INTA Comments on the Special Rules on Intellectual Property Litigation

Introduction

The International Trademark Association (INTA) thanks the Supreme Court of Manila and the Intellectual Property Office of the Philippines for the opportunity to provide comments and suggested modifications to the “Special Rules on Intellectual Property Litigation” (hereinafter, “the Rules”).

INTA is a membership association of more than 7,200 companies and professional service firms from more than 191 countries. INTA’s total membership collectively contribute almost US $12 trillion to global GDP annually. The Association's member organizations represent some 31,000 trademark professionals and include brand owners from major corporations as well as small and medium sized enterprises, law firms and nonprofits. INTA undertakes advocacy work throughout the world to advance trademarks and related rights, and offers educational programs and informational and legal resources of global interest. INTA’s key objective is to support trademarks and related intellectual property (IP) to foster consumer trust, economic growth, and innovation.

Intellectual property and the protection of intellectual property rights play a significant role in the growth of local economies. In August 2017, INTA published a report on The Economic Contribution of Trademark-Intensive Industries in Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Data from 2012-2015 indicate that the direct contribution of trademark intensive industries in the Philippines was estimated at around 17% of GDP. This number rises to 28% of GDP when factoring in indirect contributions. Local economic growth can also be severely impacted by the global counterfeit trade. According to the report titled The Economic Impacts of Counterfeiting and Piracy commissioned by INTA and the International Chamber of Commerce - Business Action to Stop Counterfeiting and Piracy (ICC-BASCAP), the global value of counterfeiting and piracy is expected to reach upwards of $2.81 trillion by 2022. This means that by 2022, the estimated number of jobs lost globally due to the counterfeit trade is expected to be about 5.4 million and the displacement of legitimate economic activity is expected to be $1.244 billion globally.

INTA appreciates your consideration of its comments on the “Special Rules on Intellectual Property Litigation.” This document was prepared by the Anticounterfeiting Committee, Enforcement Committee, and the Legislation and Regulation Committee, and staff. If you have any questions or concerns, please do not hesitate to contact INTA’s Chief Representative- Asia-Pacific, Seth Hays at shays@inta.org, Manager, Enforcement, Iris Gunther at igunther@inta.org or Advisor, Anticounterfeiting, Tiffany Pho at tpho@inta.org.

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1 http://www.inta.org/Communications/Pages/Impact-Studies.aspx
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Rule 1, Section 2: In what courts applicable

INTA would like to propose that the responsible courts be expanded to include Regional Trial Courts handling intellectual property violation cases in addition to the Special Commercial Courts. Rule 1, Section 2 refers specifically to Special Commercial Courts, however there are a number of intellectual property violations in cities or municipalities that do not have a designated Special Commercial Court. The expansion of courts under the Rules would also impact Rule 11, Section 2 which states that the criminal cases shall be filed “with the court referred to in Section 2 of Rule 1”. Therefore, INTA would like to suggest that the coverage of the Rules extend to all courts handling IP cases for purposes of clarity.

Rule 2, Section 2: Special Commercial Courts in the National Capital Judicial Region with authority to issue writs of search and seizure enforceable nationwide

INTA would like to recommend that the number of Special Commercial Courts with the authority to issue writs of search and seizure be increased to address delays in hearing search warrant applications and in hearing and resolving intellectual property rights cases.

Rule 3, Section 6: Failure to file complaint where a writ of search and seizure is issued

INTA would like to recommend that the private complainant be permitted to file a motion after the 60 day period for the disposal of the seized goods. Due to the heavy case load of the courts, the issuance of an order for the disposal of goods is not always immediate, thus causing the private complainant or brand owner to continue to be liable for storage costs associated with the seized goods. Therefore, we would like to recommend the following change to Rule 3, Section 6, allowing for the private complainant to file a motion with the court to prompt disposal of the seized goods:

“If no motion for the return of the seized goods is filed within sixty (60) days from the issuance of the writ under the preceding paragraph, the court, moto propio or upon motion of the applicant or private complainant, shall order the disposal of the goods, as may be warranted, after hearing with notice to the parties.”

Rule 10, Section 2: Special Commercial Courts in the National Capital Judicial Region with authority to issue search warrants enforceable nationwide

INTA would like to recommend that the number of Special Commercial Courts with the authority to issue writs of search and seizure be increased to address delays in hearing search warrant applications and in hearing and resolving intellectual property rights cases.

Rule 11, Section 4: Disposition of goods seized pursuant to search warrant

INTA would like to recommend that Paragraph 4 of Rule 11, Section 4 (“Upon motion of the party whose goods have been seized…”) be removed as the language is not clear and violates due process of the private complainant. Paragraph 5 of Rule 11, Section 4 is sufficient to protect the rights of the party whose goods have been seized, as well as the rights of the private complainant.

Rule 12, Section 1 (d): Procedure; Rule 14, Section 1: Affidavits and other evidence at the trial

INTA is of the position that when seeking to confirm the authenticity of a product in a counterfeiting case via the appointment of an expert witness, the courts and prosecutors should recognize the brand owner or an agent
appointed by the brand owner as the best party having the requisite expertise to confirm the authenticity of a product.\(^2\)

**Rule 20, Section 2: conditions for order of destruction**

INTA is of the position that bond requirements and storage and destruction costs imposed on brand owners should be eliminated as they are unduly burdensome on brand owners.\(^3\)

INTA recommends that the complete removal of the bond requirement as a condition prior to the court’s issuance of an order of destruction. INTA notes that the purpose of a bond is to indemnify the adverse party for any loss or damage he may suffer or incur in the event that the court finds that the issuance of the order of destruction was not warranted or justified under the circumstances. However, in most cases involving trademark infringement or unfair competition, the accused usually remains at large, with no interest whatsoever to reclaim or withdraw the seized infringing goods. During this period, it is the brand owner who bears not only the storage and warehousing costs, but also the bond requirement in order to move for the destruction of these items. This is greatly inconvenient, costly, and prejudicial to the private complainant.

Additionally, the provision, as worded, affords the court unbridled discretion in determining the amount of the bond and no fixed period is set as to the duration of the bond. In other words, the brand owner may be forced to post a bond in an amount not commensurate to the value of the items seized and provide security in perpetuity. It is therefore recommended that the bond requirement be eliminated altogether.

INTA would also like to recommend that the Rules allow for ex-parte destruction of goods prior to a finding of infringement in the case of special circumstances. These circumstances would include instances where the warrant of arrest could not be served, the infringing party could not be located or remains at large, the infringing party violated bail conditions, or the case has been archived for any reason. In the cases of special circumstances, holding the brand owner responsible for the expenses associated with the storage of the seized goods to be used at trial is unduly burdensome on the brand owner. Representative samples of the seized goods may still be kept consistent with Rule 20.2 (c) for use at trial.

**Additional Suggestions:**

**Rule 20: Order of Destruction**

INTA would like to recommend the inclusion of a new section under Rule 20 that would allow for immediate destruction of the seized goods, should the owner of the infringing goods expressly admit via written form that the goods in question are counterfeit, as well as authorize its destruction.

As a general rule, the court will only issue an order of destruction, upon motion and after due notice and hearing, where the violation of the intellectual property rights of the owner is established. Among the issues discussed during this summary hearing is whether the seized goods are indeed counterfeit.

In this regard, we recommend that if the owner of the infringing goods expressly admits, in written form, that the seized goods are counterfeit, and authorizes the destruction of the goods, the commercial court may immediately order the destruction of the seized goods upon motion of the private complainant. This will expedite the process of removing from commerce the infringing goods; therefore, relieving the burden on the private complainant of costs associated with storage of the seized goods in a warehouse facility.

\(^2\) INTA Board Resolution on the “Appointment of Third Party Expert Witnesses in Judicial Anticounterfeiting Cases” (2019) [https://www.inta.org/Advocacy/Pages/BR20190618.aspx](https://www.inta.org/Advocacy/Pages/BR20190618.aspx)

\(^3\) INTA Board Resolution on “Measures to Combat Trademark Counterfeiting” (2005) [https://www.inta.org/Advocacy/Pages/MeasurestoCombatTrademarkCounterfeiting.aspx](https://www.inta.org/Advocacy/Pages/MeasurestoCombatTrademarkCounterfeiting.aspx)