of the Petitioner, finding the Respondent had committed acts of unfair competition:

[The Court] found that plaintiffs were able to preponderantly prove that they have a cause of action against the defendant for unfair competition and is entitled to damages[,] it appearing from the pieces

⁵ Republic Act No. 8293 (6 June 1997).

of documentary and testimonial evidence which they proffered that defendant Emerald Garments has sold and has been selling [S]tylistic Mr. Lee products which have practically the same designs and color with that of Lee products not to mention the fact that the manner with which defendant displayed its products clearly deceives the public. This is so as defendant uses the hang-tags purposely to hide the word 'MR.'

* * *

... the Court noted that the defendant resorted to use and/or adopt the same designs and color scheme as well as the style of presentation being used by plaintiffs HDL in exposing its products to the public. In this regard, it appearing that Emerald Garments has opted to apply the same scheme of plaintiffs which deceives the public by passing off its products as the famous Lee products, it is the honest and firm belief of the Court that the plaintiffs have been deprived by defendant Emerald of their lawful trade. To the Court, defendant's acts are considered unscrupulous which are constitutive of unfair completion in accordance with Section 168 of Republic Act 8293 otherwise known as the Intellectual Property Code of the Philippines.

* * *

The Court, therefore, believes ... the defendant is guilty of committing acts constitutive of unfair competition against the plaintiffs herein. This is so considering that a juxtaposed examination of the jeans of plaintiffs vis-à-vis that of the product of defendant Emerald Garments as well as the method by which both parties display their goods readily reveals with crystal clarity that defendant's jeans although bearing Stylistic Mr. Lee has the general appearance of plaintiff's products. In fact, the use of the word 'LEE' is not about the trademark registration but its actual use in the market which is confusingly similar with the registered and commercially used trademark just like in the case at bar. The fact that 'Stylistic Mr. Lee' products are sold and distributed using the same designs, color scheme and style of presentation are factors which will mislead the consumers into believing that the products being sold by the defendant come from LEE which products have already gained international fame and approval from the general public.

The CA Decision

The CA, however, overturned the RTC's decision (the "CA Decision"), in large part under the principle of *res judicata* because the Supreme Court had declared in a 1995 decision that "the issue of confusing similarity between trademarks is resolved by considering the distinct characteristics of each case. In the present controversy, taking into account these unique factors, we conclude that the similarities in the trademarks in question [the Petitioner's "LEE" trademark and the Respondent's "STYLISTIC MR. LEE"] are not

sufficient as likely to cause deception and confusion tantamount to infringement" (the "1995 SC Decision").⁶ Specifically, the CA held:

The RTC could have been correct in its finding that defendant Emerald is guilty of unfair competition if the question of 'confusing similarity' between defendant-appellant's 'STYLISTIC Mr. LEE' and HDL's 'LEE' is still an unresolved question. However, in ***Emerald Garments Manufacturing Corporation vs. Court of Appeals***, the Supreme Court already declared that there is **no confusing similarity** between the two trademarks.

* * *

The above-quoted pronouncement of the Supreme Court determined with finality the question of whether there was '**confusing similarity in the general appearance**' of the products of the defendant-appellant Emerald on one hand, and plaintiff-appellee HDL on the other. Under the principle of *res judicata*, more particularly, the concept of **conclusiveness of judgment**, a fact or question which was in issue in a former suit which was judicially passed upon and determined by a court of competent jurisdiction, is **conclusively settled by the judgment therein as far as the parties to that action and persons privy with them are concerned and cannot be again litigated in any future action between such parties or their privies...**as long as **the judgment remains unreversed by proper authority**. Plaintiff-appellees' argument on 'confusing similarity in the manner of display and presentation' therefore lacks legal basis.

The Petitioner subsequently filed a **Petition for Review on Certiorari** before the Supreme Court, seeking review of the CA Decision on a number of legal and factual grounds. Regarding the issue of similarity of products and *res judicata*, the Petitioner stated in its petition:

The ruling of the Court of Appeals is not in accordance with law and settled jurisprudence. The basis for an unfair competition action is the confusing similarity in the appearance of the goods, and not the similarity in the appearance of the trademarks. As respondent had purposely given its products and stores the appearance of petitioners' '**LEE**' products and stores, respondent should be held liable for unfair competition notwithstanding its registration for '**STYLISTIC MR. LEE**'. Further, the 1995 *Emerald Garments* does not apply to the instant case and does not constitute *res judicata* as it involves a different issue, cause of action and law.

⁶ Supra note 3, at 618.

The Issues

Although the Petitioner has sought review of the CA Decision on multiple grounds, INTA's concerns regarding the CA Decision and opinion expressed herein focus on the CA's reliance on the 1995 SC Decision and invocation of the *res judicata* principle in finding the Respondent did not commit unfair competition under Section 168 of the IP Code. Specifically, INTA's opinion, expressed in detail below, focuses on the following issues:

1. Whether a previous finding of lack of confusing similarity between the trademarks at issue in a trademark action precludes, as a matter of law under the principle of *res judicata*, a subsequent finding of confusing similarity in the appearance of the goods at issue in an unfair competition action?
2. Whether the CA Decision finding the Respondent did not commit unfair competition based on the 1995 SC Decision finding a lack of confusing similarity between the trademarks at issue in a trademark action contravenes well-established international principles of unfair competition law?

INTA's Opinion

INTA's view is that a previous finding of lack of confusing similarity between two trademarks in a trademark action does not preclude a subsequent finding of unfair competition. This view is consistent with the Philippines' unfair competition law (Section 168 of the IP Code) as well as international principles of unfair competition law.

1. The issue of similarity of appearance of goods in an unfair competition action is different from the issue of similarity of trademarks in a trademark action.

An action for unfair competition is different from an action for trademark infringement or registrability. In the Philippines, the former action is brought under Section 168 of the IP Code while the latter action is brought under Section 155 of the IP Code.⁷ Pertinent parts of Section 168 of the IP Code read as follows (emphasis added):

Sec. 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

⁷ Section 239 of the IP Code repealed Republic Act No. 166, which was the Philippine's Trademark Law in effect at the time of and basis for the 1995 SC Decision.

services so identified, which will be protected in the same manner as other property rights.

168.2. Any person who shall employ deception or any other means contrary to good faith by which he shall pass off **the goods manufactured by him or in which he deals**, or his business, or services for those of the one having established such goodwill, or who shall commit any acts calculated to produce said result, shall be guilty of unfair competition, and shall be subject to an action therefor.

168.3. In particular, and without in any way limiting the scope of protection against unfair competition, the following shall be deemed guilty of unfair competition:

- (a) Any person, **who is selling his goods and gives them the general appearance of goods of another manufacturer or dealer, either as to the goods themselves or in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance**, which would be likely to influence purchasers to believe that the goods offered are those of a manufacturer or dealer, other than the actual manufacturer or dealer, or who otherwise clothes the goods with such appearance as shall deceive the public and defraud another of his legitimate trade, or any subsequent vendor of such goods or any agent of any vendor engaged in selling such goods with a like purpose;
- (b) Any person who by any artifice, or device, or who employs any other means calculated to induce the false belief that such person is offering the service of another who has identified such services in the mind of the public; or
- (c) Any person who shall make any false statement in the course of trade or who shall commit any other act contrary to good faith of a nature calculated to discredit the goods, business or services of another.⁸

Section 168 establishes a property right in the goodwill relating to the appearance of goods (separate from a trademark right) and provides civil liability for its violation (separate from a trademark action). In addition to civil sanctions, a criminal penalty is imposed under Section 170. Section 168 focuses on the general appearance and confusing similarity of goods, not trademarks. Indeed, the only mention of trademarks in Section 168 demonstrates that unfair competition can be established "whether or not a registered mark is employed."

⁸ The Philippines is a member of the Paris Convention for the Protection of Industrial Property ("Paris Convention") and signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement"). In fulfilling its obligation under the Paris Convention and TRIPS Agreement to prohibit unfair competition, the Philippines implemented Article 10bis of the Paris Convention as Sections 168(2) and 168(3) of the IP Code.

In contrast to an unfair competition action under Section 168, which involves comparing the general appearance of goods, a trademark infringement action involves comparing the trademarks at issue. Under Section 22 of the Philippines' Trademark Law (emphasis added):⁹

Any person who shall use, without the consent of the registrant, **any reproduction, counterfeit, copy or colorable imitation of any registered mark** or trade-name in connection with the sale, offering for sale, or advertising of any goods...shall be liable to a civil action by the registrant for any or all of the remedies herein provided."

Neither Section 168 nor the Paris Convention and TRIPS Agreement require confusing similarity of trademarks to establish an unfair competition claim. To the contrary, both Section 168 and the Paris Convention and TRIPS Agreement recognize unfair competition based on confusing similarity of appearance of goods as a legal claim separate and different from trademark infringement based on confusing similarity of trademarks. As the Honorable Court stated in *Converse Rubber Corporation vs. Jacinto Rubber & Plastics Co., Inc.*,¹⁰ (emphasis added):

From said examination, [w]e find the shoes manufactured by defendants to contain, as found by the trial court, **practically all the features** of those of the plaintiff Converse Rubber Corporation and manufactured, sold or marketed by plaintiff Edwardson Manufacturing Corporation, **except for their respective brands, of course**. We fully agree with the trial court that 'the **respective designs, shapes, the colors of the ankle patches, the bands, the toe patch and the soles** of the two products are exactly the same...(such that) 'at a distance of a few meters, it is impossible to distinguish 'Custombuilt' from 'Chuck Taylor'. **These elements are more than sufficient to serve as basis for a charge of unfair competition.**¹¹

2. The 1995 SC Decision in the earlier trademark infringement action does not have conclusive effect on the current unfair competition action.

The CA Decision is based in large part on the CA's (1) finding that the issue of confusing similarity in the general appearance of the Petitioner's and Respondent's products had been conclusively determined by the 1995 SC Decision; and (2) application of the principle of *res judicata* or "conclusiveness of judgment." INTA's view, respectfully, is that the CA Decision was erroneous in both respects.

First, the CA Decision was incorrect in stating that the 1995 SC Decision "determined with finality the question of whether there was 'confusing similarity

⁹ Section 22 of the Trademark Law (Republic Act No. 166) was in effect at the time of the 1995 SC Decision, but has been superseded by Section 155 of the IP Code.

¹⁰ G.R. Nos. L-27425 & L-30505, 28 April 1980, 97 SCRA 158.

¹¹ *Id.*

in the general appearance' of the [Petitioner's and Respondent's] products."¹² To the contrary, as recognized in the CA Decision itself, the 1995 SC Decision addressed only the issue of confusing similarity of the trademarks themselves (the Petitioner's "LEE" trademark versus the Respondent's "STYLISTIC Mr. LEE" trademark).¹³ Indeed, within the section of the 1995 SC Decision quoted in the CA Decision, the Supreme Court expressly states the issue before it as the confusing similarity between trademarks:

[T]he issue of confusing similarity between trademarks is resolved by considering the distinct characteristics of each case... [W]e conclude that the similarities in the trademarks in question are not sufficient as likely to cause deception and confusion tantamount to infringement.¹⁴

In short, the CA's conclusion that "[t]he above-quoted pronouncement of the Supreme Court determined with finality the question of whether there was 'confusing similarity in the general appearance' of the [Petitioner's and Respondent's] products" was in error.¹⁵ The 1995 SC Decision was a trademark cancellation case and did not address, let alone conclusively settle, the issue of confusing similarity in the appearance of goods or the related issue of whether the Respondent used the "same designs, color scheme, style of presentation and point of purchase materials" for its jeans as those used by the Petitioner. These are factual issues that are being decided for the first time in the current unfair competition case.

In addition to having different factual issues, the 1995 SC Decision and current case are based on entirely different laws and causes of action. The 1995 SC Decision was a trademark cancellation case brought under the then-current Trademark Law and was addressing the primary issue of confusing similarity between the trademarks at issue. In contrast, the current case is an unfair competition action brought under the unfair competition section of the IP Code and addressing the primary issue of confusing similarity in the general appearance of the products and how they are sold. Thus, in INTA's view, the principle of *res judicata* or "conclusiveness of judgment" does not apply in this case. *Res judicata* as "conclusiveness of judgment" means "any right, fact, or matter in issue directly adjudicated or necessarily involved in the determination of an action before a competent court in which a judgment or decree is rendered on the merits is conclusively settled by the judgment therein and cannot again be litigated between the parties and their privies whether or not the claims or demands, purposes, or subject matters of the two suits are the same."¹⁶ The matter of *confusing similarity in the general appearance of goods* was not directly adjudged or necessarily involved in the 1995 SC Decision, not having been a matter in issue in said case. Neither does *res judicata* as "bar by former judgment" apply. *Bar by former judgment* means "the judgment or decree of a court of competent jurisdiction on the merits concludes the litigation between

¹² See PCA Decision, at 18.

¹³ See PCA Decision, at 15 ("the Supreme Court already declared that there is no confusing similarity between the two trademarks").

¹⁴ See PCA Decision, at 17-18.

¹⁵ See PCA Decision, at 18.

¹⁶ *Facura v. Court of Appeals*, G.R. No. 166495, 16 February 2011, 643 SCRA 427, 458.

the parties and their privies and constitutes a bar to a new action or suit involving the same cause of action either before the same or any other tribunal.”¹⁷ Thus *unfair competition* as a distinct cause of action is not barred by previous *cancellation or opposition decisions*.

3. Under the law of the Philippines, unfair competition is separate and distinct from trademark infringement, and confusing similarity of trademarks is not a required element in every case for unfair competition.

The CA Decision seems to suggest that confusing similarity of trademarks is required to establish unfair competition in every case. It is not. As discussed above, unfair competition and trademark infringement are distinct causes of action under the law of the Philippines, each protecting different legal rights and requiring different elements to succeed. Under Section 147 of the IP Code, the owner of a registered trademark has the exclusive right to prevent others from using identical or similar marks in connection with the goods that are registered.¹⁸ Section 151 of the IP Code gives the trademark owner a right to bring a cancellation of registration petition against anyone using an identical or similar mark in commerce without authorization. And Section 155 gives the trademark owner a civil claim for infringement. For such a trademark cancellation or infringement claim, the issue of confusing similarity between the registered mark and unauthorized mark is crucial.

An unfair competition claim, in contrast, is based on Section 168 of the IP Code, which grants a property right in the goodwill of goods, services or a business that is identified in the mind of the public from the goods, services or business of others, regardless of whether a registered mark is used. Sections 168.2 and 168.3 of the IP Code provide for an action for unfair competition against, *inter alia*, "any person, who is selling his goods and gives them the **general appearance of goods of another manufacturer or dealer, either as the goods themselves or in the wrapping of the packages in which they are contained, or the devices or words thereon, or in any other feature of their appearance**, which would be likely to influence purchasers to believe that the goods offered are those of a manufacturer or dealer, other than the actual manufacturer or dealer..." (emphasis added). For such an unfair competition claim, the key issue is not similarity of trademark as in a trademark cancellation or infringement action, but rather similarity of general appearance of the goods at issue.

In sum, under the law of the Philippines similarity of trademarks is not required to establish unfair competition in every case. This issue has been addressed and decided by this Honorable Court. In *In-N-Out Burger, Inc. vs. Sehwani, Incorporated*,¹⁹ this Honorable Court set out the elements of unfair competition (emphasis added):

¹⁷ Id.

¹⁸ Section 121 of the IP Code defines a mark as any visible sign capable of distinguishing the goods (trademark) and shall include a stamped or marked container of goods.

¹⁹ G.R. No. 179127, 24 December 2008, 575 SCRA 535.

The essential elements of an action for unfair competition are (1) confusing similarity in the general appearance of the goods and (2) intent to deceive the public and defraud a competitor. **The confusing similarity may or may not result from the similarity in the marks but may result from other external factors in the packaging or presentation of the goods.**²⁰

Indeed, as noted above, this Honorable Court had decided the issue much earlier in *Converse Rubber Corporation vs. Jacinto Rubber & Plastics Co., Inc.*,²¹ (emphasis added):

From said examination, [w]e find the shoes manufactured by defendants to contain, as found by the trial court, **practically all the features** of those of the plaintiff Converse Rubber Corporation and manufactured, sold or marketed by plaintiff Edwardson Manufacturing Corporation, **except for their respective brands, of course.** We fully agree with the trial court that ‘the **respective designs, shapes, the colors of the ankle patches, the bands, the toe patch and the soles** of the two products are exactly the same...(such that) ‘at a distance of a few meters, it is impossible to distinguish ‘Custombuilt’ from ‘Chuck Taylor’. **These elements are more than sufficient to serve as basis for a charge of unfair competition.**²²

Unfair competition has its roots in Section 29 of Republic Act No. 166 (1947) and Article 189 of the Revised Penal Code (RPC) [as amended by Republic Act No. 172 (1947)]. The elements of unfair competition under both provisions were (emphasis added):

- (a) that the offender **gives his goods the general appearance** of the goods of another manufacturer or dealer;
- (b) that the general appearance is shown in the
 - (1) **goods themselves**, or in the
 - (2) **wrapping** of their packages, or in the
 - (3) **device or words** therein, or in
 - (4) **any other feature** of their appearance;
- (c) that the offender **offers** to sell or sells those goods or gives other persons a chance or opportunity to do the same with a like purpose; and
- (d) that there is **actual intent to deceive** the public or defraud a competitor.²³

The advent of the IP Code has not significantly changed the rulings of the Honorable Court on unfair competition.²⁴ Passing off as one’s own the goods of

²⁰ Id. at 564-565.

²¹ Supra Note 10.

²² Id. at 168-169.

²³ Luis B. Reyes, *The Revised Penal Code: Criminal Law* 282 (15th ed. 2001)

²⁴ Id.

another through the general appearance of the goods is still a key element for unfair competition to exist, and that general appearance is shown in the goods themselves, or in the wrapping of their packages, or in the device or words therein, or in any other feature of their appearance. Thus, unfair competition may exist without similarity of marks.

Republic Act No. 166 was adopted to replace the obsolete, nearly half a century old trademark law, Act of the Philippine Commission of 1903 (Act 666), and take into account the modern trends in industrial property protection observed in the United States, France and Great Britain.²⁵ The definition of unfair competition was broadened to embody the modern concept of protection against any unfair trade practices.²⁶

4. Under international principles, unfair competition is separate and distinct from trademark infringement, and confusing similarity of trademarks is not a required element for an unfair competition claim.

As discussed above, under the law of the Philippines, there may be a finding of unfair competition even without confusing similarity of trademarks, as in this case, where the unfair competition claim is based on identical design, color scheme and manner of display and presentation of products (general appearance of goods), and not on similarity of trademarks. This is consistent with international principles of unfair competition as established in applicable treaties and implemented in the law of various nations. The relevant sections from the Paris Convention and the TRIPS agreement outlined below demonstrate it is well recognized that registration of a trademark does not preclude, and confusing similarity of trademarks is not required for, an action in unfair competition:

- Paris Convention/TRIPS:
 - Countries that are parties to the Paris Convention and TRIPS Agreement are obligated to prohibit unfair competition pursuant to article 10*bis* and article 2 respectively.
 - Article 10*bis* of the Paris Convention protects against unfair competition by prohibiting:
 1. All acts creating confusion with the establishment, goods, or activities of a competitor;
 2. False allegations in the course of trade of such a nature that discredits the establishment, goods or activities of a competitor; or
 3. Indications or allegations which, in the course of trade is liable to mislead the public as to the nature, manufacturing process, characteristics, suitability for their purpose, or the quantity, of the goods.

²⁵ Discussions on RA 166, May 12, 1947. Congressional Library Bureau.

²⁶ *Id.*

- Parties to the TRIPS Agreement are obligated to comply with article 10*bis* of the Paris Convention as provided by article 2 of the TRIPS Agreement.

Conclusion

The CA Decision suggests that confusing similarity of trademarks is a required element of an unfair competition claim in every case, and that the owner of a registered trademark cannot be held liable for unfair competition when the owner engages in conduct relating to product appearance or trade dress that might otherwise be considered unfair competition.

INTA is particularly concerned, and thus has expressed its views herein, because the CA Decision's finding on unfair competition is unique and differs from the unfair competition principles adopted by other jurisdictions. **An adverse decision in this Honorable Court would have a significant chilling effect** on international retail enterprises entry into the Philippines' market. There is also the **danger that the Philippines' position could be adopted by other developing countries in Asia or elsewhere**. The Philippines is signatory to the world's most important IP-related treaties, including the Paris Convention and TRIPS, so vital issues like the basic protection of unfair competition right should be addressed in accordance with domestic and international IP law.

It is INTA's opinion that the case should be determined based on the proper application of Philippine unfair competition law, as well as in accordance with international principles of unfair competition.