

# Trends and Developments in Intellectual Property Law: Investigating Recent IP Claims

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## I. INTRODUCTION

Intellectual Property (IP) law has been in existence here in the Philippines for more than a century now.<sup>1</sup> It was first introduced in the Philippines by

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the Spanish when the former was still under the latter's control.<sup>2</sup> The Spaniards later ceded control over the Philippines to the Americans.<sup>3</sup> During this time, American IP law was adopted as the law governing IP in the Philippines.<sup>4</sup> Consequently, the Philippine Courts during such time, adopted and applied United States (US) jurisprudence when applying and interpreting IP laws.<sup>5</sup>

This was not the case for long because the Philippines was able to acquire independence from the Americans. This independence gave rise to the establishment of the Philippines' own IP laws which were still somewhat similar to US IP laws.<sup>6</sup> After several developments, Philippine IP law was eventually compiled into one law — the IP Code of the Philippines.<sup>7</sup> There are three main kinds of IP protection in the Philippines, each protecting a specific form of intellectual property.<sup>8</sup> These are: copyright, trademark, and

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1. Christopher L. Lim, *The Development of Philippine Copyright Law*, 46 ATENEO L.J. 368, 369 (2001) & Ferdinand M. Negre, *Trademark Law in a Knotshell: From Caves to Cyberspace*, 46 ATENEO L.J. 465, 468 (2001).
2. *Id.*
3. *Id.*
4. *Id.*
5. Negre, *supra* note 1, at 468 (citing IGNACIO S. SAPALO, BACKGROUND READING MATERIAL ON THE INTELLECTUAL PROPERTY SYSTEM OF THE PHILIPPINES 65 (WIPO 1994)).
6. *Id.*; Lim, *supra* note 1, at 369; & Ignacio S. Sapalo, *The Philippine Law on Conditions of Patentability and Patentable Subject Matter*, 46 ATENEO L.J. 643, 644 (2001).
7. WIPO, *The Intellectual Property System: A Brief History*, available at <https://www.ipophil.gov.ph/releases/2014-09-22-06-26-21/767-brief-history-of-intellectual-property-system-anchored-on-independence-day> (last accessed Aug. 31, 2018).
8. FullSuite, *The Beginner's Guide to Intellectual Property Law in the Philippines*, available at <http://www.full-suite.com/blog/beginners-guide-to-intellectual-property-laws-philippines/> (last accessed Aug. 31, 2018).

patent.<sup>9</sup> The subject of a copyright is literary and artistic works;<sup>10</sup> trademark is “any visible sign capable of distinguishing the goods [ ] or services [ ] of an enterprise[;]”<sup>11</sup> and patent is “[a]ny technical solution of a problem in any field of human activity which is new, involves an inventive step[,] and is industrially applicable.”<sup>12</sup>

It has been a long time since the Philippines separated from the United States. Since then, the Philippines has developed its own set of IP laws.<sup>13</sup> However, despite this, the Philippines still tends to rely on US jurisprudence when it comes to issues involving IP.<sup>14</sup> Adopting US law and jurisprudence is common practice in Philippine Law due to the similarities of our laws.<sup>15</sup> The practice of adopting foreign jurisprudence is generally allowed, provided that the domestic laws are similar or are patterned after the laws of the country whose jurisprudence is being adopted.<sup>16</sup> As long as what is being adopted is not contrary to public policy, there is no reason why the jurisprudence of another country should not be given weight locally.<sup>17</sup> The logic behind this is that, in patterning local laws after foreign laws, the Philippines is presumed to have adopted the law in its entirety.<sup>18</sup>

With Philippine IP Law being modeled after US IP Law, the Supreme Court has often turned to US jurisprudence to aid in disposing of its decisions. Turning to US jurisprudence is all the more relevant given that local jurisprudence is still quite scarce. This provides the Court with interpretations and definitions it can use in making its decisions. It alleviates

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9. *Id.*

10. An Act Prescribing the Intellectual Property Code and Establishing the Intellectual Property Office, providing for its Powers and Functions and for Other Purposes [INTELL. PROP. CODE], Republic Act 8293, § 172 (1997).

11. *Id.* § 121.

12. *Id.* § 21.

13. Negre, *supra* note 1, at 468.

14. *Id.* (citing SAPALO, *supra* note 5, at 66).

15. RUBEN E. AGPALO, STATUTORY CONSTRUCTION 106 (2003 ed.).

16. *Id.* (citing *Wise & Co. v. Meer*, 78 Phil. 655 (1947) & *Carolina Industries, Inc. v. CMS Stock Brokerage, Inc.*, 97 SCRA 734 (1980)).

17. AGPALO, *supra* note 15, at 106 (citing *Cu v. Republic of the Philippines*, 89 Phil. 473 (1951)).

18. *Id.* (citing *Tamayo v. Gsell*, 35 Phil. 953 (1916); *Castle Bros., Wolf & Sons v. Go-Juno*, 7 Phil. 144 (1906) & *Cerezo v. Atlantic, Gulf & Pacific Co.*, 33 Phil. 425 (1916)).

the burden of the Court because there is less need to establish or develop an interpretation out of the blue. The Court may choose to adopt the foreign court's decision provided that said decision is applicable locally. It is applicable locally, as mentioned above, when the law upon which the decision is based is similar to local laws and its adoption is not contrary to public policy.

This Article will discuss the most recent decisions delivered by the Supreme Court of the US (SCOTUS) pertaining to IP. The Authors will provide case briefs of the decisions followed by an analysis on whether the case can be applied in the Philippines. The Article is divided into three main parts, one for each case to be discussed. These three cases were all decided in 2017.

In Part II, the Authors will discuss *Impression Products v. Lexmark Intern.*<sup>19</sup> The decision of this case made an impact on the doctrine of exhaustion. Part III will discuss *Star Athletica, LLC v. Varsity Brands*,<sup>20</sup> a copyright case that established a new test for determining whether a design of a useful article is eligible for copyright protection. Lastly, Part IV will cover the trademark case *Matal v. Tam*,<sup>21</sup> which affected the US Disparagement Clause.

## II. PATENT: *IMPRESSION PRODUCTS. V. LEXMARK INTERN.*

### A. *Factual Background*

The respondent in this case was Lexmark International, Inc (Lexmark).<sup>22</sup> The company is involved in the toner cartridge business.<sup>23</sup> They design, manufacture, and sell toner cartridges within and outside the US.<sup>24</sup> Moreover, they own a number of patents over certain components of the cartridges and how they are used.<sup>25</sup> One of the services Lexmark offers is a refilling service. They allow owners to have their used-up cartridges refilled, and subsequently, reused.<sup>26</sup> This refilling service gave rise to remanufacturers who would acquire used up cartridges from abroad, have them refilled, and,

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19. *Impression Products v. Lexmark Intern.*, 137 S. Ct. 1523 (2017).

20. *Star Athletica, LLC v. Varsity Brands*, 137 S. Ct. 1002 (2017).

21. *Matal v. Tam*, 137 S. Ct. 1744 (2017).

22. *Impression Products*, 137 S. Ct. at 1529.

23. *Id.*

24. *Id.*

25. *Id.*

26. *Id.*

thereafter, resell the refilled cartridges at a price lower than that of new cartridges.<sup>27</sup>

In order to eliminate remanufacturers, Lexmark came out with its “Return Program.”<sup>28</sup> Under the program, customers can choose to buy toner cartridges at a discounted rate on the condition that they use said cartridge only once and that, should they decide to resell the used cartridge, they can only resell the said cartridges to Lexmark.<sup>29</sup> Each cartridge purchased under said program had a microchip attached which prevented the reusing of said cartridges.<sup>30</sup>

However, despite all of this, remanufacturers found a way to continue to acquire empty cartridges and bypass the microchips.<sup>31</sup> This prompted Lexmark to sue for patent infringement against a number of remanufacturers.<sup>32</sup> Among the numerous legal actions taken against the various remanufacturers, the only case that remained unresolved was the one against herein petitioner, Impression Products, Inc. (Impression).<sup>33</sup>

For its part, petitioner filed a motion to dismiss, raising a single defense.<sup>34</sup> It claimed that Lexmark’s sale of the cartridges, both locally and internationally, exhausted its patent rights over the same.<sup>35</sup> Thus, pursuant to the doctrine of exhaustion, remanufacturers, like petitioner, were free to do whatever they pleased with the cartridges.<sup>36</sup>

The District Court ruled in favor of Impression and granted its motion to dismiss with respect to the sales made locally.<sup>37</sup> An appeal was then made by both parties to the Court of Appeals for the Federal Circuit.<sup>38</sup> The latter court, this time, ruled in favor of Lexmark with respect to both local and

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27. *Id.*

28. *Impression Products*, 137 S. Ct. at 1530.

29. *Id.*

30. *Id.*

31. *Id.*

32. *Id.*

33. *Id.*

34. *Impression Products*, 137 S. Ct. at 1530.

35. *Id.*

36. *Id.*

37. *Id.*

38. *Id.*

international sales.<sup>39</sup> Pursuant to this decision, Impression filed a petition for *certiorari* with the SCOTUS, with the latter ultimately ruling in favor of Impression.<sup>40</sup>

### *B. Ruling*

#### 1. Domestic Sales of the Cartridges

The SCOTUS held that Lexmark had exhausted their patents over the sold cartridges.<sup>41</sup> Under the Patent Act of the US, a patentee has the “right to exclude others from making, using, offering for sale, or selling [their] invention[s].”<sup>42</sup> This right is limited by the doctrine of exhaustion.<sup>43</sup> According to this doctrine, the moment the patentee sells an item covered by the patent, the item is “‘no longer within the limits of the monopoly’ and instead becomes the ‘private, individual property’ of the purchaser, with the rights and benefits that come along with the ownership.”<sup>44</sup> Though the patentee has the right to fix the selling price of his products, he cannot control what the buyer does with the product after ownership has been transferred to latter.<sup>45</sup> Simply put, the SCOTUS said that “the sale [of the product] ‘terminates all patent rights to the item.’”<sup>46</sup> The SCOTUS further explained that it has been consistently held in past cases that the limitation applies even if the owner expressly provides a stipulation to the contrary.<sup>47</sup> Thus, given the foregoing, the SCOTUS held that the sale of the Return Program cartridges terminated all the patent rights Lexmark had over the same.<sup>48</sup>

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39. *Id.* at 1531.

40. *Impression Products*, 137 S. Ct. at 1531.

41. *Id.*

42. *Id.*

43. *Id.*

44. *Id.* (citing *Bloomer v. McQuewan*, 55 U.S. 539 (1852)).

45. *Id.* (citing *United States v. Univis Lens Co.*, 316 U.S. 241, 250 (1942)).

46. *Impression Products*, 137 S. Ct. at 1531 (citing *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 625 (2008)).

47. *Id.* at 1532-33 (citing *Boston Store of Chicago v. American Graphophone Co.*, 246 U.S. 8 (1918); *Univis Lens Co.*, 316 U.S.; & *Quanta Computer Inc.*, 553 U.S.).

48. *Id.* at 1533.

## 2. International Sales of the Cartridges

Lexmark did not only sue for infringement for the local sales of the Return Program cartridges, but also for the importation of cartridges sold abroad.<sup>49</sup> They argued that absent an express stipulation transferring or licensing rights, the doctrine of exhaustion will not apply to the sale of a patented product abroad.<sup>50</sup> Though the Federal Circuit agreed with it, the SCOTUS did not.<sup>51</sup> The SCOTUS, in this case, made mention of the “first sale doctrine” which is used in copyright law.<sup>52</sup> The first sale doctrine basically provides that, “when a copyright owner sells a lawfully made copy of its work, it loses the power to restrict the purchaser’s right ‘to sell or otherwise dispose of ... that copy.’”<sup>53</sup> In *Kirtsaeng v. John Wiley & Sons, Inc.*,<sup>54</sup> the SCOTUS held that the first sale doctrine applies to copyrighted products sold abroad.<sup>55</sup> In arriving at its conclusion in *Kirtsaeng*, the SCOTUS stated that the statute does not expressly limit the application of the first sale doctrine to domestic sales only.<sup>56</sup> Moreover, the SCOTUS turned to common law and found that there was never a distinction as to the geographical application of the first sale doctrine.<sup>57</sup> Thus, the SCOTUS in this case held that “applying patent exhaustion to foreign sales is just as straightforward.”<sup>58</sup>

The SCOTUS further explained that “[p]atent exhaustion, too, has its roots in the antipathy toward restraints on alienation,[ ]and nothing in the Patent Act shows that Congress intended to confine that principle to domestic sales.”<sup>59</sup> It also said that the first sale doctrine and the doctrine of exhaustion are pretty much the same and, thus, the rule on international exhaustion should apply to both.

The US tried to establish a “middle-ground position” whereby an international sale will not trigger the doctrine of exhaustion if the patentee

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49. *Id.* at 1535.

50. *Id.*

51. *Id.*

52. *Impression Products*, 137 S. Ct. at 1535.

53. *Id.* at 1536.

54. *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013).

55. *Id.* at 1371.

56. *Id.* at 1358.

57. *Id.* at 1363–64.

58. *Impression Products*, 137 S. Ct. at 1536.

59. *Id.*

makes an express reservation to retain such rights.<sup>60</sup> However, the SCOTUS did not agree with the US' "middle-ground position."<sup>61</sup> It ruled that "restrictions and location are irrelevant; what matters is the patentee's decision to make a sale."<sup>62</sup>

*C. Key Takeaway and Its Application in the Philippines*

This case reiterated and, at the same time, expanded the doctrine of exhaustion. It reiterated the more than eleven-year trend of the doctrine with respect to limiting the patentee's patent rights after it is sold.<sup>63</sup> The SCOTUS said that the doctrine of exhaustion applies regardless of any post-sale restrictions.<sup>64</sup> Reiterating the ruling in *United States v. Univis Lens Co.*, the SCOTUS explained that sale by the patentee terminates all patent rights the patentee has over the product. However, despite the foregoing, the patentee is still free to impose post-sales restrictions, but the same can only be enforced through contract law, and not through patent laws.<sup>65</sup>

What was newly introduced to the legal world was that the doctrine of exhaustion applies to sales made abroad.<sup>66</sup> The expanded rule provides that the doctrine of exhaustion automatically takes effect regardless of where the sale occurs.<sup>67</sup> The exception to this is when the sale was done without the

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60. *Id.* at 1537.

61. *Id.* at 1538.

62. *Id.*

63. Gene Quinn, Patent Exhaustion at the Supreme Court: Industry Reaction to Impression Products v. Lexmark, *available at* <http://www.ipwatchdog.com/2017/05/30/patent-exhaustion-supreme-court-industry-reaction-impression-products-v-lexmark/id=83822/> (last accessed Aug. 31, 2018).

64. *Impression Products*, 137 S. Ct. at 1536.

65. Alex Noonan, Impression v. Lexmark: Supreme Court Reverses Federal Circuit, Limits Scope of Post-Sale Patent Rights, *available at* <https://jolt.law.harvard.edu/digest/impression-v-lexmark-supreme-court-reverses-federal-circuit-limits-scope-of-post-sale-patent-rights> (last accessed Aug. 31, 2018) (citing *Impression Products*, 137 S. Ct. at 1536).

66. *Id.*

67. *Id.*

patentee's participation because "only the patentee can decide whether to make a sale that exhausts its patent rights in an item."<sup>68</sup>

In introducing this expansion to the doctrine of exhaustion, the SCOTUS based its decision on common law rather than statute.<sup>69</sup> In fact, it analogized the doctrine of expansion to the first sale doctrine in copyright law.<sup>70</sup> It said that the two doctrines are strongly similar, with both having the same roots and purpose.<sup>71</sup> Hence, the SCOTUS applied the ruling in *Kirtsaeng* — which established that the first sale doctrine applied to copyrighted products made and sold abroad — to the case at hand.<sup>72</sup> Further, the SCOTUS said that the Patent Act did not specify that the doctrine of exhaustion applied to domestic sales only and thus, concluded that it applied to international sales as well.<sup>73</sup>

In summary, the SCOTUS concluded that the doctrine of exhaustion takes effect regardless of any restrictions and regardless of where the sale occurred.<sup>74</sup> This decision may have some effects on the application of the doctrine of exhaustion here in the Philippines. In order to see whether the decision will have an effect, a comparison between the US and Philippine Patent laws must be made.

In the Philippines, the rights granted to a patentee are enumerated in Sec. 71 of the IP Code —

SECTION 71. Rights Conferred by Patent. —

71.1. A patent shall confer on its owner the following exclusive rights:

Where the subject matter of a patent is a product, to restrain, prohibit and prevent any unauthorized person or entity from *making, using, offering for sale, selling[,] or importing that product;*

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68. *Impression Products*, 137 S. Ct. at 1536 (citing *Boesch v. Graff*, 133 U.S. 697 (1890)).

69. Noonan, *supra* note 65.

70. *Impression Products*, 137 S. Ct. at 1536.

71. *Id.*

72. *Id.*

73. *Id.* at 1537.

74. Bengzon Negre Untalan, SCOTUS Rules Patent Exhaustion Applies to Domestic and International Sales, *available at* <http://iplaw.ph/news-SCOTUS-rules-patent-exhaustion.html> (last accessed Aug. 31, 2018) (citing *Impression Products*, 137 S. Ct. at 1536.).

Where the subject matter of a patent is a process, to restrain, prevent or prohibit any unauthorized person or entity from using the process, and from manufacturing, dealing in, using, selling or offering for sale, or importing any product obtained directly or indirectly from such process.

71.2. Patent owners shall also have the right to assign, or transfer by succession the patent, and to conclude licensing contracts for the same. (Sec. 37, R.A. No. 165a)<sup>75</sup>

On the other hand, a US patent confers on its owner the right to exclude others from *making, using, offering for sale, or selling* the invention throughout the United States or *importing* the invention into the United States, and, if the invention is a process, of the right to exclude others from using, offering for sale or selling throughout the United States, or importing into the United States, products made by that process, referring to the specification for the particulars thereof.<sup>76</sup>

As can be seen, the rights granted to the patentee, by both US and Philippine laws, are substantially similar. They both confer to the patentee the right to exclude others from “making, using, offering for sale, selling[,] or importing” the patented product, patented process, or output of a patented process. One minor difference between the two is that, for the Philippines, the right granted to the patentee is enforceable against “unauthorized person[s] or entit[ies.]” This specification is not found in the US patent provision. Instead, the US patent provision provides for a right to exclude. Apparently, they mean the same thing. Based on the foregoing, it is safe to assume that the doctrine of exhaustion is applied to domestic sales. The US provision pertaining to patent rights specifically mention that the rights can only be exercised within the US.<sup>77</sup> Further, prior to the *Impression Products* case, international exhaustion has only been discussed once and the same only stated that international sales do not exhaust patent rights if the same is done without participation of the patentee.<sup>78</sup>

Of the rights conferred by both provisions, the one that is significantly affected by the *Impression Products* ruling is the right to exclude importation.<sup>79</sup> In the US, prior to the *Impression Products* case, a patent owner had the right

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75. INTELL. PROP. CODE, § 71 (emphasis supplied).

76. 35 U.S.C. § 154 (1952) (emphases supplied).

77. *Id.*

78. *Impression Products*, 137 S. Ct. at 1536 (citing *Boesch*, 133 U.S. at 703).

79. Quinn, *supra* note 63.

to prevent another from importing an invention covered by a patent.<sup>80</sup> The same cannot be said for products covered by copyright. As mentioned, in *Kirtsaeng*, the SCOTUS allowed the importation into the US of books covered by copyright sold abroad.<sup>81</sup> The rationale of the SCOTUS there was that the first sale doctrine applied to copyrighted items sold abroad.<sup>82</sup> It based its reasoning on the fact that the copyright laws did not place any geographical distinction as to the where the first sale doctrine applies.<sup>83</sup> Thus, once the product is sold, the copyright owner loses his right to prevent importation. The *Kirtsaeng* ruling shows that the US is generally fine with parallel importation.

Another area where Philippine and US patent law differs in is the doctrine of exhaustion. When it comes to exhaustion, the Philippines relies heavily on statute because currently, there is no Philippine jurisprudence on the doctrine of exhaustion. In the Philippines, the doctrine of exhaustion is embodied Section 72.1 of the IP Code, to wit —

SECTION 72. Limitations of Patent Rights. — The owner of a patent has no right to prevent third parties from performing, without his authorization, the acts referred to in Section 71 hereof in the following circumstances:

72.1. Using a patented product which has been put on the market in the Philippines by the owner of the product, or with his express consent, insofar as such use is performed after that product has been so put on the said market[.]<sup>84</sup>

In the US, on the other hand, the rule on exhaustion is found in 35 U.S.C. 273 (d), which states —

EXHAUSTION OF RIGHT. — The sale or other disposition of a useful end product produced by a patented method, by a person entitled to assert a defense under this section with respect to that useful end result shall exhaust the patent owner's rights under the patent to the extent such rights would have been exhausted had such sale or other disposition been made by the patent owner.<sup>85</sup>

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80. 35 U.S.C. § 154 (1952).

81. *Kirtsaeng*, 133 S. Ct. at 1371.

82. *Id.* at 1368-71.

83. *Id.*

84. INTELL. PROP. CODE, § 72.1.

85. 35 U.S.C. § 273 (d) (2011).

As can be seen from the foregoing, there is one major difference between the two — one has a geographical distinction. Compared to the US provision, the Philippine provision specifically provides that we adopt domestic exhaustion only.<sup>86</sup> Thus, the rights of a patent owner over the patented product are terminated only when the patent owner himself puts the said product on the market.<sup>87</sup> The rule is different, however, with respect to medicines. An amendment to the IP Code added that, for drugs and medicines, the doctrine of exhaustion takes effect regardless of where it is sold.<sup>88</sup>

Given the foregoing distinctions, will the *Impression Products* ruling on international exhaustion find application in the Philippines? The Authors think not. In the *Impression Products* ruling, on the one hand, one of the reasons the SCOTUS ruled that the doctrine of exhaustion applied to domestic and international sales was because their statute did not distinguish between the two.<sup>89</sup> On the other hand, the provision on exhaustion found in the IP Code specifically provides that it applies to international sales involving drugs and medicines, and domestic sales involving all other products.<sup>90</sup> Thus, it can be concluded that the *Impression Products* ruling, which provides that the doctrine of exhaustion applies regardless of where the sale is made will not find application in the Philippines because, unlike their laws, our laws specifically provide a geographical application.

Further, though the Philippines and the US have the same provision allowing a patentee to exclude the importing of a patented product, the two countries share a different view. The US, based on its recent jurisprudence, seems to be fine with allowing importation of protected products after the patent holder's rights have been exhausted. On the other hand, the Philippines seems to be averse to the idea.

Lastly, the Philippine Supreme Court relies heavily on statute more than common law or jurisprudence when deciding cases. In the *Impression Products* case, the SCOTUS relied heavily on common law rather than statute when

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86. Sapalo Velez Bundang & Bulilan Law Offices, PHILIPPINES: PARALLEL PROBLEM, *available at* <https://www.sapalovelez.com/2014/08/27/philippines-parallel-problem/> (last accessed Aug. 31, 2018).

87. INTELL. PROP. CODE, § 72.1.

88. *Id.* § 72.4.

89. *See* 35 U.S.C. § 154 (1952).

90. INTELL. PROP. CODE, § 72 (as amended).

formulating its decision.<sup>91</sup> Thus, here lies another distinction with respect to the application of the laws.

Given the foregoing distinctions, it is submitted that the *Impression Products* ruling on international exhaustion is not applicable in the Philippine jurisdiction. Philippine patent law has its own version of the doctrine of exhaustion. Further, the same already specifically provides what the *Impression Products* ruling clarified with respect to US patent statutes — a geographical distinction. Therefore, there is no need to adopt the text of *Impression Products* to fill a deficiency in our law with respect to the geographical application of the doctrine of international exhaustion. It is better to rely on the patent statutes, given the independence and territoriality of each country's patent laws.<sup>92</sup>

However, it is worth noting that a suggestion could be made to Congress regarding the amendment of the IP Code to adopt international patent exhaustion rather than a national one. Congress has actually already taken some steps towards international exhaustion with the passage of the Universally Accessible Cheaper and Quality Medicines Act of 2008.<sup>93</sup> The statute added to the list of limitations to patent rights. It provides that

with regard to drugs and medicines, the limitation on patent rights shall apply after a drug or medicine has been introduced in the Philippines or anywhere else in the world by the patent owner, or by any party authorized to use the invention: Provided[ ] further, [t]hat the right to import the drugs and medicines contemplated in this section shall be available to any government agency or any private third party[.]<sup>94</sup>

Thus, from the foregoing amendment, it can be seen that Congress is willing to shift from national exhaustion to international exhaustion if necessary. It can be suggested that, since the Congress has already taken steps towards international exhaustion with respect to drugs and other medicines, the same should be made for patent rights in general.

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91. *See Impression Products*, 137 S. Ct. at 1532-38.

92. Ferdinand Negre & Jonathan Perez, *Doctrine of Equivalence and Its Equivalence in the Philippines*, 51 ATENEO L.J. 301, 312 (2006).

93. An Act Providing for Cheaper and Quality Medicines, Amending for the Purpose Republic Act No. 8293 or the Intellectual Property Code, Republic Act No. 6675 or the Generics Act of 1988, and Republic Act No. 5921 or the Pharmacy Law, and for Other Purposes [Universally Accessible Cheaper and Quality Medicines Act of 2008], Republic Act No. 9502, § 7 (2008).

94. *Id.*

The passage of the recent Philippine Competition Act (PCA)<sup>95</sup> may be another reason to suggest an amendment to adopt international exhaustion. The purpose of the law is to promote competition, “regulate or prohibit monopolies when public interest so requires[,] and that no combinations in restraint of trade or unfair competition shall be allowed[.]”<sup>96</sup> Further, the same law enumerates certain acts considered as “Abuse of Dominant Position[.]”<sup>97</sup> The commission of any of these acts are punishable by administrative penalties.<sup>98</sup>

One act considered to be an abuse of dominant position is “[i]mposing barriers to entry[,] or committing acts that prevent competitors from growing within the market in an anti-competitive manner[,] except those that develop in the market as a result of[,] or arising from[,] a superior product or process, business acumen, or legal rights or laws[.]”<sup>99</sup> The Authors believe that retaining a national exhaustion approach can give rise to a conflict with this specific provision. One possible repercussion of maintaining a national exhaustion approach is that the owner of a patent can choose to only sell his or her patented product internationally. In doing so, the patent owner will never exhaust his or her rights over the patented product. Therefore, the patent owner can continue to exercise his right to prevent the using, making, selling, or importing of the said product to the detriment of the public.<sup>100</sup> This monopoly is exactly what the PCA sought to prevent.<sup>101</sup> However, it would be absurd to punish the abusive patent holder for the abovementioned provision because such an act is within his right to do so, under our current laws. Thus, there is a need to switch from national exhaustion to international exhaustion to match the intent of the PCA in this regard.

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95. An Act Providing for a National Competition Policy Prohibiting Anti-competitive Agreements, Abuse of Dominant Position, and Anti-competitive Mergers and Acquisitions, Establishing the Philippines Competition Commission and Appropriating Funds Therefor [Philippine Competition Act], Republic Act No. 10667 (2015).

96. *Id.* § 2.

97. *Id.* § 15.

98. *Id.* § 29.

99. *Id.* § 15(b).

100. *See* INTELL. PROP. CODE, § 71.

101. *See* Philippine Competition Act, § 2.

In addition to this, the *Kirtsaeng* ruling relied heavily on the then rationale of the US Congress in adopting the first sale doctrine.<sup>102</sup> The SCOTUS explained that the Founders of the US believed there was a need to limit a copyright owners right to exclude.<sup>103</sup> In fact, even the Copyright Law, through the first sale doctrine, showed a pro-competition stance.<sup>104</sup> Thus, the SCOTUS found that the adoption of an international exhaustion approach would be more in line with this intent and be more beneficial for competition and the public.<sup>105</sup> It would be safe to assume that the SCOTUS adopted the same view in applying the *Kirtsaeng* ruling in deciding the *Impression Products* case.

It is worth noting that the *Kirtsaeng* ruling applies here in the Philippines. Unlike the doctrine of exhaustion found in our patent laws, the first sale doctrine, as provided by the copyright laws, does not make a geographical distinction.<sup>106</sup> Therefore, there will be no obstacle when applying the *Kirtsaeng* ruling locally. Further, the Philippine trademark laws also do not make any geographical distinction as to the protection of marks. It specifically provides that internationally known marks, subject to certain conditions, cannot be registered in the Philippines.<sup>107</sup> Thus, given the foregoing, there is no reason why patent laws should be any different.

The enactment of the PCA clearly shows the intent of the Congress to promote competition and prevent monopolies for the benefit of the public. In addition to this, the same intent can be seen with the enactment of the Universally Accessible Cheaper and Quality Medicines Act of 2008. The *Kirtsaeng* and *Impression Products* ruling show how adopting an international exhaustion is pro-competition. Thus, given the foregoing, there are grounds to suggest to the Congress to amend the IP Code to adopt an international exhaustion approach in order to match its pro-competition intent. Though the *Impression Products* ruling, currently, may not find significance in jurisprudence, it may be helpful in suggesting the Congress to amend the current laws.

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102. *Kirtsaeng*, 133 S. Ct. at 1371.

103. *Id.*

104. *Id.*

105. *Id.* at 1384.

106. INTELL. PROP. CODE, § 177.3. Specifically, Sec. 177.3 of the IP Code is as follows — “[t]he first public distribution of the original and each copy of the work by sale or other forms of transfer of ownership[.]” *Id.*

107. *Id.* § 123.1 (e) & (f).

III. COPYRIGHT: *STAR ATHLETICA, LLC V. VARSITY BRANDS**A. Factual Background*

The petitioner in this case, Star Athletica, LLC, is a company involved in the cheerleader uniform business.<sup>108</sup> The respondent in this case, Varsity Brands, Inc., is a cheerleading uniform designer, manufacturer, and seller.<sup>109</sup> Varsity Brands owns numerous copyrights over “two-dimensional designs appearing on the surface of their uniforms and other garments.”<sup>110</sup> The designs generally contain “combinations, positionings, and arrangements of elements” that include “chevrons ... lines, curves, stripes, angles, diagonals, inverted [chevrons], coloring, and shapes.”<sup>111</sup>

Varsity Brands sued Star Athletica for copyright infringement, alleging that the latter infringed the former’s copyright over the designs of a cheerleading uniform.<sup>112</sup> The District Court ruled in favor of Star Athletica. The basis for their ruling was that the designs served a utilitarian purpose and, thus, are not proper subjects of copyright protection.<sup>113</sup> The utilitarian purpose, according to the court, was that the designs are what identify the uniforms as cheerleading uniforms and they would not be regarded as cheerleading uniforms without the designs.<sup>114</sup>

On appeal, the US Court of Appeals for the Federal Circuit overturned the District Court’s decision.<sup>115</sup> Its reasoning was opposite that of the lower tribunal.<sup>116</sup> It said that if you separate the design and the uniform, one can identify and distinguish which is the design and which is the cheerleading uniform.<sup>117</sup> Further, it held that the design and the uniform could exist

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108. *Star Athletica, LLC*, 137 S. Ct. at 1007.

109. *Id.*

110. *Id.*

111. *Id.*

112. *Id.*

113. *Id.* at 1008.

114. *Star Athletica, LLC*, 137 S. Ct. at 1008.

115. *Id.*

116. *Id.*

117. *Id.*

without the other.<sup>118</sup> This is because both of them would still be considered a work of art even if they are placed on a different surface.<sup>119</sup>

Not satisfied with the ruling, Star Athletica brought this case before the SCOTUS.<sup>120</sup> In this case, the SCOTUS had to determine “whether the arrangements of lines, chevrons, and colorful shapes appearing on the surface of respondents’ cheerleading uniforms [were] eligible for copyright protection as separable features of the design of those cheerleading uniforms.”<sup>121</sup> This is because, as a general rule, a useful article, which is “an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information[,]” is not eligible for copyright protection.<sup>122</sup> However, as an exception, the parts of the useful article which can be “identified separately” and “exist independently” of its utilitarian characteristics may be a subject of copyright protection.<sup>123</sup>

## *B. Ruling*

### 1. Separability Analysis

Before ruling on whether the designs were eligible for copyright protection, the SCOTUS had to first determine whether a separability analysis was required.<sup>124</sup> The argument of Varsity Brands was that the separability analysis is not required here because the analysis is only applied when the subject involves “design[s] of [ ] useful article[s]” and not when the design is *on* the useful article.<sup>125</sup> The SCOTUS, however, disagreed.<sup>126</sup> The Copyright Act provides that all useful article designs which contain a “pictorial, graphic, or sculptural feature” require the application of separability analysis.<sup>127</sup> The definition of design used with respect to a useful article is “the combination’ of ‘details’ or ‘features’ that ‘go to make up’ the useful article.”<sup>128</sup> As for the

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118. *Id.*

119. *Id.*

120. *Star Athletica, LLC*, 137 S. Ct. at 1008.

121. *Id.* at 1008–09.

122. *Id.* at 1008 (citing 17 U.S.C. § 101).

123. *Id.*

124. *Star Athletica, LLC*, 137 S. Ct. at 1009.

125. *Id.*

126. *Id.*

127. *Id.*

128. *Id.*

definition of “pictorial, graphic, or sculptural feature,” the same includes “two-dimensional works of art[,]” like the designs at issue in this case.<sup>129</sup> Given the foregoing, the SCOTUS concluded that the term “design of a useful article,” as used in the statutes covers both two- and three-dimensional designs.<sup>130</sup> Thus, a separability analysis was required.

## 2. Separability Interpretation

Having ruled that separability analysis is required, the SCOTUS, thereafter, had to determine whether the design “‘can be identified separately from’ and is ‘capable of existing independently of ‘the utilitarian aspects’ of the article.’”<sup>131</sup> In determining such, the SCOTUS said that it is a “matter of ‘statutory interpretation.’”<sup>132</sup> Thus, the SCOTUS had to first clarify the interpretation of the statute in order to properly determine separability.<sup>133</sup>

The SCOTUS stated that the feature that is part of the “design of a useful article” may be the subject of copyright protection provided the following elements concur: (1) “can be identified separately from,” and (2) is “capable of existing independently of, the utilitarian aspects of the article.”<sup>134</sup> For the first element, the SCOTUS said that, on the one hand, as long as the viewer is able to identify the portion that is the two- or three-dimensional design, this element will be satisfied.<sup>135</sup> On the other hand, the second element is a bit more difficult to meet.<sup>136</sup> To satisfy the second element, the “pictorial, graphic, or sculptural feature,” when separated from the useful article, must be able to maintain its “pictorial, graphic, or sculptural” characteristics and exist on its own as a work of art.<sup>137</sup> The SCOTUS further explained that “to qualify as a pictorial, graphic, or sculptural work on its own, the feature cannot be a useful article or ‘[a]n article that is normally a part of a useful article[.]’”<sup>138</sup> This interpretation, the SCOTUS continued, is

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129. *Id.*

130. *Star Athletica, LLC*, 137 S. Ct. at 1009.

131. *Id.* at 1010.

132. *Id.*

133. *Id.*

134. *Id.* (citing 17 U.S.C. § 101).

135. *Star Athletica, LLC*, 137 S. Ct. at 1010.

136. *Id.*

137. *Id.*

138. *Id.*

consistent with both the statutes and the common law history of the Copyright Act.<sup>139</sup>

### 3. Application to the Case

After the abovementioned discussions, the SCOTUS went on to determine whether the cheerleading uniform designs were eligible for copyright protection.<sup>140</sup> The SCOTUS found that the designs met the first element because the pictorial, graphic, or sculptural features of the design of the useful article can be identified.<sup>141</sup> With respect to the second element, the SCOTUS developed a new test to determine whether said element was met.<sup>142</sup> They provided that

if the arrangement of colors, shapes, stripes, and chevrons on the surface of the cheerleading uniforms were separated from the uniform and applied in another medium [—] for example, on a painter's canvas [—] they would qualify as 'two-dimensional ... works of ... art,' [ ]. And[,] imaginatively removing the surface decorations from the uniforms and applying them in another medium would not replicate the uniform itself. Indeed, respondents have applied the designs in this case to other media of expression [—] different types of clothing [—] without replicating the uniform.<sup>143</sup>

Using this test, the SCOTUS ruled that, because the designs did not replicate the cheerleading uniforms when placed on another medium, the designs satisfy the separability elements and are, thus, subject to copyright protection.<sup>144</sup> However, only the designs on a cheerleading uniform are the ones eligible for copyright protection and not the cheerleading uniform itself.<sup>145</sup>

#### *C. Key Takeaway and Its Application in the Philippines*

The SCOTUS, in this case, delivered a ruling that clarified confusion with respect to determining the eligibility for copyright of art incorporated in

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139. *Id.* at 1010-11.

140. *Id.* at 1012.

141. *Star Athletica, LLC*, 137 S. Ct. at 1012.

142. *Id.*

143. *Id.*

144. *Id.*

145. *Id.* at 1013.

useful articles.<sup>146</sup> Prior to this case, the separability analysis was determined by many “different tests in different circuits and for different articles.”<sup>147</sup> The recent *Star Athletica, LLC* ruling streamlined the tests for separability analysis into a two-pronged test.<sup>148</sup> Basically, now, if the design of the useful article “can be perceived as a two- or three-dimensional work of art separate from the useful article, and [ ] would qualify as a protectable pictorial, graphic, or sculptural work[ ] either on its own or in some other medium of expression[ ] if ... imagined separately from the useful article[,]” then the design is eligible for copyright protection.<sup>149</sup>

The SCOTUS’ newly established perception-imagination test is heavily based on the copyright law of the US.<sup>150</sup> Under their statute, “the design of a useful article ... shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”<sup>151</sup>

The ruling received mixed criticism from various IP lawyers.<sup>152</sup> A bulk of these criticisms were, nevertheless, positive.<sup>153</sup> However, others found the perception-imagination test enunciated by the *Star Athletica, LLC* decision vague. For a start, it was observed that the three justices who wrote their opinions based on the statutory provisions all arrived at different

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146. Gene Quinn & Steve Brachmann, Copyrights at the Supreme Court: *Star Athletica v. Varsity Brands*, available at <http://www.ipwatchdog.com/2017/03/22/copyrights-supreme-court-star-athletica-v-varsity-brands/id=79767/> (last accessed Aug. 31, 2018).

147. Harvard Law Review, *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, available at <https://harvardlawreview.org/2017/11/star-athletica-l-l-c-v-varsity-brands-inc/> (last accessed Aug. 31, 2018) (citing *See Varsity Brands, Inc. v. Star Athletica, LLC*, 799 F.3d 468, 484-85 (6th Cir. 2015) (U.S.) & Alfred C. Yen, *Copyright Opinions and Aesthetic Theory*, 71 S. CAL. L. REV. 247, 277-82 (1998)).

148. *Id.*

149. *Star Athletica, LLC*, 137 S. Ct. at 1004.

150. *Id.* at 1011.

151. 17 U.S. Code § 101.

152. Patrick T. Clendenen, Separability and Statutory Interpretation: *Star Athletica* and the Copyright Act of 1976, available at <https://businesslawtoday.org/2017/11/separability-and-statutory-interpretation-star-athletica-and-the-copyright-act-of-1976/> (last accessed Aug. 31, 2018).

153. *Id.*

conclusions.<sup>154</sup> One lawyer believes that the ruling raises more questions than answers.<sup>155</sup> A question that was raised is how to delineate the utility of a useful article from the aesthetic feature that will be perceived separately from the useful article.<sup>156</sup> The lawyer used a light bulb as an example.<sup>157</sup> The purpose of the glass bulb is to protect the light.<sup>158</sup> However, once removed or perceived separately, it loses such function and becomes a mere sculpture.<sup>159</sup> Thus, can it be said that the glass of a bulb shaped like Michelangelo's David separated from the light bulb be protected because it does not have a utilitarian function anymore?

Another issue with the ruling is that it does not distinguish "mechanical functionality" from "aesthetic functionality."<sup>160</sup> The SCOTUS held that though the designs on the uniform are meant to identify a cheerleader and enhance the cheerleader's appearance,<sup>161</sup> a design that can be protected on its own does not lose such eligibility simply because it adds utility to a useful article.<sup>162</sup> Thus, it could be implied that features that make a useful article even more useful are not considered useful articles but can be protected as sculptural works.<sup>163</sup>

One commentator also found the perception-imagination test to be vague due to the lack of details necessary to help lower courts in their analysis.<sup>164</sup> The SCOTUS ruling in this case was purely based on statute.<sup>165</sup> It barely provided examples that would help in the application of the test.<sup>166</sup>

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154. *Id.*

155. Lee Burgunder, Does Star Athletica Raise More Questions Than it Answers?, available at <http://www.ipwatchdog.com/2017/04/13/star-athletica-raise-questions-answers/id=81977/> (last accessed Aug. 31, 2018).

156. *Id.*

157. *Id.*

158. *Id.*

159. *Id.*

160. *Id.*

161. *Star Athletica, LLC*, 137 S. Ct. at 1013.

162. *Id.* at 1014.

163. Burgunder, *supra* note 155.

164. Harvard Law Review, *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, available at <https://harvardlawreview.org/2017/11/star-athletica-l-l-c-v-varsity-brands-inc/> (last accessed Aug. 31, 2018).

165. *Id.*

166. *Id.*

A descriptive analysis involving analogies and examples is beneficial in copyright law, especially in determining whether an aesthetic feature is separable from a useful article.<sup>167</sup> Further, given the concept of a useful article and the difficulty in delineating the utilitarian and aesthetic features of an article, examples should have been given on how to apply the test.<sup>168</sup> The lack of such examples could lead to the lower courts applying the tests differently. Thus, leading to the same amount of uncertainty involving such subject matter as there was prior to this decision.<sup>169</sup>

In the Philippines, the term “literary and artistic works” includes “original ornamental designs or models for articles of manufacture, whether or not registrable as an industrial design, and other works of applied art a useful article[.]”<sup>170</sup> In turn, “work of applied art” is defined as “an artistic creation with utilitarian functions or incorporated in a useful article, whether made by hand or produced on an industrial scale[.]”<sup>171</sup> Unlike the provision found in the US copyright law, the Philippine provision does not require that the design be separable and exist independently from the utilitarian aspects of the useful article for it to be eligible for copyright protection. It seems, therefore, that the whole useful article itself can be eligible for copyright protections. Philippine jurisprudence, however, provides otherwise.

The Philippine Supreme Court, in two cases, made the Philippine provision consistent with the US provision. In the case of *Ching v. Salinas, Sr.*,<sup>172</sup> decided in 2005, the Philippine Supreme Court said that “while works of applied art, original intellectual, literary and artistic works are copyrightable, useful articles and works of industrial design are not.”<sup>173</sup> The Court said that only the design of the useful article is eligible for copyright, provided that the same is independent and separate from the utilitarian aspects.<sup>174</sup> This ruling mimicked the requisite provided for by the US provision. In a more recent case, *Olaño v. Lim Eng Co.*,<sup>175</sup> the Court, citing a

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167. *Id.*

168. *Id.*

169. *Id.*

170. INTELL. PROP. CODE, § 172 (h).

171. *Id.* § 171.10.

172. *Ching v. Salinas, Sr.*, 462 SCRA 241 (2005).

173. *Id.* at 255.

174. *Id.*

175. *Olaño v. Lim Eng Co.*, 787 SCRA 272 (2016).

US court decision, stated that a useful article is an article with “an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information’ [and] is excluded from copyright eligibility.”<sup>176</sup> It also reiterated that the only time a useful article may be protected is when the design elements can be separated and exist independently of the useful article.<sup>177</sup> In short, if the “utilitarian article can function without the design[,]” then it may be a subject of copyright.<sup>178</sup> However, only the design aspects may be protected.<sup>179</sup>

Given the foregoing, despite the disparity between the US and the Philippine provisions, Philippine jurisprudence shows the intention to mimic the US provisions. It is worth noting that the Philippine copyright laws were derived from the US copyright laws.<sup>180</sup> Further, the Court has consistently applied US jurisprudence when relevant to the copyright cases tried before them. The Court has adopted tests in determining copyrightability or the presence copyright infringement. In fact, the two cases above cited US jurisprudence in determining whether the objects in issue were subject to copyright.<sup>181</sup>

With that said, the Authors conclude that the *Star Athletica, LLC* ruling may also be applied to local cases. Adopting the test enunciated in *Star Athletica, LLC* would not be the first time the Court adopted a test established by the SCOTUS, especially with respect to copyright. The similarity between the US and Philippine provisions removes any impediment to such adoption. In fact, the Philippines currently does not have its own test for determining whether the design of a useful article is indeed separable and independent of the article’s utilitarian function. By adopting the *Star Athletica, LLC* ruling, the Philippines will be able to establish a single test for such determination. Therefore, should an issue arise again, the Philippine Supreme Court can use the *Star Athletica, LLC* ruling to aid in their determination of whether the design of a useful article is separable and independent of the article’s useful article and, thus, is eligible for copyright protection.

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176. *Id.* at 294 (citing *Chosun Int’l, Inc. v. Chrisha Creations, Ltd.*, 413 F.3d 324 (2d. Cir. 2005)).

177. *Olaño*, 787 SCRA at 294.

178. *Id.*

179. *Id.*

180. *Lim*, supra note 1, at 369-75.

181. *See Ching*, 462 SCRA at 255 & *Olaño*, 787 SCRA at 294.

IV. TRADEMARK: *MATAL V. TAM**A. Factual Background*

The Slants was a dance-rock band led by band frontrunner and vocalist Simon Tam.<sup>182</sup> The name of the band was also chosen by Tam with the intention to “reclaim” and “take ownership” of the Asian Ethnicity stereotypes.<sup>183</sup> He, then, sought to register the band’s name which was denied by the United States Patent and Trademark Office (USPTO) examining attorney for being derogatory or offensive to Asians.<sup>184</sup> Tam appealed the denial to the PTO’s Trademark Trial and Appeal Board that merely affirmed the examining attorney’s denial.<sup>185</sup> Thus, this prompted Tam to seek relief before the Federal Court and, this time, found success.<sup>186</sup> The Court held that the Disparagement Clause, which prohibits the registration of disparaging or derogatory marks, is unconstitutional for regulating or restricting free speech.<sup>187</sup> Thus, the government filed a petition for *certiorari* before the SCOTUS.<sup>188</sup> The issue being tried before the SCOTUS was whether the Disparagement Clause was unconstitutional.<sup>189</sup> The SCOTUS eventually held that the provision was unconstitutional for violating the First Amendment.<sup>190</sup>

*B. Ruling*

## 1. Interpreting the Disparaging Clause

The SCOTUS first clarified the interpretation of the wording of the disparaging clause.<sup>191</sup> This is because Tam argued that the term “person” found in the provision should not be deemed to apply to non-juristic entities like ethnic groups.<sup>192</sup> He claims that the term “person,” as used in the

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182. *Matal*, 137 S. Ct. at 1754.

183. *Id.*

184. *Id.*

185. *Id.*

186. *Id.*

187. *Id.*

188. *Matal*, 137 S. Ct. at 1755.

189. *Id.*

190. *Id.* at 1765.

191. *Id.* at 1755.

192. *Id.*

Lanham Act, pertains to only natural and juristic persons and that non-juristic persons are not covered by the term.<sup>193</sup> The SCOTUS found such interpretation erroneous. First, looking at the plain text of the disparaging clause, the clause used the term “persons” and thus, can pertain to a group or members of a group.<sup>194</sup> The SCOTUS believes that even if the term used was just “person,” his argument would still fail, and that this interpretation is supported by the fact that Congress decided to use the term in its plural sense.<sup>195</sup> Further, it explained that if the Congress wanted to limit the disparaging clause in the same way Tam interprets the clause, Congress could have easily done so and that there are certain provisions that specify an application to individuals alone.<sup>196</sup>

## 2. Trademarks are not Government Speech

The SCOTUS held that the mark at hand is not government speech.<sup>197</sup> If every registered trademark is converted to government speech, an absurd situation would arise whereby the messages being conveyed by the registered marks are the messages of the government.<sup>198</sup> Thus, there would be situations where the government’s message to the public has nothing to do with its functions, or are contradictory to their goals. Further, the SCOTUS said there is no US jurisprudence that makes mention of such conversion brought about by registration.<sup>199</sup> It further explained that trademarks are not really used to communicate the government’s message and that there is an absence of proof showing that the public would associate registered trademarks with the government.<sup>200</sup> The SCOTUS explained that “holding that the registration of a trademark converts the mark into government speech would constitute a huge and dangerous extension of the government-speech doctrine. For[,] if the registration of trademarks constituted

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193. *Id.*

194. *Matal*, 137 S. Ct. at 1756.

195. *Id.*

196. *Id.*

197. *Id.* at 1758.

198. *Id.* “For example, if trademarks represent government speech, what does the Government have in mind when it advises Americans to ‘make.believe’ (Sony), ‘Think different’ (Apple), ‘Just do it’ (Nike), or ‘Have it your way’ (Burger King)? Was the Government warning about a coming disaster when it registered the mark ‘EndTime Ministries?’” *Id.*

199. *Matal*, 137 S. Ct. at 1759.

200. *Id.*

government speech, other systems of government registration could easily be characterized in the same way.”<sup>201</sup> Therefore, the SCOTUS concluded that trademarks do not constitute government speech.<sup>202</sup>

### 3. Viewpoint Discrimination

The government, in this case, argued that the Disparagement Clause should be maintained pursuant to the government-program doctrine.<sup>203</sup> However, the SCOTUS found their argument unmeritorious,<sup>204</sup> and said that the government is allowed to create an avenue for private speech and impose speech restrictions in such avenue.<sup>205</sup> Despite being permitted to impose some restrictions, the SCOTUS said that “viewpoint” discrimination is still not allowed.<sup>206</sup>

The SCOTUS ruled that the Disparagement Clause is one that falls under viewpoint discrimination.<sup>207</sup> The SCOTUS further explained that

the clause evenhandedly prohibits disparagement of all groups. It applies equally to marks that damn Democrats and Republicans, capitalists and socialists, and those arrayed on both sides of every possible issue. It denies registration to any mark that is offensive to a substantial percentage of the members of any group. But in the sense relevant here, that is viewpoint discrimination: [g]iving offense is a viewpoint<sup>208</sup>

It held said that the government cannot forbid the “public expression of ideas” simply because it offends others.<sup>209</sup> Thus, trademark registration and the Disparagement Clause do not fall within the same category as a government created avenue for private speech, and the government-imposed restrictions in such avenue, respectively.<sup>210</sup>

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<sup>201</sup>. *Id.* at 1760.

<sup>202</sup>. *Id.*

<sup>203</sup>. *Id.* at 1761.

<sup>204</sup>. *Id.* at 1763.

<sup>205</sup>. *Matal*, 137 S. Ct. at 1763.

<sup>206</sup>. *Id.*

<sup>207</sup>. *Id.*

<sup>208</sup>. *Id.*

<sup>209</sup>. *Id.*

<sup>210</sup>. *Id.*

#### 4. Disparagement Clause Protects Certain Interests

According to the government, the Disparagement Clause advances two interests.<sup>211</sup> First, it prevents “underrepresented groups” from being discriminated against.<sup>212</sup> Second, it allegedly protects the flow of business.<sup>213</sup> It alleged that disparaging marks have a negative effect on business.<sup>214</sup> However, again, the SCOTUS disagreed.<sup>215</sup>

It had a simple reply to this argument of the government —

[T]he Disparagement Clause is not ‘narrowly drawn’ to drive out trademarks that support invidious discrimination. The clause reaches any trademark that disparages *any person, group, or institution*. It applies to trademarks like the following: ‘Down with racists,’ ‘Down with sexists,’ ‘Down with homophobes.’ It is not an anti-discrimination clause; it is a happy-talk clause. In this way, it goes much further than is necessary to serve the interest asserted.<sup>216</sup>

Further, the SCOTUS found the Disparagement Clause too broad.<sup>217</sup> In rebutting the argument that it negatively affects commerce, the SCOTUS asked the question “Is it conceivable that commerce would be disrupted by a trademark saying: ‘James Buchanan was a disastrous president’ or ‘Slavery is an evil institution?’”<sup>218</sup>

Lastly, the SCOTUS said that it is dangerous to say that commercial speech should not include anything offensive.<sup>219</sup> It explained that it is difficult to delineate between commercial and non-commercial speech.<sup>220</sup> There are a lot of disparaging marks currently being used in commerce.<sup>221</sup> “If affixing the commercial label permits the suppression of any speech that

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211. *Matal*, 137 S. Ct. at 1764.

212. *Id.*

213. *Id.*

214. *Id.*

215. *Id.* at 1765.

216. *Id.* at 1764-65 (emphasis supplied).

217. *Matal*, 137 S. Ct. at 1765.

218. *Id.*

219. *Id.*

220. *Id.*

221. *Id.*

may lead to political or social ‘volatility,’ free speech would be endangered.”<sup>222</sup>

*C. Key Takeaway and Its Application in the Philippines*

The following statement by the SCOTUS summarizes the ruling in *Matal* — “[g]iving offense is a viewpoint.”<sup>223</sup> The SCOTUS found that the Disparagement Clause violated the First Amendment,<sup>224</sup> and that the same amounted to “viewpoint discrimination,” and thus, the clause was declared unconstitutional.<sup>225</sup>

Viewpoint discrimination is proscribed.<sup>226</sup> It occurs when the State prevents or forbids one from expressing his ideas or beliefs.<sup>227</sup> The problem with this is that the government is granted with the power to “remove certain ideas or perspectives from a broader debate.”<sup>228</sup> This becomes more of an issue when the idea or belief sought to be suppressed is one that, at first, is shocking or offensive to the audience but, after some time, may become tolerated.<sup>229</sup> Further, the State is the one that determines whether the speech is offensive to the targeted audience, and not the audience itself.<sup>230</sup> Thus, not being the proper party to determine if it is actually offensive, the SCOTUS has usually prohibited the Federal Government from deciding whether speech is offensive or not.<sup>231</sup> The SCOTUS in *Matal* provides that the test for viewpoint discrimination is “whether — within the

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222. *Id.*

223. *Matal*, 137 S. Ct. at 1763.

224. Niki Edmonds, *Matal v. Tam: SCOTUS Rules Disparagement Clause in Lanham Act Unconstitutional*, available at <https://jolt.law.harvard.edu/digest/matal-v-tam> (last accessed Aug. 31, 2018) (citing *Matal*, 137 S. Ct. at 1747).

225. David N. Ferrucci, “Giving Offense is a Viewpoint”: Supreme Court Holds It Is Viewpoint Discrimination To Deny Trademark Protection For Allegedly Offensive Marks, available at <https://www.natlawreview.com/article/giving-offense-viewpoint-supreme-court-holds-it-viewpoint-discrimination-to-deny> (last accessed Aug. 31, 2018) (citing *Matal*, 137 S. Ct. at 1749).

226. *Matal*, 137 S. Ct. at 1749.

227. *Id.* at 1767 (J. Kennedy, concurring opinion).

228. *Id.*

229. *Id.*

230. *Id.*

231. *Id.*

relevant subject category — the government has singled out a subset of messages for disfavor based on the views expressed.”<sup>232</sup>

In arriving at its conclusion, the SCOTUS looked to common law and found that viewpoint discrimination is used in a broad sense.<sup>233</sup> The Disparagement Clause of the US, on the one hand, prohibits a mark that is offensive to the public from being registered.<sup>234</sup> However, on the other hand, trademark law allowed complimentary marks.<sup>235</sup> Thus, it said that the “Disparagement Clause discriminates on the bases of ‘viewpoint.’”<sup>236</sup> The SCOTUS held that speech cannot be suppressed just because it offends someone,<sup>237</sup> neither can they prohibit speech that shares a contrary opinion to theirs or to the public.<sup>238</sup> It is also worth noting that the SCOTUS found it immaterial to discuss whether strict scrutiny applies here because the Disparagement Clause could not even meet the relaxed *Central Hudson* test.<sup>239</sup>

The Philippines essentially has the same Disparagement Clause with the United States. The Philippine provision provides that “[a] mark cannot be registered if it [c]onsists of immoral, deceptive or scandalous matter, or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute[.]”<sup>240</sup> On the other hand, the US clause provides that

[n]o trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it [c]onsists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or

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232. *Matal*, 137 S. Ct at 1766.

233. *Id.* at 1763.

234. See 15 U.S.C. § 1052 (1946).

235. USLawEssentials, Video, *Matal v Tam: Free Speech and Offensive Trademarks*, July 11, 2017, YOUTUBE, available at <https://www.youtube.com/watch?v=1zCqbJf6qOU> (last accessed Aug. 31, 2018).

236. *Matal*, 137 S. Ct. at 1763.

237. *Id.* (citing *Street v. New York*, 394 U.S. 576, 592 (1969)).

238. USLawEssentials, *supra* note 235.

239. Harvard Law Review, *Matal v. Tam*, available at <https://harvardlawreview.org/2017/11/matal-v-tam/> (last accessed Aug. 31, 2018) (citing *Matal*, 137 S. Ct. at 1763-64).

240. INTELL. PROP. CODE, § 123.1 (a).

national symbols, or bring them into contempt, or disrepute; or a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after one year after the date on which the [World Trade Organization] Agreement (as defined in [S]ection 3501(9) of [T]itle 19) enters into force with respect to the United States.<sup>241</sup>

The Philippine courts have continuously relied on US jurisprudence when deciding matters involving trademarks.<sup>242</sup> Having the same Disparagement Clause, the *Matal* ruling can also be used as basis for declaring the Philippine version of the Disparagement Clause unconstitutional when an issue similar to that one in *Matal* would arise locally. In ruling that the Disparagement Clause was unconstitutional, the SCOTUS relied heavily on the viewpoint discrimination doctrine.<sup>243</sup> Thus, the application of *Matal* will depend on whether the viewpoint discrimination will also be adopted in the Philippines. So, the real question to be answered is whether viewpoint discrimination, in turn, will apply locally. The Authors answer in the affirmative. In fact, in 2015 the Supreme Court in *The Diocese of Bacolod v. Commission on Elections*<sup>244</sup> has already made mention of this. The case dealt with the validity of an order issued by the Commission on Elections for the removal of two tarpaulins.<sup>245</sup> The petition was filed alleging that said order was a violation of their right to freedom of expression.<sup>246</sup> In ruling on its invalidity, the Philippine Supreme Court discussed the limitations of the right to freedom of expression, which included viewpoint neutrality.<sup>247</sup>

The adoption of the judicial doctrines of another country happens when the adopting country's local laws are derived from the laws of that other country.<sup>248</sup> In such cases, and if their application in both countries is similar, the ruling of the courts of the country from where the law was derived from involving the interpretation of such statute should generally be applied to similar cases involving interpretation of that derived statute in the adopting

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241. 15 U.S.C. § 1052 (a) (1946).

242. Negre, *supra* note 1, at 468.

243. *Matal*, 137 S. Ct. at 1757-61.

244. *The Diocese of Bacolod v. Commission on Elections*, 747 SCRA 1 (2015).

245. *Id.* at 27-31.

246. *Id.*

247. *Id.* at 91-92.

248. AGPALO, *supra* note 15, at 106.

country.<sup>249</sup> This is because it is presumed that the adopting country adopted the entirety of the law.<sup>250</sup> In fact, the Philippines has been adopting US laws and jurisprudence throughout the years.<sup>251</sup> Thus, the Philippines Supreme Court can be “bound by the rulings of the [SCOTUS] in construing and applying statutory enactments modelled upon or borrowed from English or American originals.”<sup>252</sup>

Viewpoint neutrality finds its basis in the First Amendment of the US Constitution pertaining to the right to free speech. The right to free speech of the Philippines is similar to the US’ right to free speech. The US provision on the right to free speech states that “Congress shall make no law ... abridging the freedom of speech, or of the press.”<sup>253</sup> On the other hand, the Philippine version is as follows — “[n]o law shall be passed abridging the freedom of speech, of expression, or of the press, or the right of the people peaceably to assemble and petition the government for redress of grievances.”<sup>254</sup> The reason for the similarity is because the Philippine provision was “transplanted” from the US.<sup>255</sup> That same provision transplanted from the US is still the same provision we use today.<sup>256</sup> Thus, to this day, the Philippine application of the right to free speech is similar to that of the US. They both prohibit prior restraint of speech and subsequent punishment of any speech made.<sup>257</sup> They share similar exceptions to such prohibitions.<sup>258</sup> In addition to this, the Philippines uses the same tests in determining whether a trespass on the said right is valid or not.<sup>259</sup> Therefore, it could be safe to say that, if the Philippines and the US are faced with a

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249. *Id.*

250. *Id.*

251. *Id.*

252. *Id.*

253. U.S. CONST. amend. I.

254. PHIL. CONST. art. III, § 4.

255. JOAQUIN G. BERNAS, S. J., *THE 1987 CONSTITUTION OF THE REPUBLIC OF THE PHILIPPINES: A COMMENTARY* 232 (2009 ed.).

256. *Id.*

257. *Id.* (citing W. BLACK STONE, *COMMENTARIES* 145 (1876)).

258. JOAQUIN G. BERNAS, S.J., *THE 1987 PHILIPPINE CONSTITUTION: A COMPREHENSIVE REVIEWER* 64 (2011 ed.) (citing *Near v. Minnesota*, 283 U.S. 697, 716 (1932)).

259. See BERNAS, *supra* note 258, at 62–82.

similar situation or issue involving the right to free speech, both of them would have similar way of arriving at a proposed solution.

In addition to this, a number of US cases have been used in interpreting the right to freedom of speech.<sup>260</sup> The Philippine Supreme Court has applied these US doctrines when faced with cases involving the same or a similar subject matter.<sup>261</sup> The Philippine Supreme Court has also adopted the tests developed by the SCOTUS with respect to determining the validity of acts violating free speech.<sup>262</sup> To name a few, the courts have applied the *O'Brien* Test when faced with content-based prior restraint cases;<sup>263</sup> the *Central Hudson* test in commercial speech cases;<sup>264</sup> the Dangerous Tendency Test, Clear Present Danger Test, and the Balancing of Interests Test when the case involves subsequent punishment of speech.<sup>265</sup> However, it is worth noting that the adoption of US doctrines and tests in the Philippines is not absolute because it is merely persuasive.<sup>266</sup> The Philippine Supreme Court is the one who decides whether to adopt the same or not.<sup>267</sup>

Prior restraint is what is vital to the matter at hand. The restricting of an act falling under prior restraint of speech is determined by first looking into whether the restriction of speech is content-based or content-neutral.<sup>268</sup> The former deals with the circumstances of the speech; the latter deals with its subject matter.<sup>269</sup> Content-based regulation can further be broken down into two kinds: “the viewpoint of the speaker or the subject of the expression.”<sup>270</sup> Similarly, the US also makes a distinction between content-based and content neutral regulation.<sup>271</sup> Moreover, the US further breaks

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260. *Id.* at 230-324.

261. *Id.*

262. *Id.* at 62-82.

263. BERNAS, *supra* note 258, at 66.

264. *Id.* at 68 (citing *Central Hudson Gas & Electric Corp. v. Public Service Commission of NY*, 447 U.S. 557 (1980)).

265. BERNAS, *supra* note 258, at 69.

266. AGPALO, *supra* note 15, at 106.

267. See *Iglesia Ni Cristo v. Court of Appeals*, 259 SCRA 529 (1996).

268. *The Diocese of Bacolod*, 747 SCRA at 91-92.

269. See BERNAS, *supra* note 258, at 66.

270. *Id.*

271. Leslie Gielow Jacobs, *Clarifying the Content-Based/Content Neutral and Content/Viewpoint Determinations*, 34 MCGEORGE L. REV. 595, 596 (2003).

down content-based regulation into the same two types as the Philippines.<sup>272</sup> Therefore, the prohibition against viewpoint discrimination may be adopted by the High Court should an issue involving the application of such arises.

Given the foregoing, the Authors believe that the *Matal* ruling can be applied in the Philippines under one condition — the Philippine Supreme Court adopts the prohibition against viewpoint discrimination. The similarity in both the trademark laws and right to freedom of speech of the Philippines and the US make it possible for the former to adopt the latter's decisions on matters involving such laws. Once the Court adopts such prohibition, then the *Matal* ruling can be used as a basis for declaring the Disparagement Clause unconstitutional for violating one's freedom of speech, thus adding to the long list of US cases adopted by the Court.

## V. CONCLUSION

The terrain is changing. Technology is expanding at an exponential rate.<sup>273</sup> Cross-border connections are more capable now due to the internet and social media than ever before.<sup>274</sup> As early as 1999, the Philippine Supreme Court acknowledged that “the unparalleled growth of industry and the rapid development of communications technology” has affected IP rights.<sup>275</sup> Today, the IP Office of the Philippines continues to acknowledge the presence of commerce on the Internet.<sup>276</sup> The “[I]nternet has turned the world into one vast marketplace[.]”<sup>277</sup>

As such, the Philippine Supreme Court has recognized that the interpretation of the law must keep up with all these developments, otherwise rights could be severely affected.<sup>278</sup> The three cases above demonstrate the need to change the application of the law to meet present day circumstances. However, in doing so, the Court needs to strike a healthy

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272. *Id.*

273. THOMAS FRIEDMAN, THANK YOU FOR BEING LATE: AN OPTIMIST'S GUIDE TO THRIVING IN THE AGE OF ACCELERATIONS 38-44 (2016).

274. *Id.* at 125.

275. *Mirpuri v. Court of Appeals*, 318 SCRA 516, 535 (1999).

276. *W Land Holdings, Inc. v. Starwood Hotels and Resorts Worldwide, Inc.*, G.R. No. 222366. Dec. 4, 2017, at 10, available at <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2017/december2017/222366.pdf> (last accessed Aug. 31, 2018).

277. *Id.* at 11.

278. *Id.*

balance between the different interests of the IP stakeholders affected by the changing of the application of the laws. Therefore, a line must be established to aid the courts in making their decisions — a line that keeps on moving due to technology and innovation. The rights of the respective IP stakeholders which shall be given preference over other rights must already be determined. So that when the time comes, given the advancements in technology and innovation, the Court will be able to easily determine how the law should be applied.

Though the circumstances of the Philippines and the US differ in many ways, IP law is fairly similar around the world. Changes in one region may spark changes in another. Thus, the Philippine legal community should be prepared for changes that are bound to come.