

TODD A. FITTS,  
Complainant,

-versus-

KIMES FOOD INTERNATIONAL INC.,  
PRISCILA F. KIMES, and REECE KIMES,  
Respondents.

X-----X

IPV No. 10-2015-00014

For: Damages and Issuance  
of TRO/and or Writ  
of Preliminary Injunction

**NOTICE OF DECISION**

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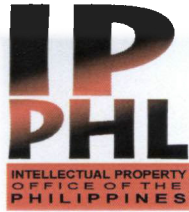
**GREETINGS:**

Please be informed that Decision No. 2016 - 03 dated February 10, 2016 (copy enclosed) was promulgated in the above entitled case.

Taguig City, February 10, 2016.

For the Director:

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



TODD A. FITTS,  
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Respondents.

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x-----x}Decision No. 2016- 03

**DECISION**

TODD A. FITTS, (Complainant)<sup>1</sup> filed on 7 September 2015 an Intellectual Property Violation (IPV) case against KIMES FOOD INTERNATIONAL, INC., PRISCILA F. KIMES and REECE KIMES (“Respondents”)<sup>2</sup>. The Complaint seeks payment of “damages and the issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction”.

The Complainant alleges the following, among other things:

“5. Complainant Todd A. Fitts (“Complainant”) is the inventor-owner of 'FOOD PRODUCT SUBSTITUTE FOR TORTILLA AND PROCESS OF MAKING THE SAME' with Patent Application Number 1/2010/000037 filed on 09 February 2010.<sup>3</sup> A copy of said Patent Application is attached hereto as Annex 'A'.

“6. Originally, the Applicant for Patent Application 2010-37 is CHEF MO COCO, INC., a corporation duly registered under the Securities and Exchange Commission. In 2012, Chef Mo Coco, Inc. assigned Patent Application 2010-37 to Complainant as evidenced by the *Assignment of Application for Letters Patent* dated 10 April 2012. Attached hereto as Annex 'B' is a copy of the aforesaid document.

“7. Sometime in 2011, Respondent Priscila Kimes became a director of Chef Mo Coco, Inc. Complainant, using the process he had developed with Patent Application 2010-37, taught Priscila and her staff how to make the Food Products subject of Patent Application 2010-37. Respondent Priscila Kimes, as a director

<sup>1</sup> A U.S. citizen who can be served with summons, processes and orders through counsel's address at 5th Floor, Prince Building, 117 Rada Street, San Lorenzo Village, Makati City

<sup>2</sup> A domestic corporation with address at Unit 704 Robinland Business Center, Zuellig Avenue, Mandaue City Cebu; Filipino citizen and U.S. Citizen respectively, with address at 14 Amihan St. Gentle Breeze Subdivision, Kasambagan, Cebu City

<sup>3</sup> For brevity, hereinafter referred to as “Patent Application 2010-17.”

of the Chef Mo Coco, Inc., even signed the Board Resolution dated 19 February 2012, authorizing the corporation to convey certain properties to Complainant.<sup>4</sup>

“8. In order to protect Complainant’s intellectual property rights over the process and product he invented, in 09 April 2011, Complainant asked Respondents Priscila and Reece Kimes to enter into Non-Disclosure Agreements (NDAs) with Chef Mo Coco, Inc. Respondents Priscila and Reece Kimes, in the said NDA, agreed not to disclose and use the processed provided to her by Chef Mo Coco, Inc., for her own benefit. The confidential information covered by the NDAs necessarily include the process of making the subject food products.

“9. The NDAs also provide that Respondents Priscila and Reece Kimes waives any right, title, claim or interest in any product, formula, or device discovered by her during her relationship with the corporation. Copies of the NDAs are attached as Annex 'D' and Annex 'E'.

“10. In 3 April 2014, IMPROVEAT, LLC, a corporation organized in the United States of America and owned by Complainant, entered into a contract with Profood International Corporation ('Profood') to manufacture and package its “Pure Wraps” coconut product using Patent Application 2010-37. A copy of the *Contract Manufacturing and Packaging Agreement* is attached as Annex 'F'. As attested by Joven Uy, Operations Manager of Profood, in his Affidavit dated 27 December 2014, Profood has been successfully producing the food product subject of Patent Application 2010-37 since July of 2014.<sup>5</sup>

“11. Sometime in 2014, it came to the knowledge of Complainant that Respondent Kimes Corp., of which respondents are owners and stockholders, have been producing and selling Coconut Wraps using his process and components. Worse, Complainant discovered that Respondents appropriated his process and applied for a patent under Patent Application Number 1/2013/000204 for 'COCONUT MEAT BASED COMPOSITIONS AND FILMS AND USES THEREOF', covering the same process and components. This application was filed on 01 July 2013 and published in the E-Gazette on 12 January 2015.

“12. On 06 March 2015, Complainant sent a Letter to Respondent Kimes Corp. demanding from the said corporation to cease and desist with the production and sale of the coconut wraps. Attached hereto as Annex 'H' is a copy of the aforesaid Letter.

“13. Sometime in June of 2015, Complainant came across an article from Malaya entitled 'From Village to World; Coco Food Wraps go Viral,' which features Respondent Kimes Corp.’s president, Respondent Priscila Kimes and her husband, Respondent Reece Kimes, as the producer and exporter of 'Paleo

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<sup>4</sup> Attached as Annex “C” is a copy of the Board Resolution.

<sup>5</sup> Attached as Annex “G” of the Complainant.

Wraps.' Respondent Priscila Kimes, claims in said article, that they are producing 'half a million pieces of coco wraps a month,' and exporting said product to Europe and North America. Attached hereto as Annex 'I' is a copy of the article. The coco wraps are being sold under the name of 'Paleo Wraps' and distributed by Julian Bakery, Inc. in North America. Attached hereto as Annex 'J' is a copy of the packaging wrapper of the aforesaid product.

“14. Respondent Kimes Corp. have been a recipient of the Department of Science and Technology’s (DOST) Small Enterprises Technology Upgrading Program (SETUP) grant of the amount of P 1,400,000.00, used by Respondent Kimes Corp. in upgrading its drying technology in the productions of the coconut wraps.<sup>6</sup> Priscila Kimes revealed in one of the articles the process they are using as involving the use of young coconuts, its meat and the coconut water, dried and processed.

“15. Due to respondent’s acts of producing and selling the food products covered by the confidential information, Complainant’s business has already suffered serious losses considering that Respondent Kimes Corp. also cast doubt upon Complainant’s exclusive right to manufacture, use, offer for sale, sell and export the product covered by Complainant’s Patent Application.

#### **FIRST CAUSE OF ACTION**

“16. Complainant re-plead and incorporate all the foregoing allegations as they may be pertinent.

“17. Complainant Todd A. Fitts has intellectual property rights over the process and food products as they are the confidential information subject of the *Non-Disclosure Agreement* signed by Respondents Priscila and Reece Kimes. As provided in Section 4.1 (g) of Republic Act (RA) No. 8293 or the Intellectual Property Code, the protection of undisclosed information, including the process and product covered by the NDA, is included in the intellectual property rights of a person. Complainant is likewise the inventor and owner of 'FOOD PRODUCTS SUBSTITUTE FOR TORTILLA AND PROCESS OF MAKING THE SAME' with Patent Application 2010-37.

“18. The food products branded as 'Paleo Wraps,' manufactured and sold by Respondents, were clearly copied from the process and components of Complainant covered by the *Non-Disclosure Agreement*. As stated earlier, Respondent Priscila and Reece Kimes came into knowledge of Complainant’s confidential information when the latter taught them and their staff how to manufacture the subject food products.

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<sup>6</sup> Articles from the DOST website in relation to the grant is attached herein as Annex “K to K-1”.

“19. The Protection of Undisclosed Information, originates from the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement to which the Philippines adhered to on 16 December 1994 and enforced beginning 01 January 1995. Section 7, Article 39 of the TRIPS Agreement defines 'confidential information' as:

- a.) xxx secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- b.) has commercial value because it is secret; and
- c.) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

“20. First, it is submitted that the process and components for the production of the food product covered by the NDA and subject of Patent Application 201-37 of Complainant is unique and not generally known among or readily accessible to persons within the circles that normally deal with this kind of information.

“21. Second, as can be gleaned from the aforementioned facts and evidences, it has commercial value as Complainant have been engaged in the sale, both for the local and international market, of the subject food products. Respondents in the above-mentioned articles, likewise claims the high demand for the food products in the U.S. and Europe.

“22. Third, Complainant has likewise taken reasonable steps to keep the process and individual components in secret by requiring Respondent Priscila and Reece Kimes to sign Non-Disclosure Agreements in 2011. Employees, manufacturers and contractors of Complainant's corporations likewise signed NDAs.

“23. Further, the NDAs give the person who owns the confidential information the right of 'preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices.'<sup>7</sup> Acts contrary to honest commercial practices necessarily includes breach of contract<sup>8</sup>.

“24. When Respondent Priscila Kimes filed for Patent Application No. 1-2013-000204, and manufactured and sold the food product 'Paleo Wraps' it breached its contract not to use, for her own purpose, the confidential information she acquired from Complainant in the course of her engagement with Complainant and his corporations.

“25. It is submitted that the Non-Disclosure Agreements are the law between Complainant and Respondents Priscila and Reece Kimes and 'courts have no choice but to enforce such contract so long as it is not contrary to law, morals, good customs or

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<sup>7</sup> Section 7, Article 30 of the TRIPS Agreement.

<sup>8</sup> Note 10 to Article 39 (1) of the TRIPS Agreement.

public policy.' Otherwise, courts would be interfering with the 'freedom expression of the parties rights, duties and obligations. It is the best evidence of the intention of the parties.'<sup>9</sup> The NDAs are also a 'formal expression of the parties' rights, duties and obligations. It is the best evidence of the intention of the parties.'<sup>10</sup>

"26. Respondents' obligation not to disclose and use the confidential information likewise survives even after her engagement with Complainant and his corporations pursuant to Section 3 of the NDAs, which provides:

3. Term. Recipient's [Priscila and Reece Kimes] obligation to protect the Confidential Information shall survive termination or cancellation of this agreement and/or termination of the relationship between the parties, regardless of the cause or reason for such termination or cancellation. (Emphasis supplied)

"27. Despite of the fact that Respondent Priscila Kimes contracted the NDA with Chef Mo Coco, Inc., Complainant, as assignee of Patent Application 201-37, has a right against the Defendants pursuant to Section 7 of the NDA, which provides:

7. Binding Effect. This Agreement will be binding on and inure to the benefit of the parties, their respective successors and/or assigns, holding company, subsidiaries, representatives agents, licensees, heirs and estates. xxx

"28. For the foregoing reasons, it is submitted that Complainant are entitled to seek for relief from the Honorable Office to enjoin Respondent from further manufacturing and selling the food products which are continuously being performed as of date, to the damage and prejudice of Complainant.

## SECOND CAUSE OF ACTION

"29. Complainant re-plead and incorporate all the foregoing allegations as they may be pertinent.

"30. Complainant contests Respondents' Patent Application No. 1/2013/000204 for 'COCONUT MEAT BASED COMPOSITIONS AND FILMS AND USES THEREOF' as it is not a 'patentable invention' pursuant to Section 21 of RA No. 8293, which provides:

Section 21. Patentable Inventions. – Any technical solution of a problem in any field of human activity which is new, involves an inventive step and is industrially applicable shall be Patentable. It may be, or may relate to, a product, or process, or an improvement of any of the foregoing.

"31. Section 23 of RA No. 8293 provides that 'an invention shall not be considered new if it forms part of a prior art, 'while Section 24.2 includes in the definition of 'prior

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<sup>9</sup> Norton Resources Development Corporation v. All Asia Bank, G.R. No. 162523, November 25, 2009.

<sup>10</sup> Id.

art' the application for a patent by a different applicant with a filing date earlier than the claimed invention, viz:

Section 24. Prior Art. – Prior art shall consist of:

24.2 The whole contents of an application for a patent, utility model, or industrial design registration, published in accordance with this Act, filed or effective in the Philippines, with a filing or priority date that is earlier than the filing or priority date of the application: Provided, That the application which has validly claimed the filing date of an earlier application under Section 31 of this Act, shall be prior art with effect as of the filing date of such earlier application: Provided further, That the applicant or the inventor identified in both applications are not one and the same.

“32. As stated in the foregoing facts, Complainant filed Patent Application 2010-37 on 9 February 2010 while Respondent Priscila Kimes filed her patent application only on 1 July 2013. Complainant’s Patent Application 2010-37, clearly is a prior art, which Respondent failed to declare in her Patent Application.

“33. As stated earlier, Respondents only learned the process for manufacturing the subject food products from the Complainant and therefore they cannot be considered as the originator and inventor of the process.

“34. Further, Respondent Kimes patent application also lacks the 'inventive step' as provide in Section 26 of RA No. 8293, to wit:

Section 26. Inventive Step. – An invention involves an inventive step if, having regard to prior art, it is not obvious to a person skilled in the art at the time of the filing date or priority date of the application claiming the invention.

“35. In this case, Complainant, is the person skilled in the art of making the subject food product who obviously knew of such process as he was the one who filed Patent Applications 2010-37 on 9 February 2010, three (3) years prior to Respondent’s filing of her Patent Application.

“36. For the foregoing reasons, it is submitted that Respondent Priscila Kimes’ Patent Application No. 1/2013/000204 for 'COCONUT MEAT BASED COMPOSITIONS AND FILMS AND USES THEREOF' should be refused by the Honorable Office.

### **THIRD CAUSE OF ACTION**

“37. Complainant re-plead and incorporate all the foregoing allegations as they may be pertinent.

“38. Complainant is also entitled to recover damages from Respondents due to their continuous, and unauthorized manufacture and sale of the product covered by the confidential information acquired pursuant to the NDA.

“39. Breach of contract is committed when a party fails or omits to perform an obligation, without any reason. The right to recover damages may be claimed pursuant to Article 1170 of the Civil Code which provides:

Article 1170. Those who in the performance of their obligations are guilty of fraud, negligence, or delay and those who in any manner contravene the tenor thereof, are liable for damages.

“40. Clearly, Respondents cannot escape from their liability towards the Complainant. In the first place, Respondents Priscila and Reece Kimes, cannot in any way deny that they had knowledge of their obligation not to disclose and use the confidential information pursuant to the NDA.

“41. Second, Complainant, have sent Respondents a demand letter asking them to cease and desist from further using, and manufacturing the food products using the confidential information acquired from Complainant.

“42. By pursuing the manufacture and sale of the food products which are covered and protected by the *Non-Disclosure Agreements*, Respondents breached their obligation which would make them liable for damages in the amount of Two Million Pesos (P2,000,000.00) due to Complainant.

#### FOURTH CAUSE OF ACTION

“43. Complainant re-plead and incorporate all the foregoing allegations as they may be pertinent.

“44. Section 2.5 of the *Non-Disclosure Agreements* provides that “[a]ll costs, including reasonable attorney’s fees, borne by either party in the event of legal action will be paid by the non-prevailing party.”

“45. Considering that Complainant have been forced to institute this Complainant for damages due to Respondents’ infractions, Respondent are furthermore liable to pay Complainant the amount of Five Hundred Thousand Pesos (P500,000.00) as attorney’s fees.

The Complainant submitted the following evidences: Copy of patent application for 'Food Product Substitute for tortilla and process of making the same'; Assignment of Application for Letters Patent; Board Resolution dated February 19, 2012; Non-Disclosure Agreements dated April 9, 201; Contract Manufacturing and Packaging Agreement dated April 3, 2014; and Affidavit of Joven Uy dated December 17, 2014; demand letter dated March 6, 2015; print-out of articles, pictures about 'Paleo Coconut Wraps'.<sup>11</sup>

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<sup>11</sup> Annexes "A" to "K" inclusive of



The Respondents filed their Answer and Joint Counter-Affidavit on 26 October 2015 alleging among other things, the following defenses:

**COMPLAINANT TODD FITTS FAILED TO STATE A CAUSE OF ACTION**

“28. Complainant does not have any cause of action against the Respondent owing to the provision on Section 46 of RA 8293; his failure to show proof that he is authorized to file the instant case on behalf of Chef Mo Coco Inc. and having previously disclosed his process which relinquishes the protection provided under trade secret.

“29. The filing of the patent application by Complainant does not by itself grant Complainant the right to sue Respondent. Section 46 of RA 8293 provides that:

'Section 46. Rights Conferred by a Patent Application After Publication.  
– The applicant shall have all the rights of a patentee under Section 76 against any person who, without his authorization, exercised any of the rights conferred under Section 71 of this Act in relation to the invention claimed in the published patent applications, as if a patent had been granted for that invention: Provided, That the said person had:

46.1. Actual knowledge that the invention that he was using was the subject matter of a published application; or

46.2. Received written notice that the invention that he was using was the subject matter of a published application being identified in the said notice by its serial number: Provided, That the action may not be filed until after the grant of a patent of the published application and within four (4) years from the commission of the acts complained of.'

“30. On the basis of the foregoing provision, it is clear that Complainant cannot file the instant action being barred by Section 46.2 because the action may not be filed until after the grant of a patent on the published application and within four (4) years from the commission of the acts complained of.

“31. Complainant also failed to show proof that he is authorized to file the instant case on behalf of Chef Mo Coco Inc.

“32. Complainant anchored his actions against Respondents on the basis of the supposed NDA entered into between Chef Mo Coco Inc. and Respondents. It is well-stated that contracts take effect only between the parties, their successors in interest, heirs and assigns.

“33. Effectively, it is Chef Mo Coco Inc. that is the real party in interest to file an action against Respondents, not the Complainant, because where there is no privity of contract, there is likewise no obligation or liability to speak about and thus no cause of action arises.

“34. Complainant failed to show that he is authorized to sue on behalf of Chef Mo Coco Inc. He failed to show proof that he is authorized by Chef Mo Coco Inc. to file the instant action.

“35. Complainant cannot also claim if it was ever his intention to, that the Assignment of Application for Letters Patent dated 10 April 2012 is the document that gave him the right to pursue the instant case. The said documents provided for the assignment of right, title and interest to the Patent and to the application for Letters Patent. The aforementioned assignment does not however show that Chef Mo Coco Inc. has authorized Complainant to file an action to enforce the NDA. In fact, what was assigned to Complainant was only the right to the patent and nothing else with regard to the NDA.

“36. Thus, the assignment of the Patent by itself does not in any way grant upon the Complainant the right to file the case on the basis of the NDA. As a point of reiteration, the NDA was entered into between Chef Mo Coco Inc. and the Respondent. Thus, any violator of the agreement can only be brought to court by the appropriate party which in this instant case is any of the contracting parties, Chef Mo Coco Inc., Reece Kimes and Priscila F. Kimes.

“37. Consistent with the law and existing jurisprudence, the party that should have brought the suit in the instant case is Chef Mo Coco Inc., being the real party in interest, and not Complainant. The latter is merely the assignee of the patent application originally filed by Chef Mo Coco Inc.

“38. The NDA does not only cover the information on the processes of Complainant but that of any and or all confidential information of Chef Mo Coco Inc. in the eventuality then of any violation of said NDA such as the unauthorized revelation of say, information concerning Chef Mo Coco Inc.’s business, cost information and etc. Which are considered as confidential information under the NDA. Who then is authorized to bring suit should the recipient of the information unlawfully disclose it? Definitely not the Complainant not being Chef Mo Coco Inc. or at least not authorized to file suit on their behalf. The same argument stands true in the instant case. It should be noted that it is only because of the mere fact that the alleged disclosure involved is the process of the assignee of the patent that Complainant was able to initiate an action which to say the least entirely lacks of legal basis.

“39. The process and/or knowledge allegedly possessed by the Complainant with regard to the production of the food products are not covered by the protection of undisclosed information. Complainant in classifying his process in the making of subject food product as undisclosed information is effectively invoking the protection of a trade secret.

“40. In *Air Philippines Corporation vs. Pennswell Inc.* G.R. No. 172835, December 13, 2007, the Supreme Court discussed the concept of trade secret, thus:

'A trade secret is defined as a plan or process, tool, mechanism or compound known only to its owner and those of his employees to whom it is necessary to confide it.[16] The definition also extends to a secret formula or process not patented, but known only to certain individuals using it in compounding some article of trade having a commercial value.[17] A trade secret may consist of any formula, pattern, device or compilation of information that: (1) is used in one's business; and (2) gives the employer an opportunity to obtain an advantage over competitors who do not possess the information. [18]'

“41. When Complainant filed a prior patent application, he effectively curtailed his rights to a trade secret and cannot now claim the protection of a patent and trade secret simultaneously as both are two different concept altogether. The application of a patent over a process precludes the right of the applicant to claim the protection of a trade secret over the same process. The above-cited case also defines trade secret to a secret formula or process not patented, but known only to certain individuals using it in compounding some article of trade having a commercial value. Thus, since the process to be covered by the protection of trade secret should not be patented, there is no basis for the Complainant herein to claim its protection, having previously applied for a patent.

“42. Moreover, the NDA itself provided for matters that are not included as confidential information, thus:

'1.2 Confidential Information will not include information that:  
(a) Is or becomes part of the public domain through no fault or breach on the part of Recipient; or xxx'

“43. The alleged NDA was dated 9 April 2011; the Complainant filed the patent application on 9 February 2010. Therefore, on the bases of the supposed NDA and Complainant's prior filing of the patent application, it is evidently clear from the outset that the process that Complainant allegedly claims to be protected information does not hold basis, legally and contractually. When Complainant applied for the patent application, he effectively foreclosed the opportunity to have his process protected under trade secret. Moreover, the supposed NDA itself provided for matters that are not included as confidential information. The filing of the patent application falls under the above-cited provision in the NDA where the information became part of the public domain through no fault or breach on the part of the Recipient or in this case the Respondent.

After a judicious evaluation of the complaint and other pleadings filed by the parties, this Bureau finds the instant case is bereft of merit. Section 10.1 of Rep. Act. No. 8293, also known

as the Intellectual Property Code of the Philippines, ("IP Code") provides the jurisdiction of the Bureau of Legal Affairs, to wit:

SECTION 10. The Bureau of Legal Affairs. — The Bureau of Legal Affairs shall have the following functions:

10.1. Hear and decide opposition to the application for registration of marks; cancellation of trademarks; subject to the provisions of Section 64, cancellation of patents, utility models, and industrial designs; and petitions for compulsory licensing

10.2. a. Exercise original jurisdiction in administrative complaints for violations of laws involving intellectual property rights: Provided, That its jurisdiction is limited to complaints where the total damages claimed are not less than Two hundred thousand pesos (P200,000)

The Complainant puts forth as his causes of action the violation of the confidential information subject of the Non-Disclosure Agreement, which may be construed as a violation of a trade secret. A perusal of the records clearly indicates that the Complainant has filed already a patent application which destroys the basis for claiming that the subject matter is "secret". The Complainant also claims breach of contract for the alleged violation by the Respondents of their obligation to abide by the Non-Disclosure Agreement. A civil action for breach of contract is not within the purview of the Bureau of Legal Affairs' jurisdiction, as cited in Section 10.1 of the IP Code. The Complainant also contests the Respondents' pending Patent Application No. 1/2013/000204 which is not a proper subject of an administrative complaint for violation of intellectual property laws. These matters are discussed more fully, as follows:

Republic Act 8293, otherwise known as the Intellectual Property Code of the Philippines ("IP Code") enumerates what intellectual property rights consists of, to wit:

**Section 4. Definitions.** - 4.1. 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 (n, TRIPS).

Trade secrets or the protection of undisclosed information are recognized intellectual property rights. The Philippines implemented the World Trade Organization Agreement on the Trade - Related Aspects of Intellectual Property ("TRIPS Agreement") when the IP Code took into force and effect on 1 January 1998. The standard for protection of undisclosed information, or trade secrets, is found in Article 39 of the TRIPS Agreement, to wit:

## **SECTION 7: PROTECTION OF UNDISCLOSED INFORMATION**

### **Article 39**

1. In the course of ensuring effective protection against unfair competition as provided in Article 10*bis* of the Paris Convention (1967), Members shall protect undisclosed

information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.

2. Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information:

(a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;

(b) has commercial value because it is secret; and

(c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

3. Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination of which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.<sup>12</sup>

A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.<sup>13</sup>

The complainant showed that the material or information on a "food product substitute for tortilla and the processing thereof" has value and offers a competitive advantage. The secrecy of the information was secured through the execution of Non-Disclosure Agreements ("NDA")<sup>14</sup>. The Complainant alleges that when Respondent Priscila Kimes filed for Patent Application No. 1-2013-000204, and manufactured and sold the food product "Paleo Wraps", she made an unauthorized use of the confidential information, in breach of the Non-Disclosure Agreement ("NDA").

The Respondents aver that the NDA does not only cover the information on the processes of Complainant but includes any and/or all confidential information of Chef Mo Coco Inc., which includes Chef Mo Coco Inc.'s business, cost information etc. Respondents argue that Chef Mo Coco Inc and not the Complainant, as mere assignee of the patent application no. 1/2010/000037, must bring suit.

For all intents, the owner of a trade secret may bring an action for the unauthorized use or misappropriation of a trade secret. However, in the instant case, a careful evaluation of the

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<sup>12</sup> [https://www.wto.org/english.tratop\\_e/trip\\_e/t\\_agm3d\\_e.htm](https://www.wto.org/english/tratop_e/trip_e/t_agm3d_e.htm)

<sup>13</sup> RESTATEMENT (First) of Torts 757, cmt (b) (1937)

<sup>14</sup> Annexes "D" and "E"

evidence shows that the same information described as a trade secret is the same subject matter of Complainant's patent application. This poses a problematic situation regarding the relief sought by the Complainant. As discussed, the secrecy of an undisclosed information must be maintained, otherwise, such information loses its commercial value as a trade secret. The disclosure of a trade secret destroys its enforceability. On the other hand, to avail of patent protection, a full and sufficient disclosure of the subject matter of a patent application is an imperative.

Situations arise in which it becomes necessary, or desirable, for parties to proceedings in the Patent and Trademark Office relating to pending patent applications or reexamination proceedings to submit to the Office, trade secret, propriety and/or protective order materials. xxx While one submitting materials to the Office in relation to a pending patent application or reexamination proceeding must generally assume that such materials will be made of record in the file and be made public, the Office is not unmindful of the difficulties it sometimes imposes. The Office is also cognizant of the sentiment expressed by the court in *In re: Sarkar*, 575 F 2d 870, 872, 197 USPQ 788, 791 (CCPA 1978) which stated:

(T)hat wherever possible, trade secret law and patent laws should be administered in such manner that the former will not deter an inventor from seeking the benefit of the latter, because the public is most benefitted by the early disclosure of the invention in consideration of the patent grant. If a patent applicant is unwilling to pursue his right to a patent at the risk of certain loss of trade secret protection, the two systems will conflict, the public will be deprived of knowledge of the invention in many cases, and inventors will be reluctant to bring unsettled legal questions of significant current interest for... resolution.

Parties bringing information to the attention of the Office for use in the examination of application and reexamination are frequently faced with the prospect of having legitimate trade secret, propriety or protective order material disclosed to the public.

xxx

It is incumbent upon patent applicants, therefore, to bring 'material' information to the attention of the Office. It matters not whether the 'material' information can be classified as a trade secret, or as a proprietary material, or whether it is subject to a protective order. The obligation is the same, it must be disclosed if 'material to patentability' as defined in 37 CFR 1,555 (b) [impep9020-appx-htm#d0e319407](#)).xxx<sup>15</sup>

Trade secret protection is an alternative to patent protection. Patents require the inventor to provide a detailed and enabling disclosure about the invention in exchange for the right to exclude others from practicing the invention for a limited period of time. Patents do expire, and when that happens the information contained within is no longer protected. However, unlike

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<sup>15</sup> [www.uspto.gov/web/office/pac/mpep/s724.html](http://www.uspto.gov/web/office/pac/mpep/s724.html)

trade secrets, patents protect against independent discovery. Patent protection also eliminated the need to maintain secrecy.<sup>16</sup>

The records show that the Complainant is an assignee of patent application 1-2020-00037 diled on 9 February 2010. The patent application has been published in 2013. The subject matter of the application remains confidential, only before publication.<sup>17</sup> In this regard, the law grants certain rights to a published patent application. Section 46 of the IP Code states:

Sections 46 of Rep. Act. 8293, also known as the Intellectual Property Code of the Philippines ("IP Code"), provides that:

**Section 46. Rights Conferred by a Patent Application After Publication.** - The applicant shall have all the rights of a patentee under Section 76 against any person who, without his authorization, exercised any of the rights conferred under Section 71 of this Act in relation to the invention claimed in the published patent application, as if a patent had been granted for that invention: Provided, That the said person had:

46.1. Actual knowledge that the invention that he was using was the subject matter of a published application; or

46.2. Received written notice that the invention that he was using was the subject matter of a published application being identified in the said notice by its serial number: Provided, That the action may not be filed until after the grant of a patent on the published application and within four (4) years from the commission of the acts complained of. (n)

If a patent is granted, the patentee has the right to enforce his patent by instituting an action for patent infringement. However, the right to file an action for patent infringement under Section 76, as contemplated in Section 46 of the IP Code are inchoate, premised upon the grant of a patent.

The complainant in his second cause of action, alleges since his earlier application constitutes prior art, Priscila Kimes' Patent Application No. 1/2013/000204 for "COCONUT MEAT BASED COMPOSITIONS AND FILMS AND USES THEREOF" should be refused on the ground of lack of novelty. The question of novelty and patentability are proper subjects of an *inter partes* case for Cancellation of Patent<sup>18</sup>. Newness, novelty and patentability, if raised as a defense or put in issue may also be litigated in patent infringement cases. In the meantime, observations to a pending patent applications may be brought to the attention of a patent examiner under Section 47 of the IP Code.

Consequently, because an action for infringement is premature, the resolution of the issue of the patentability and novelty cannot be resolved, much less grant the application for the issuance of a temporary restraining order and/or Writ of Preliminary Injunction.

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<sup>16</sup> <http://www.uspto.gov/patents-getting-started/international-protection/tradeseecret-policy>

<sup>17</sup> Section 45., IP Code

<sup>18</sup> Sec. 61, IP Code

**WHEREFORE**, premises considered, the administrative complaint for violation of intellectual property laws is hereby **DISMISSED** for lack of merit.

**SO ORDERED.**

Taguig City, 10 February 2016

  
**Atty. NATHANIEL S. AREVALO**  
Director IV  
Bureau of Legal Affairs