



Newsletter August 2022

Fair Winds for Fair Use

by: Atty. Shiela Marie L. Rabaya,*

Fair use is a privilege to use copyrighted material in a reasonable manner without the consent of the copyright owner or copying a theme or idea rather than their expression. Fair use is considered as breathing space for creators, so that they can build on and improve upon existing works. This privilege is supposed to benefit both the creator and society as a whole. The concept of fair use seems to be straightforward but, in application, finding the balance between the original creator's rights and fair use by the subsequent user has proven to be difficult. The tides in the past year, however, have shifted towards an equitable interpretation of fair use.

1. An Equitable Four-Factor Test

In 2021, the Supreme Court of the United States ("SCOTUS") issued a binding precedent for "fair use" for the first time in over twenty-five years. In *Google LLC v. Oracle America Inc.* ("Google Decision"), Oracle accused Google of stealing copyrighted pieces of its source code for use in Google's Android smartphones. Google, on the other hand, argued that the Java source code is too functional to be protected by copyright law and that it is subject to copyright's fair use doctrine. On 15 April 2021, SCOTUS resolved the 10-year dispute when it ruled that Google's use of the Java source code was within the bounds of fair use. The Google Decision assumed that the Java software language was copyrightable, and it applied the four-factor test in determining Google's fair use. The four-factor test considers the following:

1. The purpose and character of the use
2. The nature of the work
3. The amount of substantiality of the portion used in relation to the work as a whole
4. The effect of the use on the market or potential market for the original work¹

The Google Decision is seen to be a move that can spur innovation and creativity, by giving breathing space to creators who wish to build on existing works. In the Philippine context, it is worthy to note that the same four-factor test is listed in Section 185 of the Intellectual Property Code. Section 185 also specifies the allowed "purpose and character of use", namely: (1) criticism and comment; (2) news reporting; (3) teaching; and (4) scholarship, research, and similar purposes. In *ABS-CBN Corporation v. Gozon, et al.*, G.R. No. 195956, the Supreme Court of the Philippines also affirmed the use of the four-factor test.

While the Google Decision is not binding precedent in the Philippines, it indicates a shift towards an equitable interpretation of the four-factor test for fair use. Since fair use cases are few and far between, the influence of the Google Decision for future fair use cases may be significant. It is important to remember, however, that the Google Decision was centered on computer software. It is too early to tell if the Google Decision will influence a broader interpretation of fair use law generally, or if it will remain an isolated case.

2. Fair Use and the Monetization of YouTube

Outside computer software, YouTube has also stepped towards the direction of an equitable interpretation of fair use. YouTube is more known as a source of entertainment and personal viewing, but it has also increased its role as an important tool for businesses. The increase in users magnified the potential for the monetization of YouTube channels through subscriptions and marketing partnerships.

YouTube is the home of millions of content, and fair use issues continue to be a challenge to its content creators. The anime YouTube channel called Totally Not Mark ("TNM") recently influenced a change in YouTube's copyright and fair use rules for content creators. TNM's channel includes criticisms and/or analysis of anime samples from several companies, including Toei Animation. Toei Animation filed around 150 copyright strikes against TNM, which led to the takedown of hundreds of TNM's videos. For TNM and other small to medium content creators, takedowns of videos may prove to be a severe blow to the profitability and marketability of their YouTube channels. With the increase of users who rely on YouTube monetization, YouTube must be extremely careful in its copyright takedown measures.

In 2022, however, YouTube ruled in favor of TNM and all 150 copyright strikes against the channel were removed. The whole issue also influenced a change on YouTube's copyright and fair use rules, which now allow for flexibility among international copyright laws. A video may be taken down in one country but left up in another. The new rule then heavily depends on specific national copyright laws, and videos are most likely to be allowed in countries like the Philippines and the United States which apply the four-factor test. In the context of the Philippines, Filipino content creators may then be able to rely on fair use in having their videos accessible in the Philippines. Conversely, videos are most likely to be taken down in countries like Japan, which has stricter copyright rules.

The Google Decision and the new YouTube rule on fair use show that in both the level of the courts and in platforms that host content, fair use is sailing towards an equitable interpretation. This is a win for content creators.

¹ United States Copyright Act of 1976, Section 107.

This article is for general informational and educational purposes only and not offered as, and does not constitute, legal advice or legal opinion. It was first published in BusinessWorld, dated 8 March 2022.

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Protecting intellectual property rights in the Philippines

*by: Atty. Dennis R. Gorecho**

Twenty five years ago, the Intellectual Property Code of the Philippines (IP Code), or Republic Act 8293, authored by the late Senator Raul S. Roco, was signed into law in June 6, 1997 and took effect on January 1, 1998.

The term “intellectual property rights” consists of (a) copyright and related rights; (b) trademarks and service marks; (c) geographic indications; (d) industrial designs; (e) patents; (f) layout-designs (topographies) of integrated circuits; and (g) protection of undisclosed information.

As industries and technology evolve, intellectual property continues to play a prominent role.

The law has adopted certain changes aimed at streamlining administrative procedures of registration and at enhancing the enforcement of intellectual property rights in the country. One of its salient feature is the shift from the “first-to-invent/use” to “first-to-file” system.

The IP Code lays down the remedies available to the IP owner in case of a violation of his rights through administrative, civil and criminal sanctions against violators.

The law aimed to protect and secure the exclusive rights of scientists, inventors, artists and other gifted citizens to their intellectual property and creations, particularly when beneficial to the people, for such periods as provided in the law. Nobody else can copy or reuse that creation without the owner's permission.

It consolidated existing laws in line with the Philippines' adherence to the Paris Convention for the Protection of Industrial Property Rights, the Berne Convention for the Protection of Literary and Artistic Works, the Patent Cooperation Treaty, the TRIPS Agreement and the WIPO Copyright Treaty, among others.

One of the persons who actively worked for the enactment of the IP Code was Atty. Ignacio Sapalo, who was then the director of the Bureau of Patents, Trademarks and Technology Transfer (BPTTT), now the Intellectual Property Office of the Philippines (IPOPhil). He is currently the managing partner of Sapalo Velez Bundang Bulilan Law (SVBB) law offices.

Established on August 1, 1976, SVBB law offices became one of the front-running law firms in the country engaged in intellectual property prosecution, maintenance, licensing, and enforcement.

One of the cases SVBB handled involved coffee trademarks in the case of Societe des Produits Nestle, S.A. vs. CFC (G.R. No. 112012 - April 4, 2001) where the Supreme Court applied the dominancy test and not the totality or holistic test.

The Supreme Court held that the term "MASTER" has acquired a certain connotation to mean the coffee products MASTER ROAST and MASTER BLEND produced by Nestle. As such, the use by CFC of the term "MASTER" in the trademark for its coffee product FLAVOR MASTER is likely to cause confusion or mistake or even to deceive the ordinary purchasers.

The totality or holistic test only relies on visual comparison between two trademarks whereas the dominancy test relies not only on the visual but also on the aural and connotative comparisons and overall impressions between the two trademarks.

The Supreme Court explained that the application of the totality or holistic test is improper since the ordinary purchaser would not be inclined to notice the specific features, similarities or dissimilarities, considering that the product is an inexpensive and common household item.

The Dominancy Test considers the dominant features in the competing marks in determining whether they are confusingly similar. Courts give greater weight to the similarity of the appearance of the product arising from the adoption of the dominant features of the registered mark, disregarding minor differences.

In the recent case of *Kolin Electronics Co., Inc. (KECI) v. Kolin Philippines International, Inc.,(KPII)* (G.R. No. 228165, February 9, 2021), the Supreme Court emphasized the abandonment of the “holistic test” and the adoption of the “dominancy test” in evaluating trademark resemblance.

“The court hereby makes it crystal clear that the use of the holistic test in determining the resemblance of marks has been abandoned,” the Court said when it rejected the “**kolin**” trademark application filed by KPII for its television and DVD players.

Applying the dominance test, KPII's **kolin** mark resembles KECI's **KOLIN** mark because the word "KOLIN" is the prevalent feature of both marks. Phonetically or aurally, the marks are exactly the same.

The Supreme Court explained that between the dominance test and the holistic or totality test, only the former has been incorporated in the *IP Code*.

In the background of these strategic moves to institutionalise intellectual property administration, the consolidation of intellectual property into legislation was unfolding as well.

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IPOPHL Issues Electronic Patent Certificates

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As part of the Philippine Intellectual Property Office's effort to shift to complete digitization of transactions, the Bureau of Patents has begun issuing electronic Certificates ("Patent eCert") for granted inventions and registered utility models and industrial designs as of 01 March 2022.²

Patent eCert refers to the electronic counterpart of the printed patent certificates issued by the Bureau once an invention, utility model, or industrial design is granted or registered in accordance with the Philippine Intellectual Property Code. The Patent eCert will be issued in lieu of the hard copy certificate, upon approval by the Director of Patents.³ A notable feature of the Patent eCert is the quick response code or QR Code located in the upper left corner of the document for verification of its authenticity.⁴ Furthermore, the Patent eCert also contains the digital certification of the approving authority, in order to secure the veracity of the document.⁵ The Patent eCert is made available through the eCorrespondence registered account of the applicant or its resident agent.⁶ Nonetheless, the corresponding paper copy of the Patent eCert is still available, subject to existing issuance guidelines.⁷

The goals for issuance of the Patent eCert are: for timely issuance of the Letters Patent Certificates and timely inclusion of patent documents in the IPO and WIPO patent search tools, as well as timely receipt of said documents for various legal purposes.⁸

The issuance of the Patent eCert is largely based on Republic Act No. 8792 ("RA 8792"), or the Electronic Commerce Act of 2000⁹ which aimed to facilitate transactions through the use of technology to recognize the authenticity and reliability of electronic documents.¹⁰ RA 8792 provides that electronic documents shall have the legal effect, validity and enforceability as other documents.¹¹ This functional equivalence was further strengthened by Rule 3 on Electronic Documents of the Rules of Electronic Evidence of the Supreme Court, A.M. No. 01-7-01-SC.¹²

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Deadlines for submission of Annual Security Incident Reports set by the National Privacy Commission

by: *Quisumbing Torres*

Through its official website bulletin, the National Privacy Commission (NPC) formally announced the deadlines for submission of the Annual Security Incident Reports (ASIRs). According to the NPC, ASIRs for the years 2018 to 2021 are due on **31 October 2022**, while ASIRs for 2022 must be submitted within the period of **1 January 2023 to 31**

² BOP Memorandum Circular No. 2022-001 or the *Guidelines for the Issuance of Electronic Certificate for Granted Inventions and Registered Utility Models and Industrial Designs Known as the "Patent eCert"* dated 01 March 2022.

³ Sec. 2(3) of BOP Memorandum Circular No. 2022-001.

⁴ Sec. 2(4) of BOP Memorandum Circular No. 2022-001.

⁵ Sec. 2(5) of BOP Memorandum Circular No. 2022-001.

⁶ Sec. 2(3) of BOP Memorandum Circular No. 2022-001.

⁷ Sec. 2(3) of BOP Memorandum Circular No. 2022-001.

⁸ Sec. 1 of BOP Memorandum Circular No. 2022-001.

⁹ Whereas Clauses of BOP Memorandum Circular No. 2022-001.

¹⁰ Sec. 3, Chapter I of RA 8792.

¹¹ Sec. 7, Chapter II of RA 8792.

¹² Secs. 1 to 3, Rule 3 of A.M. No. 01-7-01-SC.

ASIRs must contain the following information:

- Summary of the number of security incidents¹ encountered in a particular calendar year and categorized by type, i.e., theft, identity fraud, sabotage/physical damage, malicious code, hacking, misuse of resources, hardware failure, software failure, communication failure, natural disaster, design error, user error, operations error, software maintenance error, third-party service, and other analogous causes
- Summary of the number of personal data breaches² encountered in a particular calendar year and classified based on the application of the breach notification obligations, i.e., mandatory and voluntary notification

1. 'Security incident' is an event or occurrence that affects or tends to affect data protection, or may compromise the availability, integrity, and confidentiality of personal data. It shall include incidents that would result to a personal data breach if not for safeguards that have been put in place.

2. 'Personal data breach' refers to a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to, personal data transmitted, stored, or otherwise processed. A personal data breach may be in the nature of:

- (a) An availability breach resulting from loss, accidental or unlawful destruction of personal data
- (b) An integrity breach resulting from alteration of personal data
- (c) A confidentiality breach resulting from the unauthorized disclosure of or access to personal data

Blockchain Domains and the IP-related Issues Associated with Them

by Atty. Arjel de Guzman

The rise of blockchain domain names opens the floodgates for opportunities and risks. As the ever-evolving use case for blockchains traverses the realm of domain names, one has to ask whether this new development will be a boon or bane to those willing to take the innovative plunge.

Similar to a traditional domain name, a blockchain domain or simply a blockchain domain consists of human-readable alphanumeric text strings functioning as an address to locate a particular place on the internet. The main difference with blockchain domains is that they link to an address on a blockchain through an NFT provided by a blockchain domain name service. Each blockchain domain can be minted in the blockchain as an NFT. As a result, the domain name becomes a unique cryptographic token on a blockchain often referred to as "NFT domains."

But while it may be similar in some ways to a traditional domain name, a blockchain domain is an entirely different thing. Conventional domain names link to an Internet Protocol (IP) address to locate a website on the internet. It utilizes the traditional Domain Name Service (DNS) server, which sources the address and displays the webpage associated with the domain name.

On the other hand, a blockchain domain does not utilize a DNS. It links to a specific entry on a blockchain through an NFT created using a blockchain domain name service. The address linked to the blockchain domain is stored on a blockchain instead of a single server, running on a peer-to-peer server system and, therefore, is decentralized.

Another peculiar characteristic of blockchain domains is that because they are embedded in a blockchain, the owner exclusively holds the private key to the wallet that houses the domains. The blockchain address linked to the domain is also a specific crypto wallet that may store cryptocurrency and NFTs. This way, only the owner has complete control of their domain, allowing them to exclusively manage and alter their website without needing permission from any third party.

The rising popularity of blockchain domains is primarily because of their use case. Blockchain domains can conveniently replace the long alphanumeric string designating a crypto wallet address. However, memorizing the unwieldy string of alphanumeric characters that identifies the crypto wallet is near impossible. Blockchain domains have solved this tedious problem of identifying a crypto wallet address.

Blockchain domains are also used as a sign-on identity. Because blockchain domains are unique and strictly private, owners use them to sign in on the traditional and decentralized web like a crypto wallet does.

Aside from identifying a crypto wallet address, blockchain domains can be used as an address for websites housed within a blockchain. The new iteration of the internet lies on the principle that sites would be accommodated on a blockchain and hence, decentralized. Often referred to as "Web 3.0", the blockchain domain docked on a blockchain can be used to link an address of a website that is also blockchain-based.

The rising awareness and use cases for blockchain domains have recently attracted stakeholders to file patent applications for systems relating to the new technology. Last June 2020, Alibaba was granted US Patent No. US 10,680,828 B2 by the USPTO for its "Domain Name Management Scheme for Cross-Chain Interactions in Blockchain Systems. The patent allows the adoption of a "Unified Blockchain Domain Name" (a UBCDN) for cross-chain interactions of domain names located in different blockchains. In July of the same year, the USPTO granted US Patent No. 10,721,060 entitled "*Domain Name Blockchain User Addresses*" to Verisign, a company providing domain name registration services. The patent features the management of private and public keys through the DNS registry and on the blockchain network allowing users to transform the traditional domains into a blockchain user address and, in turn, interact with the other participants on the network.

The innovative use cases for blockchain domains obviously carry with them the advantage of security, decentralization, consistent and portable identity, and seamless blockchain transactions. However, stakeholders must weigh these advantages with blockchain domains' risks and pitfalls.

Blockchain is essentially decentralized and unregulated. These characteristics likewise form part of the foundations of blockchain domains. For one, the highly decentralized nature of blockchain domains and the anonymity attached to them create a different level of attraction to squatters and trademark grabbers. Enforcement against infringers would also be cumbersome to almost impossible because now, blockchain domains are unregulated. Unlike traditional domains, the Internet Corporation for Assigned Names and Numbers (ICANN) does not govern blockchain domains. As such, blockchain domains and their owners are not subject to ICANN procedures to settle domain disputes, including the often used Uniform Domain-Name Dispute-Resolution Policy (UDRP) as well as the Uniform Rapid Suspension System (URS).

Added to the risks posed by the decentralized nature of blockchain domains, the veil of anonymity and the fact that it is almost impossible to ascertain the identity of a blockchain domain equally pose enforcement problems. Failure to identify the owner of an infringing blockchain domain would present legal issues like determining the appropriate party, jurisdiction, and venue. An aggrieved intellectual property (IP) rights owner has only the blockchain domain naming service to run to. Compelling the domain naming services or blockchain exchanges to produce owner identity or information is limited to one.

Also, in the remote possibility that an offended party will be able to obtain a legal remedy or a court order directing that an infringing blockchain domain be assigned to the genuine rights owner, most domain naming services cannot transfer ownership of a blockchain domain after the initial distribution.

In some cases, though, naming providers reserve domain names they consider famous and well-known, a far cry from respite for trademark and IP owners as they are virtually left at the mercy of name services' determination of which trademarks or brands warrant protection.

In perspective, blockchain domains present opportunities and risks for IP rights holders. As it stands, IP rights owners, especially brand owners, should consider innovations such as blockchain domains with extreme caution and take proactive steps so that emerging technologies could be exhausted to create opportunities rather than vulnerabilities.

Disclaimer: The views and opinions expressed in the articles are those of the authors and do not necessarily reflect the official policy or position of IPAP.

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