

MEGA LIFESCIENCES PTY. LIMITED,
Complainant,

-versus-

**INTERNATIONAL APEX PHARMACEUTICALS
INC.,**
Respondent.

IPV No. 10-2008-00013

For: Trademark Infringement,
Unfair Competition and
Damages

NOTICE OF DECISION

CASTILLO LAMAN TAN PANTALEON & SAN JOSE
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Counsel for Respondent
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GREETINGS:

Please be informed that Decision No. 2015 - 12 dated December 02, 2015 (copy enclosed) was promulgated in the above entitled case.

Taguig City, December 02, 2015.

For the Director:

Edwin A. Dating
Atty. **EDWIN DANILO A. DATING**
Director III
Bureau of Legal Affairs



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Decision No. 2015- 12

DECISION

MEGA LIFESCIENCES PTY. LIMITED¹ ("Complainant"), filed a complaint against INTERNATIONAL APEX PHARMACEUTICALS, INC.² ("Respondent") for Trademark Infringement, Unfair Competition and Damages on 11 November 2011.

Complainant alleges, among others, the following:

"6. By virtue of Certificate of Product Registration No. DR - XY28739 issued by the Bureau of Food and Drugs on September 14, 2005 to Metro Drug, Inc. as distributor and importer, complainant's Acnetrex has been marketed and sold in the Philippines in 10mg softgel capsule form since September 2005 through Metro. The mark Acnetrex was first used in February 2004.

"7. Complainant is the owner of Acnetrex and Acnetrex 10 trademark under Registration Nos. 4-2007-014040 and 4-2005-002571 issued by the Intellectual Property Office. Registration No. 4-2007-014040 is about to be issued a certificate after complainant paid the fee therefor. On the other hand, Registration No. 4-2005-002571 has been issued a certificate on April 26, 2006. These registrations are valid and subsisting.

"8. Isotretinoin is a prescription drug that comes in a more potent form of Vitamin A prescribed by most dermatologist for the treatment of severe acne that otherwise could not be addressed with other milder form of therapy. It is especially recommended if cysts are present and when the body, apart from the face, is likewise affected. Isotretinoin has been regarded as revolutionary product, as it makes sebaceous glands less productive, reducing the size of the sebaceous gland and the inflammation of the skin. It affects the development of pimples and blackheads and reduces the amount of the bacteria known as propionibacterium acnes.

"9. Acnetrex is an invented mark derived from combining 'acne' and 'trex'. 'Trex' in turn is a derivative of 'tretinoin'. There are several words relating to skin, which is the organ of the human body directly affected by acne, that could be combined with

¹ Filipino with business address at 3-A General Maxilom Avenue, 6000 Cebu City, Cebu.

² Filipino with business address at 3/F Home Market, Market Market, Global City, Taguig City.

'trex' to come out with a trademark for any tretinoin-based pharmaceutical product indicated for the treatment of acne. Complainant chose Acnetrex, a combination of 'acne' and 'trex' to identify and by which it could market its product. It had the mark registered and established a market for said product in the Philippines by reason of the promotion of the mark Acnetrex.

"10. Complainant first marketed in September 2005 and continues to market its isotretinoin product in white rectangular boxes that contain 30 soft gel capsules. Complainant's Acnetrex 10 trademark appears below the generic name isotretinoin enclosed in a rectangular frame. xxx

"11. Sometime in July 2007, complainant was informed by the pharmaceutical healthcare representatives of Metro and on the basis of pharmaceutical product directory, MIMS 3rd Issue 2007, that Apex was selling and distributing 10 mg soft gel capsule forms of isotretinoin under the brandname Acutrex. On information, no application for, or certificate of, trademark registration has ever been filed or obtained by Apex for its Acutrex brand.

"12. Apex's Acutrex product is likewise packaged in pink rectangular packages of 30 soft gel capsules. xxx

"13. Of the numerous word associated with acne or the human skin that are available to respondent by which, in combination with 'trex' it could come out with a trademark for its own isotretinoin-based pharmaceutical product for the treatment of severe acne, respondent deliberately chose the root word 'acu', which is so similar to 'acne' both visually and aurally, and combined it with 'trex' to come up with Acutrex as a trademark for its product. This is a classic case of trademark infringement and unfair competition.

"14. Thus, complainant, through the undersigned counsel, sent a letter dated August 28, 2008, demanding, among others, that respondent cease and desist from using Acutrex for its products, recall all Acutrex product that had been and are being sold in the market, and execute an undertaking not to use complainant's trademark and design or any colorable imitation thereof. However, respondent unjustly and wantonly disregarded complainant's valid and lawful demands.

"15. To date, respondent continues to use the Acutrex brand and sell its products in packaging materials that infringe and unfairly compete with complainant's trademark, to the great damage, and prejudice complainant and to its goodwill. Further, Acutrex is still advertised in the 2008 117th Edition of MIMS.

"First Cause of Action

"Complainant pleads the foregoing and further states;

"16. Section 155 of the IP Code grants the following rights in favor of the owner of a registered mark, thus:

xxx

"17. Complainant's registered mark is composed of two distinct features, i.e., (1) the word Acne; and (2) the suffix 'trex'. It must likewise be noted that complainant's Acnetrex trade box is white and rectangular, distributed in batches of 30 soft gel capsules.

"18. Not only is the respondent's brand name Acutrex confusingly similar in sound, spelling and visual representation with complainant's Acnetrex mark, the packaging material used for respondent's goods demonstrate clear similarities with complainant's trade box, which forms and integral part of complainant's registered mark. The package in which respondent's Acutrex products are sold likewise contains 30 soft gel capsules and a combination of white and pink colors with fading effects which easily may be mistaken for complainant's products.

"19. Likewise, the confusing similarity between the two marks and respondent's effort to deliberately imitate complainant's mark and confuse the public are unmistakably clear in the former's promotional materials which surely attempts to imitate complainant's marks. xxx

20. Quite clearly, respondent not only copied and colorably imitated complainant's registered mark, but likewise reproduced and used such imitations in commerce in connection with the sale, offering for sale, distribution or advertising of its goods or in connection which such use is likely to cause confusion or mistake among, or to deceive, the public. Such act of respondent were carried out without the consent of, or authority from, complainant, thus making respondent liable for trademark infringement.

"21. Based on the foregoing, acts of trademark infringement, complainant's right must be recognized and vindicated. Respondent should therefore be assessed the amount of P1,000,000.00 as and by way of nominal damages and enjoined from committing said act.

"Second Cause of Action

"Complainant pleads the foregoing and further states:

"22. Furthermore, by appropriating complainant's trademark and colorably imitating complainant's tradebox by which complainant has been doing business through the years, respondent committed acts, constituting unfair competition proscribed not only under Article 28 of the Civil Code, but under Section 168 of the IP Code as well, thus:

xxx

"23. Since complainant's Acnetrex products first became available in the market in September 2005, complainant has established a formidable share in the Philippine market and has, together with the innovator product Roaccutane of the multinational pharmaceutical company, Roche, created the vital goodwill and reputation necessary for the buying public to repose its trust on the revolutionary effects of isotretinoin, which undoubtedly entailed significant monetary investment, among others. The quality of complainant's Acnetrex, as well as its expertise in dealing with after sales concerns, has acquired goodwill and reputation that is valuable property right in and of itself.

"24. Respondent deceptively imitated complainant's brand, trademark and trade box to stir great confusion among the consuming public, particularly since both Acnetrex and Acutrex are both isotretinoin formulations that may easily be mistaken for the other by the doctors, pharmacists and patients alike. In fact, complainant has had the occasion to clarify with its customers that respondent's Acutrex products are in no way related to Acnetrex. For causing damage to complainant's goodwill, a separate property right protected against invasion by unfair competition, respondent should be ordered to pay complainant the amount of P1,000,000.00 as and by way of nominal

damages and enjoined from committing the said act.

"Third Cause of Action

"Complainant repleads the foregoing and further states:

"25. By way of example or correction for the public good, with the objective of promoting respect for the intellectual property rights of the complainant and others who may be similarly situated, and to prevent others from committing the same acts committed by respondent, respondent should be assessed at least P500,000.00 in exemplary damages.

"Fourth Cause of Action

"Complainant repleads the foregoing and further states:

"26. On the account of willful and deliberate refusal of respondent to respect complainant's rights, complainant was constrained to engage the services of undersigned counsel and institute the instant complaint to protect its interest. Due to the intricacies of this case, complainant expects to incur attorney's fees of at least P500,000.00 and litigation expenses of not less than P100,000.00.

This Bureau issued a Notice to Answer. On 06 January 2009, Respondent filed its Answer alleging, among others, the following Affirmative Defenses, to wit:

"A. Complainant lacks personality to sue

"12. Complainant's self-serving averment is that it is the registered owner of Acnetrex and Acnetrex 10 trademarks under Registration Nos. 4-2007-014040 and 4-2005-002571 issued by the Intellectual Property Office. It admitted, however, that the owner of the CPR issued by the BFAD for Acnetrex is a certain company called Metro Drug, Inc., which also marketed and sold the 10 mg soft gel capsule since September 2005.

"13. Complainant therefore is not the proper party-in-interest to file this action as the CPR for the brand names Acnetrex and Acnetrex 10 is the name Metro Drug, Inc. and not that of Complainant's. As market authorization remains with Metro Drug, Inc., it is the latter which stands, or which may claim, to be injured by any purported act of trademark infringement in so far as the drug product is concerned. As distributor, it is expected that there is a standard undertaking on the part of Metro Drug to protect the rights of the principal or trademark owner, Complainant herein. Yet it conveniently omits to attach a copy of the distributorship Agreement between Complainant and Metro Drug, to avoid scrutiny perhaps?

"14. Likewise, notable is the fact that if Metro Drug is not authorized in their Distributorship Agreement to institute this action before the Intellectual Property Office, then it should have been instituted in the name of MEGA NUTRACEUTICALS LTD. which is clearly the name and style under which it has registered itself before the Securities and Exchange Commission of the Philippines as a Representative Office.

"15. Thus, it is unavoidable that this action must be dismissed as it has been

improperly instituted by an entity not authorized to do so. With the involvement of an improper party, there is no basis for this action to proceed until this material defect is cured.

"B. Complainant fails to state a cause of action
"There is no trademark infringement

"16. Contrary to complainant's allegations, respondent did not commit nor attempt to commit trademark infringement. Respondent's 'ACUTREX' is not a reproduction, counterfeit, copy or colorable imitation of, nor does it infringe on, the mark 'ACNETREX'. Neither is there any confusing similarity between these two marks that would cause, or to be likely to cause, mistake or deception on the consuming public.

X X X

"22. xxx [T]he case at hand calls for the application of the totality rule or holistic test. Complainant's mere perception that the two brand names, 'ACNETREX' and 'ACUTREX' are identical is not a ground for filing a trademark infringement or unfair competition case.

"23. Additionally, even a slim possibility that the consuming public or purchaser would be confused or mistaken in choosing 'ACUTREX' over 'ACNETREX' is unlikely considering that the antibiotic drug 'Isotretinoin' that both brand carry is categorized as prescription drug and, thus, could not be dispensed with to the other purchaser/patient without the requisite written prescription from a medical practitioner.

"24. This peculiar characteristic of being a prescription drug as compared to those readily available over-the-counter that may be freely bought or obtained by anyone even without medical prescriptions was likewise judiciously considered by the Supreme Court in the Ethepa case, to wit:

X X X

"25. More so in this case where the dermatological products of the respondent are not available in the trade channels availed of by the complainant. Respondent sell through its distributors (independent contractors) and through prescribing doctors such as dermatologists at the St. Luke's Medical Center and Makati Medical Center. Due to the efforts of respondent's medical sales representatives, these dermatologists specifically prescribe ACUTREX, thus there is no room for confusion among them. The same is true with other doctors who would prescribe the complainant's ACNETREX or even other competing brands such as ISOTREX and ROACCUTANE.

"26. Incidentally, ACUTREX, ACNETREX and ROACCUTANE are all available in soft gel capsules packaged as 10 mg x 30's. As such, it is presumptuous of the complainant to claim that respondent copied its trade box for ACNETREX. Complainant does not have a monopoly of creative ideas. The packaging happens to be the most logical and practical way to package the product.

"27. More importantly, the enactment into law of the Generics Act completely eliminates any possibility of confusion either by the doctor, the pharmacist or by the consuming public. All doctors, whether in the public or private sector, are mandated under the Generics Act to use generic terminology or generic names in all transactions related to purchasing, prescribing, dispensing and administering of all drugs and

medicines.

"28. Under the afore-cited law, even if the pharmacist misreads the particular brand name prescribed by the doctor with bad handwriting, the pharmacist is tasked by law to inform the buyer of any and all other products having the same generic name together with their corresponding prices.

"28.1. Aside from the brand names, the more important factor that is made available to the buyer in exercising his option is the price. The law has provided safeguards against the likelihood of confusion among the relevant public (buyers, doctors, nurses, pharmacists, etc.)

"28.2. The purchaser of the drug and medicines, under the Generics Act, as amended by R.A. 9502 is not the 'completely unwary consumer' but an 'ordinarily intelligent buyer' who can consciously and deliberately discriminate between and among the choices presented to him by the pharmacist. Both the pharmacist and the buyer, therefore, perform very deliberate acts that leave no room for a likelihood of confusion. A rigorous compliance of the law is expected from the pharmacists, otherwise, a violation thereof may result in the imposition of criminal and administrative sanctions.

"29. Given the foregoing circumstances, complainant must be aware that it has to deploy medical sales representatives in most hospitals and medical clinics to ensure that the brand names of its products are specifically written out along with the generic name. There is, absolutely no room for confusion among the doctors.

There is no unfair competition

"30. Under the misplaced assumption that there is here infringement of trademark, complainant went on to harp on yet another unfounded imputation that the respondent copied the trademark 'ACNETREX' just to ride on the complainant's alleged goodwill over it and that respondent's selling and distribution of the product 'ACUTREX' is an act calculated to produce confusion and, hence, constitutes unfair competition.

"31. As defined, 'unfair competition' is the employment of deception or any other means contrary to good faith by which a person shall pass off the goods manufactured by him or in which he deals, or his business, or services, for those of another who has already established goodwill for his similar goods, business or services, or any acts calculated to produce the same result.

X X X

"34. If anything, the Complaint only serves to clarify the fact that there is no trademark infringement due to the differences pointed out, such as the font styles of the printed words on the trade box, the color and the general appearance of the trade box itself and the promotional materials of the two competing products. Respondent's promotional material highlights the affordability of the product while that of complainant's promotes the product as the last option for acne treatment. That being said and considering that it is a prescriptive drug, Complainant's unfounded claim must necessarily fail.

"35. Succinctly, there is here no room to even suppose that the purchaser/patient already wary of his dermatological problem and equipped with a written medical prescription would likely be misled into believing that, and in therefore

buying, 'ACUTREX' as 'ACNETREX' or vice-versa. Hence, in the absence of any plausible probability that the deception or confusion is likely to arise, even the mere idea of 'ACUTREX' passing off as 'ACNETREX' becomes and impossibility and therefore deplorable. There is, thus, no unfair competition to speak of in this case.

"36. Additionally, even a slim possibility that the consuming public or purchaser would be confused or mistaken in choosing 'ACUTREX' over 'ACNETREX' is unlikely considering that the antibiotic drug 'Isotretinoin' that both brands carry is categorized as prescriptive drug ONLY. This prescription drug is patient-specific in the sense that the dose of Isotretinoin a patient receives is dependent on his body weight and the severity of his condition. As such, it could not be dispensed with to the purchaser/patient without the requisite written prescription from a medical practitioner or skin specialist."

On 12 January 2009, Complainant filed a Reply. Respondent filed its Rejoinder on 04 February 2009. On 13 January 2009, the Notice of Pre-Trial Conference with Invitation to Mediate was issued by this Bureau. Complainant filed its Pre-Trial Brief on 09 February 2009 while Respondent filed its Pre-Trial Brief on 16 February 2009. Upon the manifestation of both parties, the case was referred to Mediation. It was later on referred back to this Bureau for Failure of Mediation. On 06 July 2009, Complainant filed a Motion for Issuance of a Writ of Preliminary Injunction. Respondent filed its Comment/Opposition to the Motion for Issuance of a Writ of Preliminary Injunction. A Reply, Rejoinder and Sur-Rejoinder was filed thereto. During the hearing on the application for issuance of a writ of preliminary injunction, Complainant presented four witness, namely, Dr. Gina Antonina Santiago Eubanas, Mr. Brandomir Montiel, Ms. Michelle Rosell, Mr. Christopher dela Rosa and Ms. Cielito Lazana-Bella who identified various documentary evidence. After Complainant rested its presentation of evidence, it was directed to file its formal offer of evidence. On 29 July 2009, Complainant filed its Offer of Documentary and Object Evidence which consist of the following exhibits:

Exhibit "A" to "A-4-a" - Judicial Affidavit of Dr. Gina Antonina Santiago Eubanas;
Exhibit "B" to "B-2" - Curriculum Vitae of Dr. Gina Antonina Santiago Eubanas;
Exhibit "C" to "C-2-a" - Judicial Affidavit of Mr. Brandomir Montiel;
Exhibit "D" - Small leave-behind folder of Acutrex;
Exhibit "E" to "E-2-a" - Judicial Affidavit of Ms. Michelle Rosell;
Exhibit "F" to "F-3" - Judicial Affidavit of Mr. Christopher dela Rosa;
Exhibit "G" to "G-1" - Promotional material (folder) of Acutrex;
Exhibit "H" - Box of Acutrex;
Exhibit "I" - Promotional material (folder) of Acnetrex;
Exhibit "J" - Box of Acnetrex;
Exhibit "K" to "K-3" - Judicial Affidavit of Ms. Cielito Lazana- Bella;
Exhibit "L" - Dummy prescription for Acutrex which is the Certificate of Consent form for Acutrex;
Exhibit "M" - Mercury Drugstore Official receipt for Acnetrex instead of Acutrex; and
Exhibit "N" to "N-3" - Acnetrex product together with the box and product information sheet, dispensed by the pharmacist of Mercury Drugstore.

On 10 August 2009, Respondent filed its Comment-Opposition to the offer of documentary and object evidence and Complainant filed its Reply. Thereafter, the offer of documentary and object evidence was admitted by this Bureau.