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WHY INTELLECTUAL PROPERTY RIGHTS INFRINGEMENT REMAINS ENTRANCED IN THE PHILIPPINES

Andrew Jaynes

I. INTRODUCTION

Nearly fifteen years has passed since the finalization of the Agreement on Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS). Like other World Trade Organization (WTO) member countries, the Philippines has enacted certain minimum standards of intellectual property rights (IPR) protection to comply with its TRIPS obligations. Yet even with

1 U.S. Fulbright Scholar, Philippines, 2007-08; J.D., University of Wisconsin Law School, 2007; B.A., University of Michigan, 2003. This Article is based on the author’s research in the Philippines. The author thanks Dr. Esmerelda Cunanan and everyone at the Philippine-American Educational Foundation, with a special thank you to Atty. Numeriano F. Rodriguez, Jr. and his family, John Lesaca, the IP Coalition, David Rovinsky, and the U.S. Embassy in Manila. The author takes responsibility for any errors.

the internationally mandated laws on the books, IPR infringement remains entrenched in the country. The question is, why? Evaluators of IPR protection in the Philippines, such as the International Intellectual Property Alliance (IIPA), blame the lack of effective enforcement for the country's thriving piracy business.\(^3\) This response, while correct, only scrapes the surface. The more fundamental reason is that IPR protection and enforcement, in the eyes of those in power in the Philippines, are not priorities worthy of the government's attention and resources. Ignorance of and indifference towards IPR protection among the majority of Filipinos—whether private citizens or civil servants—has meant that the country can boast only minimal success when it comes to efforts to clamp down on piracy and counterfeiting.

For the average pirated optical media or counterfeit goods vendor, selling IPR-infringing products may simply be a means of existence. There is a chance that the vendor does not fully comprehend the illicit nature of his activities, but more likely he simply does not care that what he is doing is illegal. And for the organized crime syndicates that often supply the vendors with the pirated optical media and fake goods, the relatively low risk and high profit margins provide all the reasons they need to spurn the laws and continue producing and distributing their knock-offs.

Likewise, consumers share in the IPR ignorance and indifference. With the country's inadequate education system\(^4\) and

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\(^3\) INT'L INTELL. PROP. ALLIANCE, 2002 SPECIAL 301 REPORT 205 (2002) ("The systemic failure to deliver effective enforcement is the best explanation for why piracy is a thriving business throughout the Philippines."); see also Rosielyn Alviar Pulmano, Comment, In Search of Compliance with TRIPS Against Counterfeiting in the Philippines: When is Enough Enough?, 12 TRANSNAT'L LAW. 241, 269 (1999) ("The reasonable efforts of the legislature, executive, judiciary and the private sector did not terminate counterfeiting. The actual problem was the lack of effective enforcement mechanisms.").

one out of three Filipinos living in poverty, the average consumer may not understand IPR and may not be able to afford most legitimate products. Rather than forego the products altogether, she buys that counterfeit children’s DVD or that fake pair of Adidas shoes. Even wealthier Filipinos who can comfortably afford legitimate products seek out pirated optical media or counterfeit goods for a variety of reasons, including getting their hands on a movie, bag or album otherwise unavailable in the country, or merely saving several hundred pesos.

The Philippine government is also responsible for the proliferation of pirated optical media and counterfeit goods. Despite statements by officials to placate the United States Trade Representatives’ (USTR) office and industry associations such as the IIPA, IPR protection and enforcement are not Philippine priorities. For a variety of reasons, the political will necessary to address IPR infringement effectively does not exist. People in power either do not understand or respect IPR, believe the resources would be better spent on other, more pressing, issues such as poverty or education, or fear that stronger IPR protection and enforcement would jeopardize their wealth and influence.

While the majority of Filipinos remain ignorant or indifferent toward IPR, the Philippines still has a passionate group of IPR advocates in government, business, and academia who are working hard to reduce IPR infringement. Thanks to these individuals, the country has been making some progress tackling piracy and counterfeiting. In the past few years there has been an increase in number of raids and the amount of IPR-infringing goods seized, better coordination among enforcement agencies, and an emphasis on IPR training and education programs.

Unfortunately, IPR advocates can accomplish only so much within the country’s larger institutional constraints. Major reforms in the economic, legal, and political sectors are necessary before there will be a significant reduction in IPR infringement in the Philippines. As it is, the country will see only limited benefits should it choose to vigorously protect and enforce IPR.

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6 See discussion infra Parts III.C.
The insignificance of the country’s IPR industries, whether foreign or domestic, makes justifying the devotion of scarce resources to IPR protection and enforcement problematic. Keith E. Maskus and other scholars note strong IPR protection and enforcement alone do not lead to economic development. They may have the potential to result in “long-term economic growth and technological innovation[,]” but this ultimately depends on other, institutional, factors such as an open and transparent economy, political stability, and a sound legal system—things the Philippines has yet to achieve.

Right now, the concentration of wealth in the hands of a limited few reduces investments in the country and limits its competitiveness. The economic oligarchs are often also part of the political elite, which is composed largely of dynasties that attempt to hold on to their power at all costs, including through violence and corruption. Moreover, the overburdened and dysfunctional legal system provides little deterrence, especially for IPR violators, and hurts the public’s confidence in the administration of justice. Reforming these sectors, however, can facilitate economic growth. Once on this path, the Philippines will start to accrue more benefits from strong IPR protection and enforcement in the forms of foreign direct investment (FDI) and growth in its domestic IPR industries. Because they will be deriving more wealth from IPR, Filipinos will make strong IPR protection and enforcement a higher priority. That is when there will be a significant reduction in piracy and counterfeiting around the country.

This Article examines why IPR infringement remains entrenched in the Philippines, focusing on physical goods, piracy and counterfeiting. Part II provides a brief overview of Philippine IP laws and the government bodies responsible for overseeing and enforcing them. Part III discusses IPR infringement in the country, detailing the most prevalent types of trademark and copyright violations and highlighting recent IPR protection and enforcement successes and failures. Part IV takes a closer look at the roots of the IPR infringement problem, examining

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7 See discussion infra Parts V.D, V.D.1.

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how an ignorance of and indifference towards IPR among the majority of Filipinos perpetuates IPR infringement in the country. Part V explains the keys to reducing IPR infringement in the country significantly—the need for Filipinos to understand IPR and have a stake in their protection and enforcement—and offers suggestions for accomplishing these goals. Part V also analyzes the link between a strong IPR regime and economic development, concluding that the Philippines will not be able to protect and enforce IPR vigorously until reforms in the economic, political, and legal sectors take place. Part VI examines specific reforms needed to permit effective IPR enforcement, describing how oligopolies, political dynasties, corruption, and a dysfunctional legal system restrict the Philippines’ economic growth and, ultimately, its incentive to spend its limited resources on IPR protection and enforcement. In the end, this Article concludes that significantly reducing IPR infringement in the Philippines can happen over time.

II. IPR LAWS AND GOVERNMENT BODIES RESPONSIBLE FOR THEIR OVERSIGHT AND ENFORCEMENT IN THE PHILIPPINES

The Philippines has the legal and regulatory framework in place, consistent with its international obligations, to handle the proliferation of pirated media and counterfeit goods around the country effectively.9 The real problem, which will be examined later, lies in the implementation and enforcement of these laws.10 This section provides an overview of IPR protection in the Philippines, discussing the laws pertaining to IPR and the government bodies that deal with IPR policy and enforcement.

A. Laws and International Agreements

IPR protection in the Philippines dates back to the beginning of the 19th century—earlier than any other country in Southeast Asia—when then-colonizer Spain introduced decrees addressing IP.11 Today, the primary source of IP laws in the

9 See supra note 2.
10 See discussion infra Parts III, IV.
11 See Christoph Antons, Intellectual Property Law in Southeast Asia: Recent Legislative and Institutional Developments, ARC CENTRE OF EXCELLENCE FOR CREATIVE INDUSTRIES AND INNOVATION 3 (2006), http://www2.warwick.ac.uk/fac/soc/
Philippines is the Intellectual Property Code (IPC), a “major turning point” in IPR protection in the country, which was enacted in 1997 in order to fulfill the Philippines’s TRIPS obligations. It contains laws covering patents, trademarks, and copyrights. Also significant is the Optical Media Act (OMA), ratified in 2004, which “regulates the manufacture, mastering, replication, importation and exportation of optical media.” It “fills the gaps in the IPC for the protection of optical media[,]” which includes movies, music, video games, and software. Additionally, the E-Commerce Act complements the IPC by addressing liability for internet piracy.

In addition to TRIPS, the Philippines is a party to a variety of other international agreements, including the Paris Convention for the Protection of Industrial Property, Berne Convention for the Protection of Literary and Artistic Works, Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purpose of Patent Procedure, Patent Cooperation Treaty, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) by the World Trade Organization. This combination of domestic and international laws has significantly improved the intellectual property protection in the Philippines in recent years.

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13 INTELLECTUAL PROPERTY COALITION REPORT ON IPR PROTECTION 21 (2004) (on file with author) [hereinafter IP COALITION REPORT].
14 Nerona, supra note 2, at 659.
15 Rep. Act No. 8293, supra note 12. See generally IP COALITION REPORT, supra note 13, at 22 (comparing intellectual property laws before and after the IPC was enacted); Nerona, supra note 2, at 659-73 (discussing the IPC in-depth).
16 An Act Regulating Optical Media, Reorganizing For This Purpose The Videogram Regulatory Board, Providing Penalties Therefor, And For Other Purposes, Rep. Act No. 9239 (Feb. 10, 2004) (Phil.).
17 4 TERRENCE F. MACLAREN, ECKSTROM’S LICENSING IN FOREIGN AND DOMESTIC OPERATIONS: JOINT VENTURES § 20:9 (West 2008).
19 An Act Providing For The Recognition And Use Of Electronic Commercial And Non-Commercial Transactions And Documents, Penalties For Unlawful Use Thereof And For Other Purposes, Rep. Act No. 8792 (June 14, 2000) (Phil.).
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The Philippines is also a signatory to both the World Intellectual Property Organization (WIPO) Copyright Treaty and WIPO Performances and Phonograms Treaty, but has yet to pass the required legislation implementing the treaties.22

B. Government Bodies

A number of different government agencies have a role in IPR protection and enforcement.23 These separate bodies often work together to share information24 or to carry out enforcement operations.25 Public-private partnerships between the government and private organizations such as the Business Software Alliance (BSA) and the Intellectual Property Coalition (IP Coalition) also play an important role in fighting IPR infringement.26

First, the Intellectual Property Office of the Philippines (IP Philippines), which was established under the IPC, “is primarily tasked to administer and implement the state policies on the protection, utilization and enhancement of enforcement of IPR in the country . . . [and] to coordinate with other government agencies and the private sector to strengthen IPR protection.”27 While not directly responsible for enforcing laws, IP Philippines has oversight authority over enforcement efforts, and plays a coordinating and reporting role in the enforcement


22 E-mail from the Intellectual Property Coalition to Jennifer Choe Groves, Director of Intellectual Property and Innovation and Chair of the Special 301 Committee, Office of the United States Trade Representative 14 (Feb. 11, 2008) (on file with the Intellectual Property Coalition and author) [hereinafter IP COALITION 2008 SUBMISSION]; see also 2007 NTE REPORT, supra note 2, at 477.


25 See id. at 10-12 (discussing institutional linkages).

26 See id. at 12-13.

27 ENFORCEMENT OF IPR, supra note 20, § 1.
process. Additionally, its Bureau of Legal Affairs can review and decide administrative complaints involving damages PHP200,000 ($4,808) and above, as well as cases involving compulsory licenses and cancellations of trademarks and patents.

Next, the Optical Media Board (OMB) was established in 2005 by the Implementing Rules and Regulations of the OMA. The OMB is the body responsible for regulating the optical media industry. It is best known for “conducting raids and inspections, seizing infringing optical media and instituting criminal actions against erring optical disc plants and retailers . . .”

Additionally, the country’s law enforcement agencies, the Philippine National Police (PNP) and the National Bureau of Investigation (NBI), can bring a criminal case against a suspected IPR infringer, but only at the request of an IP holder or in conjunction with the OMB. Both agencies have divisions that handle IPR violations, and these divisions frequently work with the OMB in conducting raids against suspected IPR-infringing establishments such as malls or optical disc plants.

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29 U.S. dollar amounts are based on the exchange rate on April 1, 2008 ($1=PHP41.6) from http://www.exchange-rates.org/Rate/USD/PHP/4-1-2008.

30 IP COALITION REPORT, supra note 13, at 25.; see also ENFORCEMENT GUIDE, supra note 23, at 1-2.

31 See INVESTMENT CLIMATE STATEMENT, supra note 21, at 11. The OMB replaced the Videogram Regulatory Board (VRB). Id.

32 See IP COALITION 2007 SUBMISSION, supra note 2, at 8.

33 Id. For a further discussion of the OMB and its problems, see infra Part III.D.3.


35 See STRENGTHENING THE IP SYSTEM, supra note 24, at 21. The PNP has the Anti-Fraud and Commercial Crimes Division of the Criminal Investigation and Detection Group (AFCCD/CIDG-PNP), while the NBI has the Intellectual Property Rights Division (IPRD). Id. at 20-21.

36 See 2008 SPECIAL 301 REPORT, supra note 28, at 302. In 2005, the PNP, NBI, and OMB signed a Memorandum of Understanding creating the Filipinas Anti-Piracy Team (PAPT) in an effort to reduce software piracy and increase the country’s competitiveness in the IT sector. Id. Often acting on information pro-
Other agencies involved in IPR enforcement include the Bureau of Customs (BOC), the Department of Justice (DOJ), and the National Telecommunications Commission (NTC). The BOC maintains a registry of patents, trademarks, and copyrights, as well as a list of known or suspected IPR infringers.\textsuperscript{37} IP owners can record their rights with the BOC in order to facilitate the seizure of infringing goods.\textsuperscript{38} An \textit{ad hoc} IP Unit within the BOC was created in 2002.\textsuperscript{39} In the DOJ, a limited number of prosecutors (six at the head office in Manila and ninety-four nationwide in 2005, although the group is constantly reconstituted) handle IPR cases, but these cases make up only a small portion of their overall caseloads.\textsuperscript{40} Finally, the NTC deals with piracy relating to satellite and cable programming.\textsuperscript{41}

\section*{III. IPR Infringement in the Philippines}

A. Overview

Counterfeiting and piracy continue to grow and evolve around the world.\textsuperscript{42} Fake goods used to be limited to knock-offs of designer sunglasses or bags, but now include almost any product—shampoo, batteries, electronics, airline parts, and...
even Ferraris.\textsuperscript{43} The once localized fake goods industry has exploded into a worldwide enterprise worth as much as $600 billion,\textsuperscript{44} which is “growing exponentially in terms of volume, sophistication, range of goods, and countries affected.”\textsuperscript{45} Rising internet use and technological developments with mobile devices such as phones have left music and movie executives scrambling for ways to protect their revenue.\textsuperscript{46}

In the Philippines, IPR infringement remains entrenched. One of the chief problems is for-profit enterprises selling IPR-infringing tangible goods.\textsuperscript{47} Walk around a medium-sized, multi-storied, indoor mall in Manila’s financial center such as Makati Cinema Square, or navigate the crowds, stalls, and chaos of the outdoor Quiapo market area, and you will find rampant, brazen copyright and trademark infringement involving pirated DVDs, CDs, video games, and software, and counterfeit clothes, bags, shoes, and other items.\textsuperscript{48} But the problem is not limited to malls and markets.\textsuperscript{49} Blankets displaying counterfeit DVDs are laid out on sidewalks as the workday comes to an end. Small shop owners on the side of the road frequently ped-

\textsuperscript{43} 2007 \textit{Special 301 Report}, supra note 34, at 6; \textit{see generally} Traynor, supra note 42 (describing a confiscated fake 1967 P4 cherry red Ferrari made with Japanese parts in the Thai countryside).

\textsuperscript{44} Traynor, supra note 42.

\textsuperscript{45} \textit{INT’L CHAMBER OF COM.}, supra note 42, at 1; \textit{see also} 2007 \textit{Special 301 Report}, supra note 34, at 6.

\textsuperscript{46} \textit{See} 2007 \textit{Special 301 Report}, supra note 34, at 380; \textit{see also} \textit{Coming Soon}, \textit{ECONOMIST}, Feb. 21, 2008.

\textsuperscript{47} \textit{See} Llorito, supra note 2 (“By 2000, one could buy…pirated [music, movies, and software] almost everywhere: in sidewalk and street vendors’ carts, corner stores, malls, and in LRT and MRT stations); \textit{accord} Fel V. Maragay, \textit{The War Against Pirates}, \textit{MANILA STANDARD}, July 21, 2007 (commenting on the evolution of pirated movies and music from being sold in stalls on the side of the street to places such as higher-end shopping malls); Likha C. Cuevas, \textit{Movie Outfit’s Losses Mount on Piracy}, \textit{MANILA TIMES}, May 2, 2007 (“Pirated CDs, pirated CDs everywhere!”). For a discussion of “bad” copyright infringements, see Trotter Hardy, \textit{Criminal Copyright Infringement}, 11 \textit{Wm. & MARY BILL RTS. J.} 305, 326 (2002).

\textsuperscript{48} The USTR included the Quiapo area on its list of “Notorious Markets” for IPR infringement in the 2007 Special 301 report. 2007 \textit{Special 301 Report}, supra note 34, at 376, 378; \textit{see also} Abigail L. Ho, \textit{Media ‘Pirates’ Remain Elusive as Ever}, \textit{PHILIPPINE DAILY INQUIRER}, Feb. 28, 2005 (mentioning Quiapo as a notorious pirated optical media hub).

dle pirated CDs or trademark-infringing National Basketball Association (NBA) merchandise in addition to their legitimate goods. The more entrepreneurial sellers will even come to your home on request with a trunk full of fake DVDs.\(^{50}\)

Because of the relatively low risk and high profit potential involved in selling counterfeit goods,\(^{51}\) some vendors are surprisingly enterprising in their operations. They will often have a television and a DVD player or a boom box so that the prospective customer can view or listen to pirated DVDs or CDs. Some sellers even hand out business cards with their mobile phone numbers and issue receipts so that a customer can return items that do not work. When it comes to the likely law enforcement raids, these vendors treat their losses from confiscated counterfeit goods as a business expense, and blithely set up shop again the next day.\(^{52}\)

The next section provides a more detailed look at IPR infringement in the Philippines, starting with the types of trademark and copyright infringement present in the country, which range from fake bags and watches to pirated movies and books. It then notes the positive steps the Philippines has taken to curb IPR violations, including conducting raids and seizing large amounts of infringing goods, and carrying out training and awareness campaigns. Finally, it analyzes the administrative and legal system problems that prevent the Philippines from significantly improving IPR protection and enforcement.

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\(^{51}\) See Michael M. DuBose, *Criminal Enforcement of Intellectual Property Laws in the Twenty-First Century*, 29 COLUM. J.L. & ARTS 481, 484 (noting the low likelihood of conviction and small fines that accompany IPR crimes in most countries, as well as marginal start-up costs and high profit margins for sellers of counterfeit goods).

B. Trademark Infringement

Counterfeit products such as sunglasses, designer clothing, cigarettes, shoes, and a variety of other goods can be found throughout the Philippines. IP Philippines includes these counterfeit goods, along with copyright-infringing goods, in its annual enforcement data figures, which totaled over PHP2.9 billion ($69.7 million) worth of seized goods in 2007. However, some apparel and footwear firms, such as Levi Strauss, have complained that the counterfeit goods problem does not receive the same time and resources as those devoted to addressing pirated optical media and cable piracy.

C. Copyright Infringement

The IIPA estimated U.S. copyright industry losses in the Philippines to be $212.3 million in 2007. Compared to regional neighbors, that is more than Malaysia ($174 million), but less than Thailand ($361 million) and Indonesia ($255 million), and nowhere close to China ($2.975 billion). The main copy-
right enforcement issues of a developing Asian country such as the Philippines are slightly different from those of a developed country such as the United States. Optical disc production is the biggest piracy problem in Asia. Enforcement agencies in the region are primarily concerned with raiding malls or warehouses and confiscating physical goods. In contrast, the counterfeit optical media problem takes a back seat to digital piracy in terms of media, law enforcement, and movie and music executives’ attention in the United States. This is because the proportion of internet users in a developed country such as the United States is far greater than that in a developing country such as the Philippines. Moreover, internet piracy is more difficult to control than physical piracy. Digital piracy is a growing problem in the Philippines, and the country will soon have to take further steps to address it. For now, physical piracy garners the most attention from the authorities.

61 ANTI-PIRACY FACT SHEET, supra note 2.

62 However, pirated DVDs and CDs are still a very real problem in the United States, from New York to Los Angeles, and even to San Antonio. See DuBose, supra note 51, at 482 (noting New York City’s Canal Street as a notorious area for pirated and counterfeit goods); Ryan Vaillancourt, Legislators Attend Anti-Piracy Event, GLENDALE NEWS-PRESS (Cal.), Feb. 1, 2008, http://www.glendalenewspress.com/articles/2008/02/03/politics/gnp-entertainment02.txt (“Counterfeiters and digital pirates cost Los Angeles County about 106,000 jobs with wages of $5.6 billion in 2006); KSAT.com, 6,000 Bootleg CDs, DVDs Seized in Raid, Jan. 24, 2008, http://www.ksat.com/news/15133427/detail.html (describing a raid where San Antonio police confiscated over 6,000 bootleg CDs and DVDs).

63 The United States has approximately 215 million internet users, or 71.4% of its population. Internet World Stats, North America Internet Users (Nov. 2007), http://www.internetworldstats.com/stats14.htm. However, the Philippines has only 14 million internet users, or 15.4% of the population. IIPA 2008 SPECIAL 301 REPORT SUBMISSION, supra note 28, at 298.

64 Coming Soon, supra note 46 (“Online piracy costs Hollywood less than the physical variety, ripping off DVDs, but the gap is closing. 'We are more concerned about internet piracy than physical piracy, because controlling it is harder,' says Ron Wheeler, head of anti-piracy efforts at Fox Entertainment Group.”).

65 For more information about digital piracy, see infra Parts III.C.5, VI.
1. Movie and Music Piracy

Large quantities of pirated optical discs continue to be available throughout the Philippines. A recent estimate put the motion picture piracy rate at around 80% in 2005, while the music piracy rate doubled from 40% in 2005 to 80% in 2007. Pirates in the Philippines import the illegal discs from countries such as China and Malaysia and also produce them on their own soil for domestic consumption or exportation. Piracy has been blamed as one of the factors contributing to the local film industry’s decline over the years. Compared to the 1970s—dubbed the “Second Golden Age of Philippine Cinema”—local film production has been cut in half.

The camcording of a film still in theaters is a growing concern in the country and threatens to be one of the major IPR issues in the near future. Well-organized gangs seem to be more involved in the activity in addition to small-time players. Plus, movies illegally recorded in Philippine cinemas are now being distributed globally, bolstering the country’s role as an exporter of pirated content.

Music piracy in the Philippines now consists mainly of counterfeit CDs. The IP Coalition’s “Report on IPR Protection” contains a quote from a local industry association group that uses a vivid image to capture the sentiments of at least

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66 See 2007 NTE REPORT, supra note 2, at 476.
67 IIPA 2008 SPECIAL 301 REPORT SUBMISSION, supra note 28, at 297 (showing the motion picture piracy rate at 78% in 2005, the last year data was available).
68 IIPA 2008 SPECIAL 301 REPORT SUBMISSION, supra note 28, at 297.
70 See Cuevas, supra note 47; Ernesto F. Herrera, Editorial, Help the Film Industry, MANILA TIMES, May 1, 2007. One anonymous official of the former Videogram Regulatory Board (now the OMB) said, “Before, we use (sic) to produce 300 films per year. Now, it’s good if we can have 50 films a year.” Dave L. Llorito & Kristine R. Payuan, Intellectual Piracy a P9-billion Headache for Law Enforcers, MANILA TIMES, Jan. 3, 2003 [hereinafter Intellectual Piracy]. Other factors contributing to the local movie industry’s decline include a “high cost of production, competition from blockbuster foreign films, competition from free and pay television and low household entertainment budgets.” Cuevas, supra note 47.
71 See Herrera, supra note 70.
72 See supra note 2, at 298 for a further discussion of camcording.
73 See IIPA 2008 SPECIAL 301 REPORT SUBMISSION, supra note 28, at 298.
74 See id.
75 See IP COALITION REPORT, supra note 13, at 17.
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some in the music business: “[T]he Philippine music industry was a thriving industry before the vicious tentacles of music piracy choked it to near collapse.” With the increasing popularity of piracy through mobile devices, as well as the inevitable ubiquity of the internet, the music industry has even more reason for concern.

2. Software Piracy

Of the different types of software piracy, end-user piracy hurts the software industry in the Philippines the most. BSA figures show that while the software piracy rates in the Philippines remained steady at around 71% from 2003 to 2006, U.S. industry losses in the country more than doubled over the same period, going from $55 million to $119 million. Counterfeit software, both business and entertainment, is also readily available in many of the same places that sell fake DVDs or CDs. Software piracy receives much of the copyright infringement attention in the country, due largely to the efforts of the Pilipinas Anti-Piracy Team (PAPT).

3. Cable Piracy

Television signal theft, both cable and satellite, continues to escalate around the country. Illegal cable television users

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76 Id. (quoting a Music Piracy Situationer prepared by the Philippine Association of the Recording Industry (PARI) in 2002).
77 See infra Part III.D.5.
78 See infra Part VI.
80 End-user piracy consists of a business or organization making unauthorized copies of software. Id.
81 See id.; IIPA 2008 SPECIAL 301 REPORT SUBMISSION, supra note 28, at 300.
83 See IIPA 2008 SPECIAL 301 REPORT SUBMISSION, supra note 28, at 299.
now outnumber legitimate ones. The Cable and Satellite Broadcasting Association of Asia (CASBAA) estimates that revenue losses increased to $85 million in 2007, a $5 million jump from 2006. The industry's chief concern remains rogue cable television operators, mostly outside the major cities.

4. Book and Journal Piracy

Book and journal piracy also poses a significant threat to domestic and international publishers. According to the IIPA, "[i]llegal commercial-scale photocopying of entire books continues, in commercial establishments surrounding universities, or in street stalls in metropolitan areas. Photocopy shops also operate on campuses, in hospitals, and in medical and nursing schools, often in highly organized fashion, selling door-to-door to doctors' offices and medical establishments." In some cases, teachers encourage students to photocopy material. The IIPA estimates that U.S. trade losses due to book piracy increased slightly from $45 million in 2003 to $49 million in 2007.

5. Mobile Devices and Piracy

The use of mobile devices as a medium for copyright infringement, a growing issue around the world, may soon be the biggest piracy problem in the Philippines.

[I]llegal vendors set up dedicated booths and stalls within shopping malls and load pirate content (music, published materials, etc.) onto mobile telephones, MP3 devices, flash drives, recordable optical discs, and even computer hard drives. These downloads...

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85 See IIPA 2008 Special 301 Report Submission, supra note 28, at 299.
86 See 2007 Special 301 Report, supra note 34, at 34; IIPA 2008 Special 301 Report Submission, supra note 28, at 299.
88 IIPA 2008 Special 301 Report Submission, supra note 28, at 297 (citations omitted); see also Before You Photocopy that Book. . ., supra note 87 (describing the book piracy problem and efforts to curb it).
89 See Before You Photocopy that Book. . ., supra note 87.
90 IIPA 2008 Special 301 Report Submission, supra note 28, at 297.
91 See 2007 Special 301 Report, supra note 34, at 10.
92 IIPA 2008 Special 301 Report Submission, supra note 28, at 298.
onto mobile devices occur prior to sale as an added incentive, or after sale, or are offered as a download for a fee.93

While personal computers may be generally too expensive for people in developing countries such as the Philippines, mobile phones are much more affordable. The mobile phone subscription rate in the Philippines is nearly 50 percent.94

D. Recent IPR Protection and Enforcement Successes

So what is the Philippines doing well when it comes to IPR protection and enforcement? As mentioned above, the country has solid laws and regulations in place to combat counterfeiting and piracy.95 It also has a strong base of IPR supporters, ranging from members of NGOs such as the IP Coalition96 to government personnel in agencies such as IP Philippines and the PNP. President Gloria Macapagal-Arroyo has drawn attention to IPR by publicly ordering IP Philippines and the OMB to step up efforts against IPR infringement97 and by asserting that fighting piracy is in the country’s best interest because of the benefits strong IPR protection has on Philippine creativity and innovation.98 In 2006, the Philippines received a big boost when the USTR rewarded the country for its improved IPR protection by moving it from the Special 301 Priority Watch List to the Watch List.99 The USTR reasoned:

93 Id.
94 See id.
95 See supra note 2 and accompanying text.
96 The IP Coalition:
is a non-stock, non-profit corporation duly registered under Philippine law . . . [that aims] through focused advocacy, education, and enforcement monitoring programs, to serve as the primary policy caucus of industry organizations and stakeholder associations that promote the protection and advancement of intellectual property rights in the Philippines.

IP COALITION 2007 SUBMISSION, supra note 2.
97 See GMA’s Next War: DVD, MANILA STANDARD, Mar. 9, 2005 (quoting President Arroyo in a speech at the World Bank 2005 Philippine Development Forum in Davao City).
98 See STRENGTHENING THE IP SYSTEM, supra note 24, at 3 (quoting President Arroyo’s policy statement at a luncheon for the National Committee for IPR (NCIPR) in 2006). However, in reality, IPR protection and enforcement remain low priorities in the country. See discussion infra Part V.
99 See OFFICE OF THE U.S. TRADE REPRESENTATIVE, 2006 SPECIAL 301 REPORT (2007) [hereinafter 2006 SPECIAL 301 REPORT]. The Philippines takes the Special 301 results very seriously. The country’s ultimate gauge of IPR protection pro-
Throughout 2005, the Philippines took steps to bolster the implementation of its Optical Media Act, including increasing the number of raids against pirate optical disc production facilities and retail establishments. The Philippines' Intellectual Property Office coordinated among IPR enforcement agencies, which resulted in an increased number of raids and enforcement actions.\textsuperscript{100}

In 2005, the government confiscated PHP1.08 billion ($30 million) worth of IPR-infringing goods as the result of over 2,400 enforcement operations.\textsuperscript{101} The value of IPR-infringing goods seized has nearly tripled since, reaching PHP2.9 billion ($69.7 million) in 2007.\textsuperscript{102} Part of the success in enforcement resulted from increased cooperation between the private and public sectors.\textsuperscript{103} Improved institutional coordination within the govern-

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\textsuperscript{100} 2006 SPECIAL 301 REPORT, \textit{supra} note 99.

\textsuperscript{101} IP COALITION 2008 SUBMISSION, \textit{supra} note 22, at 5. Enforcement operations included inspections, search warrants, and customs alert-hold orders. \textit{Id.}

\textsuperscript{102} \textit{Id.} at 4. The number of enforcement operations has also risen to around 3,000 in 2007. \textit{Id.}

\textsuperscript{103} Rosa Katrina Venegas Banzon, Interorganizational Coordination and Intellectual Property Rights Enforcement 134, 138 (May 11, 2006) (unpublished M.A. thesis, University of Asia and the Pacific (Phil.)) (on file with University of Asia and the Pacific Institute of Political Economy) [hereinafter Interorganizational Coordination].
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dent also played a role. 104 OMB Executive Director Rosendo Meneses’ statement sums up the OMB’s newfound vigor when it comes to raids and inspections: “Let this serve as a warning to all copyright violators: Your days are numbered! The OMB will stop at nothing until the menace of piracy is eradicated in the country.” 105

Another positive IPR protection development has been the government’s training and education programs. IP Philippines organized fifty-two workshops and seminars for both the private sector and government agencies throughout the country in 2006. 106 Judges, customs officials, police officers, and other government workers also received IPR enforcement training outside of the Philippines. 107 Furthermore, IP Philippines has carried out IPR awareness campaigns targeting research and academic institutions and small and medium-sized enterprises, 108 which make up 99% of businesses in the country. 109

E. Persistent IPR Protection and Enforcement Problems

Unfortunately, the positives—solid laws and regulations, passionate IPR advocates, impressive enforcement data, and training and awareness campaigns—go only so far in the Philippines’s uphill battle against IPR infringement. The country’s lack of resources and administrative capability, persistent problems with interagency coordination, and lackluster leadership and professionalism all play a role in preventing the coun-

104 See Ho, supra note 49 (noting Director-General of IP Philippines Attorney Adrian Cristobal Jr.’s comments about better coordination among government bodies such as the DOJ and NTC 2005-07, leading to more effective IPR enforcement).
105 OMB: Pirates’ Days Are Numbered with Joint Efforts, MANILA TIMES, Nov. 2, 2007 (quoting Executive Director Meneses’ statement to the media). For the downside to this focus on raids and seizures, see discussion infra Part III.D.3.
106 STRENGTHENING THE IP SYSTEM, supra note 24, at 38.
107 See id. at 39.
try from significantly reducing IPR infringement. A misplaced focus on raids and seizures rather than building administrative capabilities in the OMB and an inefficient legal system also add to the problem.

1. Lack of Resources and Administrative Capability

Government agencies obviously need adequate funding in order to carry out their mandates. For a developing country such as the Philippines, funding IPR enforcement “constitute[s] a palpable drain on very scarce resources.”\textsuperscript{110} Limited resources continue to be one of the primary reasons for the lack of effective IPR protection and enforcement.\textsuperscript{111} IP Philippines acknowledged that one of the major challenges standing in the way of effective implementation of IPR in the country is the “[l]ack of institutional and personal capacities of the IP community (practitioners, enforcers, prosecutors, judges, etc.).”\textsuperscript{112} For instance, the OMB’s budget is only about PHP25 million ($600,000) a year.\textsuperscript{113} This leaves as little as PHP1 million ($24,000) for enforcement actions after taking care of administrative costs such as payroll and rent.\textsuperscript{114} A mere fifteen members are available for enforcement actions around the


\textsuperscript{111} See 2007 NTE REPORT, supra note 2, at 477; MacLaren, supra note 17; Pulmano, supra note 3, at 269; Intellectual Piracy, supra note 70 (“We are doing all our best to address the problem of intellectual property rights violations . . . . Yet there is this tendency for people to look at the problem alone and not at how far we have gone to address it given our very limited resources.”); Antons, supra note 11, at 7 (noting the difficulties in competing with the private sector and attracting qualified employees with limited government resources).

\textsuperscript{112} STRENGTHENING THE IP SYSTEM, supra note 24, at 5.


\textsuperscript{114} See id.; Maragay, supra note 47.
 Moreover, the lack of both personnel and appropriate training for employees limit the agencies’ ability to do their jobs.116

The lack of resources also prevents the much-needed strengthening of the BOC.117 It is estimated that anywhere from 70-90% of counterfeit optical media in the country is imported.118 While the BOC now has a permanent IP unit,119 the agency remains too small,120 and too prone to corruption,121 to effectively limit IPR-infringing goods from entering the country.

Another IPR enforcement problem related to the lack of resources is that “[e]nforcement agencies generally will not proactively target infringement unless the IPR owner brings it to their attention and works with them on surveillance and enforcement actions.”122 Thus, IP owners end up footing of most the bill for any enforcement actions.123 Cooperation between IPR owners and the government has proved somewhat success-

116 See IP COALITION 2007 SUBMISSION, supra note 2, at 8.
117 See 2007 SPECIAL 301 REPORT, supra note 34, at 34; IP COALITION 2008 SUBMISSION, supra note 22, at 13.
118 See IP COALITION 2007 SUBMISSION, supra note 2, at 17. However, according to the IIPA, pirated optical media production in the Philippines is growing. Id. (quoting INT’L INTELL. PROP. ALLIANCE, 2006 SPECIAL 301 REPORT 133 (2006)).
120 See IP COALITION 2008 SUBMISSION, supra note 22, at 13.
123 See Interorganizational Coordination, supra note 103, at 131.
ful, but as will be examined later on, the lack of government initiative to address IPR infringement comes as no surprise considering the low place IPR protection and enforcement have on the country’s list of priorities.

2. Interagency Cooperation

Having resources to devote to IPR enforcement is one thing; using those resources efficiently is another. Interagency coordination, while improving, remains an obstacle to effective IPR protection and enforcement. According to IP Philippines, “[t]he lack of leadership, systems and procedures in the inter-agency task force led to weak coordination, gaps in enforcement and prosecution, lack of data and information for effective decision-making, transparency of operations and monitoring of execution policies.”

One of the interagency coordination issues is the “absence of retrievable data and information about IPR matters, particularly on enforcement and prosecution.” IP Philippines, as the IPR coordination and oversight body, has been working to address this issue by establishing a central counterfeiting and anti-piracy database to allow agencies such as the DOJ, OMB, and PNP to share more reliable data. However, the system is still a work in progress, and its success will depend on the willingness and diligence of each agency to contribute information.

IP Philippines also notes that “the absence of clearly defined roles, jurisdiction and responsibilities” hampers interagency coordination and, in turn, effective enforcement. As is the case in countries ranging from China to the United States, turf wars between agencies have undermined IPR en-

124 See MacLaren, supra note 17.
125 Id. See discussion infra Part IV.
126 Strengthening the IP System, supra note 24, at 7.
127 Id. at 5.
128 Id. at 7.
129 See id. at 9.
130 Strengthening the IP System, supra note 24, at 9-10. The database, launched in February 2007, “is a secure interactive web-based application that provides real time updating of cases and document tracking from any interest-enabled location through a standards complaint browser.” Id.
131 Id. at 10.
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forcement efforts in the Philippines.\textsuperscript{132} Moreover, the fear of leaks often prevents one agency from sharing information with another.\textsuperscript{133} Again, IP Philippines is working to address these problems, but the responsibility to share information and work together ultimately hinges on the willingness and trust among the agencies involved.

3. Issues with the OMB

Pirated optical media continue to be widely available in the Philippines, and the OMB is partly to blame. In addition to its lack of resources, the OMB suffers from questionable leadership and professionalism, and has focused mainly on raids and seizures that have limited effectiveness instead of devoting more of its efforts to institutionalization.

Some critics lay the blame for the continued pirated optical media problem on the OMB leadership and staff.\textsuperscript{134} Despite winning an award for his efforts to curb the piracy problem in the Philippines,\textsuperscript{135} OMB Chairman Eduardo Manzano has been criticized for his lack of vision for the agency\textsuperscript{136} and for his questionable dedication to the job.\textsuperscript{137} Also adding to the OMB’s trou-


\textsuperscript{133} See Interorganizational Coordination, supra note 103, at 129.


\textsuperscript{136} See Maragay, Where Revamp is Afoot, supra note 134.

\textsuperscript{137} The Chairman has come under fire from journalists, as well as politicians including President Gloria Macapagal-Arroyo, for his duties as the host of more than one regular television show in addition to his responsibilities at the OMB. See, e.g., id. (“The Chairman’s television hosting] smacks of his sheer insensitivity to the worsening piracy problem and low regard for his mandate); Fel V. Maragay, Edu, Do More!, MANILA STANDARD, Mar. 10, 2005 (describing a presidential spokesperson’s comments that the Chairman’s television appearances were a conflict of interest). Furthermore, the Chairman’s “repeated failure . . . to attend [the Senate Finance Committee’s] hearings on its budget” led the head of the Senate
bles are leaks about the time and location of raids and seizures originating from within the agency.138

OMB raids, while responsible for the seizure of large amounts of IPR infringing goods,139 remain only minimally effective in deterring IPR violators. A number of factors reduce the element of surprise necessary to catch vendors red-handed. If leaks within the agency do not provide pirated optical media vendors with information about a potential raid, then a public OMB announcement about its next targets might.140 Even if the vendors receive no prior warning, OMB members walk through the main entrances of malls wearing t-shirts reading “OMB” in large yellow letters. This often gives vendors enough time to close up shop or hide their IPR-infringing goods, especially if they receive warnings from sympathetic mall security guards.

Moreover, whether surprised or not, vendors are often back in business the day after raids.141 Leaders of the OMB and PNP have both admitted that raiding malls provide little deterrence to IPR violators.142 Yet these agencies continue to conduct the raids, probably to bolster their enforcement data.143 To be more effective, IPR enforcement agencies need to arrest and

Finance Committee to recommend a one-peso budget for the OMB in protest. Martin, supra note 134.

138 Leaks, however, are not unique to the OMB. See Selective Anti-Piracy Drive, supra note 58 (noting the Washington-based International Anti-Counterfeiting Coalition’s comments that occasional leaks compromise raids and seizures of IPR-infringing goods involving the PNP and NBI); IIPA 2008 SPECIAL 301 REPORT SUBMISSION, supra note 28, at 296.

139 See discussion supra Part III.C.

140 See OMB Changes Tack, supra note 115.

141 Id.; Authorities Entrust Malls with Anti-Piracy Measures, BUS. WORLD (Phil.), Nov. 28, 2007.

142 OMB Changes Tack, supra note 115 (“The government executive [OMB Executive Director Meneses] admitted that conducting raids of malls has become an embarrassment for OMB. He said that during raids, the retail stall owners would abandon their pirated goods. The next day, would (sic) go back to normal operations”); Authorities Entrust Malls with Anti-Piracy Measures, supra note 141 (“[Head of the PNP and Commercial Crimes Division Rene Ong] admitted . . . that the repeated raids ‘are not working anymore’ since visited establishment (sic) easily rebound after the operations”); see also Technology, Weak Institutions, supra note 2 (“Despite the high number of raids . . . most of the pirates just move to other locations and continue with their illegal activities.”).

143 The Philippine government likes to use the number of raids and the amount of counterfeit goods seized as a measurement of its IPR enforcement success.
Prosecute individuals involved in optical disc production, and hold mall owners accountable for vendors selling IPR infringing goods on their premises, rather than raid small-time vendors. \footnote{For more information on mall-owner liability for IPR-infringing goods, see infra Part IV.B.2.b.}

Furthermore, the OMB, still a relatively new agency, has experienced some growing pains. The agency’s primary focus is on raids and seizures that end up having only a minimal deterrent effect rather than building up its capacity as the regulator of the optical media industry. \footnote{See IP COALITION 2008 SUBMISSION, supra note 22, at 10-11.} This one-track mindset has been holding back the agency’s IPR enforcement potential. \footnote{For instance, in early 2008 an OMB task force recovered six master copies of films entered in the Metro Manila Film Festival (MMFF) in a bag after a botched payoff between suspected pirates. Marlon Ramos, \textit{OMB Thwarts Alleged Plan to 'Pirate' MMFF Entries}, PHILIPPINE DAILY INQUIRER, Jan. 10, 2008, available at http://newsinfo.inquirer.net/inquirerheadlines/metro/view_article.php?article_id=111421. However, the OMB task force, whose presence caused the suspects to flee the incomplete transaction, failed to make any arrests. \textit{Id}. Instead, in what is a good example of the OMB’s attitude towards IPR enforcement, the agency was content with merely obtaining the films rather than holding anyone accountable.} According to the IP Coalition, “[t]hough the OMB has retained the same, if not greater, enthusiasm and vigor [from 2006 to 2007] to seize and confiscate violating optical media, there is little or no improvement in its institutional capacities to address the bigger mandates of its charter.” \footnote{IP COALITION 2008 SUBMISSION, supra note 22, at 11.} These bigger mandates include the resolution of administrative cases arising from its inspections and the filing of criminal complaints. \footnote{\textit{Id}. at 10.} The OMB took a step in the right direction when it published administrative rules in 2007, but the effectiveness of these rules remains to be seen.\footnote{See \textit{id}.}

\section*{4. Problems with the Legal System}
\subsection*{a. Overview}

In addition to its administrative problems, the Philippines suffers from an overburdened, inefficient legal system that ultimately provides little deterrence to IPR infringers. \footnote{See MacLaren, supra note 17.} The IIPA

\begin{enumerate}
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goes as far as calling the judicial system a “near-total failure[,]” the effect of which “cannot be overstated.”\(^\text{151}\) The legal system, like other branches of government, is plagued by a lack of resources\(^\text{152}\) and corruption.\(^\text{153}\) Political pressure also constantly threatens the integrity of court employees, prosecutors and judges.\(^\text{154}\) Large case backlogs and long delays stifle prosecutorial will to pursue both IPR and non-IPR cases and put justice even more out of reach.

**b. Backlogs and Delays**

Backlogs and long delays are the norm in the Philippine legal system. While the court case disposition rate improved from 2004 to 2006, meaning the number of cases resolved surpassed the inflow of new cases,\(^\text{155}\) the disposition rate was still only 79% for the regional trial courts in 2005.\(^\text{156}\) This came after the regional court disposition rate dropped eight percentage points, from 72% to 64%, from 2001 to 2003,\(^\text{157}\) raising questions about the legal system’s ability to maintain its gains in

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\(^{154}\) For example, the Philippine Supreme Court dismissed seven court officials and personnel, including four Clerks of Court and a sheriff, for various administrative offenses in 2007. Anna Katrina M. Martinez, The Cleansing Continues: SC Dismisses Seven Court Employees, BENCHMARK ONLINE (Phil.), Oct. 2007, http://www.supremecourt.gov.ph/publications/benchmark/2007/10/100704.php.

\(^{155}\) See JusticE and the Cost of Doing Business, supra note 153, at 35.


\(^{157}\) Supreme Court of the Philippines, Court Case Disposition Rate by Type of Court 1997-2005, http://www.nscb.gov.ph/secstat/d_safety.asp.
efficiency. Another troubling statistic is the drop in the disposition rate of cases investigated from 2004 to 2006, which means that more cases continue to linger in the system.\textsuperscript{158}

Philippine Court of Appeals Justice Myrna Dimaranan Vidal commented on some of the causes of backlogs and delays in the court system in 2005:

As far back as in 1967, a survey disclosed the problem of judicial delay in the Philippines as due to such factors as the misuse of the due process and the abuse of legal technicalities; the intervention of political pressure in court cases; the sheer weight of court litigations arising from development and growth; the dilatory tactics of lawyers; and neglect and laxity on the part of judges.\textsuperscript{159}

How much each of these factors contributes to the backlogs and delays is hard to determine. A judge's lack of knowledge and training can slow down the disposition of her IPR cases, which are often technically complex.\textsuperscript{160} Robert W. Blume of the American Chamber of Commerce in the Philippines suggests another reason for backlogs may be that “[s]ociety tends to be litigious[,] throwing matters to the courts and lawyers for decision, so as to avoid face to face direct confrontation by parties involved.”\textsuperscript{161} Dilatory tactics by lawyers may be significant, or there may simply be too many cases in a system that has too few judges.\textsuperscript{162} Or, as discussed below, there may be a judicial lack of urgency.\textsuperscript{163}

\textsuperscript{158} National Statistics Coordination Board, \textit{supra} note 155. On the bright side, the prosecutor to case ratio improved from 2004 to 2006. \textit{Id.}


\textsuperscript{162} \textit{See Justice and the Cost of Doing Business, supra} note 153, at 4.

\textsuperscript{163} \textit{See discussion infra} Part III.D.A.c.
One thing is certain: judicial vacancies are causing cases to pile up. Currently, around 20% of courts do not have judges.\textsuperscript{164} Philippine Supreme Court Chief Justice Reynado S. Puno said that “[t]he ideal judiciary system is one judge for every 10,000 inhabitants, while in the Philippines, one judge serves 45,000 people, this means, for every 1-million population, there are only 22 judges.\textsuperscript{165}” Lack of incentives and traditionally low salaries have made it difficult to attract top legal talent to the judiciary.\textsuperscript{166}

Previous efforts to streamline the disposition of IPR cases (there were 511 pending cases of IPR violations as of October 2007)\textsuperscript{167} have been largely ineffective due to resource constraints, the heavy non-IP caseloads of judges and prosecutors, and the low precedence IPR cases take compared to others.\textsuperscript{168} At one time the Philippine Supreme Court designated 34 special IP courts, but these courts received no additional funding and continued to maintain a significant non-IP caseload.\textsuperscript{169} Since 2003, Special Commercial Courts have handled IPR cases in addition to cases formerly heard by the Securities and Exchange Commission.\textsuperscript{170} Additionally, the Philippine Supreme Court “designated a team of judges and prosecutors to handle IPR cases exclusively, but in practice IPR cases represent only about 10% of the workload of taskforce mem-

\textsuperscript{164} Compare \textit{Investment Climate Statement}, supra note 21 (quoting the judicial vacancy rate at 29\% in 2006) with Valdez, \textit{Supreme Court Seeks Support of Big Business}, supra note 153 (quoting the judicial vacancy rate at 21\% in 2007).

\textsuperscript{165} Valdez, \textit{Supreme Court Seeks Support of Big Business}, supra note 153.


\textsuperscript{168} \textit{See} \textit{Investment Climate Statement}, supra note 21; MacLaren, \textit{supra} note 17.

\textsuperscript{169} MacLaren, \textit{supra} note 17.

\textsuperscript{170} Id.
bers.”

Despite these efforts, substantial backlogs and delays persist.

c. A Lack of Judicial Urgency

A final reason for the delays and backlogs in the legal system may be what the IP Coalition labels as the need to “cultivate a judicial sense of urgency.” Under this view, attorneys are merely doing their jobs—acting as advocates on behalf of their clients—when they use dilatory tactics. The appeals processes and procedural rules are not the evil, per se; instead, the problem is that judges are not under pressure to dispose of their cases in a timely manner or to reach a proper outcome. It is the judge’s responsibility in her role as gatekeeper to deny any frivolous motions. The IP Coalition elaborates:

The trial judge has control over the disposition...of cases before him. By nurturing a healthy sense of urgency, a judge may gain a keener sense to see through an attempt to slow down, halt or derail the proceedings. When facing a judge who has a reputation for being a stickler to the Rules, a lawyer is encouraged, if not compelled, to come to court more prepared than usual. He thinks twice, even thrice, before submitting ‘canned’ or ‘ready-to-file’ motions. He will not risk taking any delaying tactic unless he believes that he has a substantial cause that will stand close scrutiny. Under this realizable scenario, unjustified delay can, hopefully, be minimized.

As one court administrator said, judges are responsible for controlling the pace of litigation and disposing of their cases in a timely manner. They have a duty to keep the public’s faith in the judicial system. Judges must be prepared to hear cases

171 INVESTMENT CLIMATE STATEMENT, supra note 21.
172 IP COALITION 2007 SUBMISSION, supra note 2, at 10.
173 Id. But cf. US Reiterates Call for Stronger Enforcement of Antipiracy Law, BUS. WORLD (Phil.), Sept. 30, 2005 (noting that IPR violators have been successful in exploiting the system to obstruct prosecution).
174 IP COALITION 2007 SUBMISSION, supra note 2, at 10-12.
175 Id.
176 Id. at 11.
178 Id.
on the scheduled days and diligently go about their business.\footnote{Id.} Justice, after all, is in their hands.\footnote{See id.}

Perhaps the way to cultivate a judicial sense of urgency is by inspiring judges to want to do their job well. Philippine Supreme Court Senior Associate Justice Josue N. Bellosillo captures this idea eloquently in a speech on the judiciary and IPR:

\[\text{IPR protection] will only be successful if the judges will have the integrity and honesty, industry and dedication, as well as the knowledge and wisdom to dissect the issues in the field of science, technology, and commerce. I therefore encourage my co-workers in the Judiciary to study well, know our laws, and strive hard to give justice where it is due.}\footnote{Josue N. Bellosillo, The Judiciary and the Protection of Intellectual Property Rights, LAWYER’S REVIEW (Phil.), July 31, 2002, at 78, available at http://www.articlearchives.com/law-legal-system/international-law/62792-1.html.}

True, modest salaries and political pressure create problems for judges.\footnote{See Arcie M. Sercado, SC Justice Tinga Speaks on Declining Judicial Pay, Calls for Judicial Budget Increase, Supreme Court News Flash, Apr. 4, 2007, http://www.supremecourt.gov.ph/news/courtnews%20flash/2007/04/04040703.php; INVESTMENT CLIMATE STATEMENT, supra note 21.} With little to no security in the courtrooms, the job can be dangerous as well.\footnote{See Tetch Torres, Chief Justice Puno: Secure Our Courtrooms, INQUIRER.NET, Jan. 29, 2008, http://newsinfo.inquirer.net/breakingnews/metro/view/20080129-115478/Pimentel-hits-Misamis-Occidental-mayors-killing.} Dispensing justice is a critical job, and Filipinos, rich or poor, deserve a fair shake. Whether judges are stirred to do their job well through the satisfaction they derive from dispensing justice or because they are in some way held accountable for the disposition of their cases, the legal system as a whole will benefit.\footnote{Lawyers, too, have a duty to refrain from abusing the legal system, as well as to be zealous advocates for their clients. Op-Ed, Rita Linda V. Jimeno, Op-Ed, A Breath of Fresh Air, MANILA STANDARD, Mar. 5, 2007, available at http://www.manilastandardtoday.com/?page=ritaLindaJimeno_mar5_2007. The IIPA points out that “[c]ases sent into the public prosecution system languish for years, with little hope of any resolution or any progress. Prosecutors do not move cases through the system, and are indeed careless in their approaches to cases. IIPA 2008 SPECIAL 301 REPORT SUBMISSION, supra note 28, at 304.}
d. No Deterrence for IPR Violators

The Philippine legal system’s failure to deter IPR violators is another significant problem. According to Trotter Hardy,

the concepts of punishment and deterrence [can be expressed] in terms of costs, benefits, and probabilities: Potential wrongdoing defendants will, in general, be deterred from wrongdoing if the contemplated wrong “costs” more than it is worth.185

This “cost” is the probability that the wrongdoing defendant will be apprehended, prosecuted, and convicted.186

In the Philippines, the reality is that very few people are ever arrested, prosecuted, or convicted of IPR crimes, and even if they are convicted, it is doubtful they will ever pay fines or actually serve jail time. A quote from the U.S. National Trade Estimate Report (NTE Report) explains the lack of deterrence for IPR infringers in the country:

Among those cases that have made it to court, there have been relatively few successful prosecutions. While companies have invested significant resources in investigations and litigation, some cases remain unresolved as long as two decades after the initial complaint. The Philippines has failed to establish punitive sanctions sufficient enough to serve as a deterrent to IPR violators. The nominal damages awarded by the Philippine courts in IPR cases add little to the cost of doing business for IP pirates, and thus far there has been no risk of imprisonment for offenders.187

The NTE Report highlights two important points about the lack of IPR crime deterrence in the Philippines. First, the low number of arrests and successful prosecutions, along with the inadequate punitive sanctions, fail to deter IPR violators.188 IP Philippines Director-General Adrian Cristobal Jr. admitted that despite the successful enforcement actions resulting in the seizure of large numbers of fake goods, “the big challenge is now
moving these cases in the courts.”  

From 2001 to 2007, there were only sixty-four convictions in the country.  

While the number of convictions could be seen as somewhat encouraging at first glance, the figure is hollow and misleading. Convicted IPR violators rarely, if ever, spend time jail or pay their fines.  

The USTR highlighted this shortcoming in its 2007 Special 301 report when it encouraged the Philippines to “ensure that courts impose deterrent sentences against criminal IPR infringers (such as) significant fines or prison sentences that are actually served.”  

Thus, even if IPR violators are actually arrested and convicted, they will most likely avoid any serious punishment because they will not pay their fines or serve any jail time.

This culture of impunity for IPR infringers extends to all types of violators, big and small.  

When a business is raided for

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191 Finding any accurate, detailed information about IPR violators’ sentences served and fines paid proved difficult for the author. The Philippine government does not keep track of this information. IP Philippines admits that the “absence of retrievable data and information about IPR matters, particularly on enforcement and prosecution” is one of its major challenges that “result[s] in lack of transparency in operations, weak follow through and inadequate facts to guide strategic and tactical operations and policy making.” STRENGTHENING THE IP SYSTEM, supra note 24, at 5.

192 See INVESTMENT CLIMATE STATEMENT, supra note 21. “[The six year penalty enables IPR violators] to apply for probation immediately under Philippine law.” Id. See also, Technology, Weak Institutions, supra note 2. (“Despite the high number of raids, no one has been charged, no one held in pre-trial detention, not one convicted.”). In a telling example, the IIPA noted the sentencing of two DVD pirates to six months in prison in its 2008 Special 301 Submission to the USTR, but could not say whether there was a fine or if any of the sentences were served.

IIPA 2008 SPECIAL 301 REPORT SUBMISSION, supra note 28, at 299 n. 14.

193 Intellectual Property Coalition, Inc., 2007: Issues and Challenges in the Protection and Advancement of Intellectual Property Rights in the Philippines, at 3, http://www.ustr.gov/assets/Trade_Sectors/Intellectual_Property/Special_301_Public_Submissions_2008/asset_upload_file63_14489.pdf (last visited Feb. 28, 2009). One notorious example of a convicted IPR violator failing to serve any part of her sentence is medical book pirate Catherine Marquez. IIPA 2008 SPECIAL 301 REPORT SUBMISSION, supra note 28, at 295, 303. After her conviction, Marquez absconded. Id. at 303. She remains on the loose and is rumored to be engaging in her pirate activities in the country once again. Id.
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selling IPR infringing goods, the owners or operators view the penalties simply as a cost of doing business.\textsuperscript{194} Knowing it is unlikely that they will be arrested, these vendors are back in business again the next day.\textsuperscript{195} When it comes to camcording movies in theaters, an increasing problem in the Philippines,\textsuperscript{196} perpetrators can get off with little more than a slap on the wrist.\textsuperscript{197} For example, when nine individuals were caught illegally recording “Transformers” at the film’s premiere in July 2007, police failed to charge the perpetrators and instead gave them a chance to apologize.\textsuperscript{198} The perpetrator’s letters of apology “had to be signed by the perpetrator’s immediate family, spiritual adviser, school dean or employer, and the theater manager.”\textsuperscript{199} One IPR advocate praised this way of dealing with violators,\textsuperscript{200} but whether effective or not, the message it sends is that a person need not worry too much about the consequences of camcording if he gets caught.

Second, as touched upon earlier, case backlogs and delays often leave cases unresolved after many years.\textsuperscript{201} The prospect that court action will be lengthy puts pressure on IPR holders to settle out of court rather than see their cases through to trial.\textsuperscript{202} In this way, justice delayed is justice denied. Unless IPR holders want to invest the time and money involved in years of litigation, the sluggishness of the legal system puts them at a disadvantage because they lose one of their bargaining chips—the threat of taking the defendant to trial.

e. The Lack of Quality Convictions

Another problem that contributes to the lack of deterrence in the country is the quality of convictions. Going after the pro-

\textsuperscript{194} See Coonan, supra note 52.
\textsuperscript{195} Id.
\textsuperscript{197} See Transformers’ Breaking Records, Manila Times, July 12, 2007.
\textsuperscript{198} See id.
\textsuperscript{199} Id.
\textsuperscript{200} Id. Movie Industry Anti-Film Piracy Organization president Engr. Roesholm Camaligan said, “This proven [sic] to be a far more effective way of ensuring that the person would not do it again. The public needs a reminder that bringing recording devices into theaters is strictly prohibited.” Id.
\textsuperscript{201} See discussion supra Part III.E.4.b.
\textsuperscript{202} See Investment Climate Statement, supra note 21, at 11.
ducers and suppliers of pirated optical media and counterfeit goods is more effective than targeting the street vendors who ultimately sell the goods to the public.203 Also, when major IPR violators get arrested, convicted, and end up serving prison sentences, other IPR criminals are likely to take note.204 Yet the IPR violators being arrested and convicted in the Philippines are not the “big fish.”205 The IIPA notes that no pirate manufacturer of optical discs has ever been convicted.206 The USTR also raised this point in 2007 when it encouraged the Philippines to increase the number of convictions “arising out of the optical disc plant inspections.”207

And the big fish are out there. For example, organized crime syndicates play a role in optical disc piracy in the country. The Motion Picture Association (MPA) lists a large number of organized crime groups involved with counterfeit DVDs in Asian countries, including the Philippines.208 In Metro Manila, Muslim-Filipino gangs dominate the retail market in areas such as Quiapo, while Filipino-Chinese gangs working for inter-

203 See Focus on Intellectual Property Rights: Roundtable: Enforcement, A Priority for All Countries (Jan. 2006), available at http://www.america.gov/st/econ-english/2008/April/20080429224837myleen0-7652354.html [hereinafter Focus on IPR]. The apprehension and conviction of Huang Jer-sheng and three of his associates in Taiwan illustrates the importance of stopping the producers and distributors of pirated optical media. Press Release, Microsoft, Prison Sentences for Ringleaders of Global Software Counterfeit Syndicate (Feb. 8, 2008), http://www.microsoft.com/presspass/press/2008/feb08/02-04TaiwanConvictionsPR.mspx. Huang was part of an international piracy ring that was responsible for “the production and distribution of more than 90 percent of the high-quality counterfeit Microsoft software products either seized by law enforcement or test-purchased around the world.” Id. (emphasis added). Huang received four years imprisonment, the longest sentence ever handed down by a Taiwanese court for this type of crime. Id.

204 See Statement at the Symposium of the Americas, supra note 132; David Hechler, Fast Footwork: Hunting for Fakes, IP LAW & BUS., June 2007 (“When a guy is arrested and put in prison . . . [e]veryone hears about it. So it’s a great threat”).

205 See Coonan, supra note 52; Martin, supra note 134.

206 IIPA 2008 SPECIAL 301 REPORT SUBMISSION, supra note 28, at 304.


208 See MOTION PICTURE ASS'N OF AMERICA, ORGANIZED CRIME INVOLVEMENT IN MOTION PICTURE PIRACY, ASIA-PACIFIC REGION (2007) (on file with author) [hereinafter ORGANIZED CRIME].
national criminal syndicates manufacture the goods.\textsuperscript{209} Organized crime groups from countries such as Malaysia, Singapore, and Thailand provide money, "management, technical assistance, and the production of stampers and other equipment" to pirate production plants that would otherwise be unviable.\textsuperscript{210} Even politicians dabble in counterfeit goods production in order to help fund their campaigns, one senior law enforcement official admitted to the author.\textsuperscript{211} In the end, though, very few, if any, of these big fish are arrested, prosecuted, and convicted.

Overall, the legal system suffers from a number of problems that contribute to the country’s rampant IPR infringement: backlogs and delays, a judicial lack of urgency, and the lack of deterrence that results from IPR violators either failing to be caught, prosecuted, and convicted or failing to pay their fines or serve their prison sentences. IP Philippines recognizes these issues, noting that “[i]mproving prosecution and adjudication is one of the most challenging tasks faced by the [Philippine government].”\textsuperscript{212} If the country is going make significant strides against IPR infringement, it needs not only to overhaul the legal system, but also to address its administrative shortcomings by devoting more resources to agencies such as the OMB and by installing leadership that will push that same agency more towards institutionalization. However, there are other, more fundamental, reasons that prevent these things from happening and cause IPR infringement to remain entrenched in the country.

\section*{IV. A Closer Look at Why IPR Infringement Remains Entrenched in the Philippines}

So far this Article has provided an overview of the IPR protection and enforcement situation in the Philippines; it has identified the laws, international agreements, and government agencies dealing with IPR; discussed the scope and types of infringement; and analyzed some of the positive steps the country has taken and also the persisting problems it faces in combating IPR infringement. Next, it analyzes how Filipinos’ ignorance of

\footnotesize{\textsuperscript{209} See id.  
\textsuperscript{210} \textit{Loose Rules}, supra note 69.  
\textsuperscript{211} The official revealed this information under the guarantee of anonymity.  
\textsuperscript{212} \textit{Strengthening the IP System}, supra note 24, at 29.}
and indifference towards IPR perpetuates IPR infringement in the country. The general lack of respect for IPR, which comes from the minimal awareness or understanding, or both, of IPR among Filipinos, along with an acceptance of the current IPR protection and enforcement status quo and a desire to stand up to the developed world while making or saving money through IPR infringement, are the driving forces behind the continued rampant IPR violations in the Philippines.

A. Ignorance of IPR

Getting people to respect and protect IPR is difficult if those people lack an adequate understanding of IPR and the consequences of violating them.\(^{213}\) In the Philippines, most people, whether they are small business owners or consumers, know very little, if anything, about IPR.\(^{214}\) Small and medium-sized enterprises may be run by people who do not understand the concept of IPR or that their IP is an asset that can be protected.\(^{215}\) Similarly, consumers who are incapable of distinguishing between legitimate and illegitimate products will usually opt for the cheapest goods, which are the counterfeit versions.\(^{216}\)

This IPR ignorance is not due simply to the limited number of IPR programs and awareness campaigns throughout the country, but is also the result of the dire state of education in general in the Philippines.\(^{217}\) Nearly twelve million people,
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roughly 13 percent of the population, have not attended school. Classroom remains overcrowded despite the Department of Education’s attempt to limit class sizes to 45 students per classroom. Add to this poor facilities and incompetent teachers, especially in rural areas, and it is no wonder that most Filipinos lack a basic understanding of IPR. These problems stem from the “[w]eak fiscal position of the country[,]” Basic education does not receive enough money, leaving administrators unable to effectively address the deficiencies. The Philippines allocates only 2.5% of its GDP for education when UNESCO suggests 6%. Also, while the World Bank recommends countries spend at least 20% of their national budget on education, the Philippines spends only 12%. Even those Filipinos who are educated may not have sufficient IPR training or, as the next section examines, may have little regard for IPR.

B. Indifference towards IPR

There are a large number of individuals dedicated to improving IPR protection and enforcement in the Philippines. Despite these advocates’ efforts, IPR is not a Philippine priority—neither for the average citizen nor the average politician. The vast majority of the population remains indifferent towards IPR protection for a number of reasons. As discussed above, ig-

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218 Contreras & Ubac, supra note 4.
219 Id.
220 See Ongpin, supra note 4.
221 See Ordinario, supra note 4 (discussing the U.N.’s “2007 World Youth Report”).
222 Contreras & Ubac, supra note 4.
223 See Ordinario, supra note 4. Resources alone, however, are not enough; they need to be spent in an efficient manner. See Ordinario, supra note 4.
224 Contreras & Ubac, supra note 4.
225 Id.
226 See, e.g., Cleofe Maceda, Officials Lack Motivation to Fight Counterfeiting, GULF NEWS (U.A.E.), Feb. 4, 2008 ("We haven’t motivated our leaders to take the steps that must be taken . . . . Policymakers must stand up and make intellectual property (IP) enforcement a priority.")
norance may be one. Yet even when Filipinos understand IPR, many still violate them. The next section takes a closer look at some of the reasons for their indifference, including their assumption that the benefits of strong IPR protection do not outweigh the costs and the culture of acceptance of IPR violations that is fed, in part, by the backlash against pressure from the more dominant developed world and the money to be made or saved through IPR infringement.

1. What is in the Philippines’ Best Interest?

Every country has different goals and priorities “due to the variations in the level of wealth, economic structure, technological capability, political system, and cultural tradition.” For example, examine the United States. According to one U.S. government official, “[i]ntellectual property is America’s competitive advantage in the global economy of the 21st century. . . . Theft of intellectual property threatens America’s economic prosperity and the health, safety, and security of its citizens.” After all, the United States is a major producer and exporter of IP in the world. IPR protection is thus one of the United States’ priorities, both at home and abroad, that receives a great deal of attention and resources.

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227 See supra Part IV.A.
The Philippines, on the other hand, is primarily a consumer and net importer of IP. Its economy is made up of mostly non-IP intensive commerce such as light industry and agriculture. In the entertainment industry, foreign movies and music make up a majority of the market. Devoting time and resources to IPR protection may be a high priority for the United States, but not for the Philippines. As a developing country with both limited technological and industrial development capabilities and copyright industries and marketing, it has a different optimal level of IPR protection than a developed country. Spending a significant amount of its already scarce resources on IPR protection would not “maximize social welfare.” Instead, letting IPR enforcement slide can be attractive to a developing country such as the Philippines because IPR-infringing industries provide jobs and keep consumers content with low prices, all while costing the government little, if anything.
One reason that IPR infringement remains entrenched in the Philippines is that Filipinos are generally content with the IPR protection and enforcement status quo. As IP Philippines Director-General Cristobal notes, “[t]he value of an effective IP regime and its contribution to the economy in developing countries have yet to be felt, articulated and appreciated by its (sic) citizens.”

There are serious questions whether those in power believe that improving IPR protection and enforcement is worth the effort. President Arroyo may have said that “we must not lose sight of the fact that protection of IPR is first and foremost in the interest of the Filipino people” after the USTR moved the country from the Priority Watch List to the Watch List in 2006. IP Philippines Director-General Cristobal may have stated that “there was no doubt that IPR protection is a national priority. . . and [that] the campaign against piracy shall and will be sustained” in a 2005-06 report.

But the president and IP Philippines have legitimate reasons for making those statements, whether they truly support those beliefs or not. It is in a country’s best interest to put on an air of devotion to strong IPR protection because there are international repercussions for doing otherwise: trade sanctions, loss of current and prospective foreign investment and damage to global reputation.

Saying IPR protection and enforcement is a Philippine priority is one thing; backing up that statement with action is another. In the battle for government attention and resources, IPR protection ultimately takes a back seat to bigger priorities.
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ties such as eradicating poverty, improving education, building infrastructure, and ensuring murderers are brought to justice. Assafa Endeshaw, an outspoken critic of the developed world’s IPR policies, suggests:

[M]ost [non-industrialized countries] cannot afford to pay even normal infrastructure development costs. Education, roads, health and policing (keeping the peace) take such a huge chunk of the annual state budget (even without considering the toll of external debt repayments) that it would be idealistic to expect them to protect foreign IP interests. Nine times out of ten, the choices available to them would be the same regardless of the rewards they might reap or the punishments they might face for any success or default in enforcement.

It would make sense for the Philippines to put its limited resources towards enforcing IPR if the benefits outweighed the costs. Regardless of whether the benefits of enforcing IPR do in fact outweigh the costs, the perception of the Philippines—and other developing countries—is that IPR protection serves mostly foreign IPR holders. Some ask why public funds should be used to enforce private rights, especially when law enforcement will confiscate IPR-infringing goods, only to have the rights holder fail to cooperate with authorities or file charges.

244 See generally Cal U. Ordinario, High GDP Growth Not Enough to Lick Poverty in RP, BUS. MIRROR (Phil.), Feb. 1, 2008 (discussing the challenges the Philippines faces when it comes to eradicating poverty).
245 See Leila Salaverria, After Murder Victims, SC Will Focus on the Poor, PHILIPPINE DAILY INQUIRER, Feb. 4, 2008.
249 See Technology, Weak Institutions, supra note 2.
As it is, the benefits of strong IPR protection and enforcement do not outweigh the costs. The Philippines does not yet have enough of a stake in IPR protection and enforcement to justify devoting the resources required to address the problem adequately. IPR industries remain insignificant to the country’s economy. This is not to say that the Philippines receives no benefits from IPR protection and enforcement—it does. The president was right when she said that IPR protection was in the country’s best interest, and the reasons why will be examined later. The tougher sell—the part that most Filipinos are not buying yet—is that IPR protection is “first and foremost in the interest of the Filipino people.” Politicians are reluctant to make IPR a priority, especially whenever an election looms on the horizon, and the police—who often lack training and education—would rather tackle other, more straightforward, problems. This translates into inadequate funding for enforcement agencies such as the OMB and sloppy investigations of IPR cases. Were it not for pressure from the U.S., a close ally of the Philippines, IPR infringement would likely be even more widespread.

C. The Culture of Acceptance of IPR Infringement

Another reason IPR protection and enforcement are such a tough sell in the Philippines is the culture of acceptance of IPR infringement. Throughout Asia, laws criminalizing certain types of IPR infringement seem to be only minimally effective in influencing the masses because people tend to “develop personal codes of conduct through interactions with people in their fam-

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250 See e.g. discussion infra Part V.C.2.
251 See discussion infra Part V.C.1.
252 See Watch List Part 3, supra note 99.
253 Cf. Guha, supra note 247, at 246 (noting that support for IPR protection can be a political liability).
254 One IP expert (Numeriano Rodriguez of the IP Coalition), talking to the author, lamented that the police were mostly indifferent towards IPR, which ended up hurting the quality of investigations.
255 See generally IP COALITION REPORT, supra note 13, at 39 (noting the general acceptance of IPR infringement in the Philippines); Intellectual Piracy, supra note 70 (discussing Filipino attitudes towards IPR protection and enforcement). For a discussion of the lack of respect for IPR in another developing Asian country, see Eric Priest, The Future of Music and Film Piracy in China, 21 BERKELEY TECH. L.J. 795, 822, 829-30 (China).
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ily and social circles, not from external sources such as law. 256 Many people who have a general understanding of copyrights and trademarks buy or sell counterfeit goods anyway. These people know that purchasing a pirated copy of the movie “Iron Man” for the equivalent of $1.50 is illegal, but that does not stop them. Legitimate goods are too expensive for the majority of Filipinos, so when these people are faced with either getting the movie or going away empty-handed, they will buy the pirated copy. Moreover, a person may view illegally downloading a song from the internet as a victimless crime or something other than stealing. 257 Or that person may simply be greedy, impatient, or both. IPR-infringing goods, tangible or not, are just so cheap (or free) and easy for consumers to come by; they are also a low-risk, high-profit venture for manufacturers, distributors, and sellers.

Additionally, in the Philippines and other developing countries, IPR protection can be a symbol of the developed world’s desire to impose its will on poorer, less powerful countries. Rather than seeing IPR protection as in their own best interest, developing countries view it as a threat to their sovereignty. Furthermore, weaker IPR protection and enforcement has benefits for many Filipinos, rich or modestly poor: it earns, or saves, them money.

a. Nobody Likes Being Told What to Do

Developing countries such as the Philippines often feel bullied by the developed world. 258 With constant pressure from governments such as the United States to improve their IPR regimes, these developing countries may feel rushed into devot-


258 See Mary Kopczynski, Comment, Robin Hood Versus the Bullies: Software Piracy and Developing Countries, 33 RUTGERS COMPUTER & TECH. L.J. 299, 328 (2007) (discussing software piracy in developing countries).
ing attention and resources to IPR protection and enforcement when the developed world, not the developing countries, are receiving the bulk of the benefits.\(^{259}\) This leads to a resentment of the developed world that manifests itself in a number of ways, including a disregard for IP coming from wealthy countries.\(^{260}\) One example is the “Robin Hood” mentality—take from the rich and give to the poor—that India’s patent regime,\(^{261}\) and now it seems the Philippines’ system as well,\(^{262}\) exemplify. In the same vein is the idea, not unique to citizens of developing countries, that the IPR holder—whether a multinational drug company, a Hollywood film studio, or a famous musician—is rich enough as it is.\(^{263}\)

Nobody likes being told what to do, and developing countries such as the Philippines are no exception.\(^{264}\) With their history of colonization (first the Spanish for roughly 330 years, then the Americans for close to a half century),\(^{265}\) Filipinos grapple with complex emotions over giving in to demands from other countries. “Few things touch the delicate nerve of national sovereignty more than the autonomous capacity of states to administer their domestic laws in conformity with their own legal philosophies.”\(^{266}\) Filipinos cannot help but remain somewhat

\(^{259}\) See \textit{id.} at 328.

\(^{260}\) See, e.g., \textit{id.} (developing countries stealing software from developed countries).

\(^{261}\) Guha, \textit{supra} note 247, at 248-50. India’s patent regime includes doctrines such as “compulsory licensing” and “working requirements” that have led to “a rapid, almost overnight, evolution of a domestic industry that would normally have had to invent its way up or buy its way in.” \textit{Id.}

\(^{262}\) See Barbara Mae Dacanay, \textit{Philippine Cheap Medicine Bill Approved}, GULF NEWS (U.A.E.), Apr. 29, 2008 available at http://www.gulfnews.com/world/Philippines/10209407.html. The bill will allow the Philippine government to set price ceilings on drugs and to import drugs from countries such as India. \textit{Id.}

\(^{263}\) See Vaillancourt, \textit{supra} note 62. This attitude ignores the jobs and tax revenue IPR industries create for others, including those in developing countries. \textit{See id.}


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skeptical about sacrificing national autonomy, especially when a former colonizer such as the United States is involved.267

This is the case with IPR.268 The Philippines and the United States are close allies, but that relationship does not keep Filipinos from harboring doubts over U.S. demands for stronger IPR protection and enforcement. After all, developing countries tend to view IPR protection as a tool developed countries use to keep poorer countries technologically dependent on them.269 U.S. pressure to devote scarce resources to IPR protection may keep the Philippines from addressing what it sees as more pressing policy concerns such as poverty or education.270 One Filipino commentator captured the tension underlying the Philippine-U.S. relationship when he described what seems to be a Filipino preference for protectionism:

Protectionist sentiment may be only one expression of our inward-looking nationalism. In our country—as in Latin America—nationalism has been shaped by the overpowering presence of the United States. Resentment of the Americans—coupled with a recognition of our utter dependence on them—had produced self-doubt and turned nationalism inward, toward cultural authenticity and economic preferences for nationals.271

This turn toward cultural authenticity and economic preferences for nationals works on at least two levels with IPR. First, at the government level, the Philippines may be reluctant to do what the United States says, such as devote more resources to IPR enforcement, because it sees foreign IPR holders, and not Filipinos, reaping most of the benefits.272 Second, at the consumer level, Filipinos may buy IPR-infringing goods because they believe doing so is not really hurting Filipinos, again because foreign IPR holders dominate the market.273

267 Id.
268 Id.
269 See Pulmano, supra note 3, at 255.
270 Jackson, supra note 234, at 640.
272 For example, local businesses could suffer from stronger IPR protection because foreign companies may be more likely to enter the market and compete. See Asian Nations, supra note 264, at 176.
273 This, of course, is not true because even foreign IPR industries create jobs and tax revenue in the Philippines. See infra Part V.C.1.
Overall, the culture of acceptance of IPR infringement in the Philippines can be seen as a backlash against developed countries (the United States in particular) and an effort on the Philippines’ part to retain national autonomy. But there is something else at work here, too.

D. Money Earned or Saved through IPR Infringement

The absence of a culture of respect for IPR in the Philippines can also be attributed to the root of all evil: money. IPR infringement is a low risk, high profit enterprise that means more money in the pockets of sellers and buyers alike.274

For vendors of pirated optical media or fake bags, shoes, and watches, IPR infringement may simply be a means of survival. For example, as Matt Jackson points out, in China:

[E]conomic reforms . . . have left tens of millions of unemployed workers scrambling for a living. Selling pirated films and music is an easy and fairly safe method of getting by. According to one recent story, even a man jailed three times for a total of nine months continues to sell pirated goods as a way to make a living.275

The same holds true, albeit on a much smaller scale, in the Philippines. Continued efforts to crack down on sellers of IPR-infringing goods such as President Arroyo’s offer of an alternative source of income to pirated optical media vendors in the notorious Quiapo market area have met with little, if any, success.276 These are among the same vendors who supposedly “committed to stop distribution of Filipino movies as well as pornographic . . . materials” back in early 2005.277 But as anyone who has walked around the Quiapo market area as late as the middle of 2008 can attest, both Filipino movies and pornographic DVDs continue to be widely available.278 Vendors keep selling

274 See DuBose, supra note 51, at 484.
275 See Jackson, supra note 234, at 638.
276 See STRENGTHENING THE IP SYSTEM, supra note 24, at 56.
277 Rommer M. Balaba et al., DVD Pirates Request for Arrest Moratorium, BUS. WORLD (Phil.), Feb. 10, 2005. The spokesperson for the Quiapo building owners also said, “We . . . would advise our tenants to stop selling pirated music CDs, particularly those that feature Filipino artists.” Id. This is an example of the “Robin Hood” mentality discussed earlier. See supra Part IV.B.2.a.
278 Foreign movies tend to be easier to find than Filipino movies.
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the illicit items because it provides them with income that would otherwise be out of reach.279

While some vendors remain in the for-profit IPR infringement business out of economic necessity, others do so in order to make more money than they could with legitimate jobs. Yet vendors are only part of the for-profit IPR infringement story. Someone has to produce, distribute, and in some cases facilitate the sale of the goods, and that person will do so because, just like selling the goods, it is profitable. Organized crime syndicates are involved in the business.280 But so are politicians and mall owners.281 According to the IIPA, key mall owners, who often collect rent and then turn a blind eye to the sale of IPR-infringing goods on their premises, are members of Congress.282 Holding mall owners criminally liable for the sale of IPR-infringing goods on their premises is an established practice in countries such as the United States, but not so in the Philippines, where even though such a provision exists, it has never been enforced.283 Instead, in an attempt to hold mall owners more accountable for the items being sold on their premises, the OMB has tried to convince mall owners to agree to require vendors selling optical media to secure clearance from the NBI and the OMB before the vendors would be allowed to continue operating.284 With people in high places profiting from IPR infringement, improving IPR enforcement becomes all that much more difficult.285

279 See Intellectual Property Challenges, supra note 8, at 467 (“In most developing economies there is significant employment in producing counterfeit goods and pirated copies of music and videos. These workers must find alternative employment as stronger standards are enforced.”). However, a reduction in piracy could translate into higher paying jobs for counterfeit optical media vendors, as legitimate firms, which pay better than pirate outlets, would hire workers as they expand to meet the new consumer demand for legitimate goods. See id.

280 See ORGANIZED CRIME, supra note 208.

281 See Authorities Entrust Malls with Anti-Piracy Measures, supra note 141.

282 See Salvosa, supra note 58.


284 See Authorities Entrust Malls with Anti-Piracy Measures, supra note 141. Only one entity, SM Malls, had given a definite response. Id.

Finally, most Filipinos remain indifferent toward IPR infringement because, as consumers, they benefit financially from piracy and counterfeiting. IPR infringers act as an “economic leveler,” making goods that would otherwise be out of reach affordable. For a country with as sharp class distinctions as the Philippines, pirated DVDs and fake watches help narrow the gap between the rich and the poor. Moreover, for the minority of Filipinos who can afford legitimate goods, counterfeit products simply save them money. The often significantly higher price of legitimate goods versus their much cheaper illegitimate counterparts makes the decision to buy pirated copies of software easy for many consumers. Legitimate operating system software may cost over the equivalent of $300, while the illegitimate version may go for as little as $4 or $5 in the country. Likewise, consumers can buy single DVDs containing twelve or even sixteen movies from pirated optical media vendors for one-tenth the cost of a legitimate DVD.

287 Id.
290 See IP Coalition Report, supra note 13, at 38; Chen, supra note 213, at 216.
291 See Authorities Entrust Malls with Anti-Piracy Measures, supra note 141.
292 Id. Microsoft, realizing that the majority of people in developing countries are priced out of the market, finds ways to make some of its products more affordable, such as selling heavily discounted software designed for students to governments. See Lawrence Casiraya, Microsoft to Offer $3 Software for Students, Inquirer.net, Apr. 21, 2007, available at http://technology.inquirer.net/infotech/infotech/view_article.php?article_id=61714.
293 One of these 12-in-1 DVDs may cost as little as PHP50 ($1.20) after bargaining. A legitimate DVD, on the other hand, can cost PHP500 ($12) or more. Video compact discs (VCDs) are also popular in the Philippines. VCDs are similar to DVDs, but they hold less information. See Seth Faison, China Turns Blind Eye to Pirated Disks, N.Y. Times, Mar. 28, 1998 at D1. They are also priced much more competitively than DVDs. New releases in VCD format usually sell for around PHP250 ($6), while older ones may be as cheap as PHP50 or PHP100 ($1.20 to 2.40). However, pirated DVDs will almost always be cheaper than legitimate VCDs or DVDs. A camcorded version of a movie still in the theaters costs around PHP70
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In summary, under one view, the Philippines may be doing what it can to protect IPR considering its limited resources.\(^{294}\) The country has an adequate legislative framework with the appropriate regulatory agencies in place to protect IPR. Yet, despite this, IPR infringement remains entrenched in the country. The blame lies in a number of areas. First, the lack of resources, administrative capacity, and interagency cooperation all limit the effectiveness of enforcement efforts. The OMB, in particular, suffers from insufficient funding and lackluster leadership that keeps the agency from focusing more on building up its institutional capacities rather than conducting its largely ineffective raids. Moreover, the Philippine legal system provides little deterrence to IPR violators, as it is plagued by backlogs and delays and fails to ensure penalties—whether fines or jail time—are served. Finally, IPR is low on the Philippines’ list of priorities. Many Filipinos are either not aware or do not understand IPR, thanks in part to a poor education system. And even if they do have a basic grasp of IPR, the assumption is that devoting scarce resources to their protection and enforcement is not in the country’s best interest. IPR industries in the Philippines are too insignificant to justify the expenses that come with strong IPR protection and enforcement because the country already has its hands full with major developmental issues such as poverty eradication and a lack of infrastructure. Filipinos—especially those who belong to the economic and political elite—are content with the IPR protection and enforcement status quo because a culture of acceptance of IPR infringement has taken a hold that stems from the country's desire to assert its sovereignty in the face of pressure from the developed world, and also the money that Filipinos make or save from violating copyright and trademark laws. This Article will now examine what it will take for there to be a significant reduction in IPR infringement in the Philippines.

\(^{294}\) See IP Coalition 2007 Submission, supra note 2, at 19.
V. Keys to Significantly Reducing IPR Infringement in the Philippines

A. Overview

There is no easy solution to eliminating IPR infringement in the Philippines (or in any other country for that matter). Doing so will take time and will involve everyone from the average consumer to senior government officials. Citizens need to be educated and violators need to be punished. The International Chamber of Commerce lists three goals to help curb piracy counterfeiting:

1) increase public and political awareness of the economic and social harm associated with counterfeiting and piracy activities, 2) encourage government action and the allocation of resources toward improved IPR enforcement, and 3) create an environment in which intellectual property is respected and protected.

This well-rounded approach aims to instill an understanding of and respect for IPR in people that will translate into more responsible consumer behavior and increased funding for IPR enforcement agencies.

If the Philippines is going to make significant strides in reducing IPR infringement, its citizens have to understand IPR protection and enforcement and believe that they are in their best interest. Education and training are an important part of the solution, but ultimately Filipinos must have a stake in strong IPR protection and enforcement so that they make them a priority. As a middle-income developing country, the Philippines focuses on more pressing issues such as poverty rather than IPR protection and enforcement, which require adequate funding to be effective. In order to make IPR protection and enforcement priorities, Filipinos have to realize the damage IPR

295 See Coonan, supra note 52.
296 Mike Ellis, Senior Vice President and Regional Director for the MPA in Asia-Pacific stated, “It’s a difficult task to stamp out piracy overnight, as the problem needs to be addressed on many levels — from educating consumers about the problem and how it impacts them to enforcing tougher penalties that make pirating activities less attractive.” Id.
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infringement does to the country, and also the potential strong protection and enforcement hold for increasing economic development and global competitiveness. But, right now, strong IPR protection and enforcement alone will not necessarily translate into sustained economic growth and technological innovation in the Philippines. This is because other, institutional, factors, such as an the openness of a country’s economy, political stability, and the quality of its legal system affect the likelihood that strong IPR protection and enforcement will lead to long-term growth.

B. Education and Training

One way to get people to understand and respect IPR is through education and training. An individual—whether a judge, a customs official, a politician, or a private citizen—needs at least a basic understanding of IPR before he can develop a respect for IPR protection and a desire to enforce or abide by these rights. But education and training alone are not enough. Even when people understand IPR, some will still violate them in order to make or save money. Thus, in order to effectively instill the merits of a strong IPR protection regime, deterrence is also needed.

Improving IPR protection in the Philippines depends in large part on public support. Passing IPR laws and then hoping for compliance is not enough.298 If Filipinos are going to respect and abide by IPR laws, they need to understand what IPR represent and how they can benefit from protecting these rights.299 After all, their consumer demand fuels the production, distribution, and sale of pirated optical media and counterfeit goods.300 Eliminating the people’s willingness or desire to own pirated or counterfeit goods will mean eliminating the supply of those goods. Moreover, if Filipinos support strong IPR protection, then the police will be more willing to shut down vendors, prosecutors will more vigorously pursue IPR cases, and judges will be more likely to hand down deterrent sentences.301

298 See Green, supra note 186, at 239.
299 See IP COALITION REPORT, supra note 13, at 37.
300 See BLAKENEY, supra note 37, at 42.
301 See Focus on IPR, supra note 203.
Building IPR awareness and understanding is a challenge. What is the best way to instill the benefits of strong IPR protection in the masses effectively? Governments, organizations, and individuals can all play a role in IPR, doing so through education and training. For instance, public awareness campaigns, whether sponsored by the government or pro-IPR businesses or organizations, help foster a basic understanding of IPR.\textsuperscript{302} Also, seminars for small and medium-sized businesses, such as those put on by IP Philippines, highlight IP as a potential asset and provide information on how to protect it.\textsuperscript{303}

Governments also need to provide adequate training for civil servants who deal with IPR.\textsuperscript{304} For example, effective IPR enforcement will be limited without knowledgeable customs personnel. As Michael Smith, an attorney adviser in the Office of Enforcement at the U.S. Patent and Trademark Office (USPTO), said, “You need customs officials at the border who are good consumers, familiar with the trademarks that have been recorded, and who have an interest in enforcing the rights of trademark holders.”\textsuperscript{305}

Ideally, parents and other family members would have a part in instilling a respect for IPR in children, just like they do with such things as personal property and other basic values. The problem is that a lot of parents either do not understand or do not respect IPR. So without role models at home, younger Filipinos may need to learn about IPR in school. IP Philippines recognizes the need to target younger Filipinos, so it suggests developing an IP conscious culture through the education system.\textsuperscript{306} Coordinating efforts with the Department of Education to include IPO awareness in the curriculum,\textsuperscript{307} while a good idea, may be more of a dream than reality for now. The education system is in a poor state.\textsuperscript{308}

\begin{itemize}
\item\textsuperscript{302} See STRENGTHENING THE IP SYSTEM, supra note 24, at 13, 38-40.
\item\textsuperscript{303} See id. at 38-39.
\item\textsuperscript{304} See Sherwood, supra note 285, at 543 (“A major obstacle to upgrading intellectual property systems is the lack of trained people qualified to conduct an effective public administration.”).
\item\textsuperscript{305} Focus on IPR, supra note 203.
\item\textsuperscript{306} STRENGTHENING THE IP SYSTEM, supra note 24, at 54.
\item\textsuperscript{308} See U.S. Delegation Statement, supra note 217, ¶¶ 21, 35, 36.
\end{itemize}
curriculum may be possible in well-funded private schools, it is not likely to take hold in other schools that may not even have enough desks for their students. And major investment in primary and secondary education is critical not just for any kind of IPR curriculum to have a chance; it is also essential for an increasingly knowledge-based economy “because adequate supplies of labor skills promote innovation and technology adoption.”\textsuperscript{309} Even at the university level, IP garners only minimal attention. Most Philippine universities—the hotbeds of innovation in the country—have yet to adopt IP policies.\textsuperscript{310}

Overall, education and training are essential components in the fight against piracy and counterfeiting, as they help encourage a culture of respect for IPR. Yet even with education and training, consumers and politicians often remain indifferent. There is no guarantee that an individual will think twice about purchasing counterfeit goods or go around beating the IPR drum afterwards. The key to overcoming this indifference towards IPR depends on the benefits people derive from strong IPR protection and enforcement.

C. Political Will

With solid IPR legislation and enforcement mechanisms in place, as well as an understanding that public IPR education and awareness remains an integral part in combating IPR infringement, the Philippines needs a true commitment to vigorous IPR protection and enforcement from its leaders, especially those in the executive and legislative branches, that goes beyond the usual U.S.-mollifying rhetoric.\textsuperscript{311} Strong political will at the top of the government is necessary for IPR enforcement to receive enough funding and attention to be effective.\textsuperscript{312} Andy Y. Sun, discussing lessons learned from Taiwan’s experience

\textsuperscript{309} Intellectual Property Challenges, supra note 8, at 472; accord Op-Ed, Sin-Ming Shaw, Thaksin Can Help Reawaken the Thai Tiger, S. CHINA MORNING POST, Mar. 8, 2008 (“Without quality education, there can be no quality workforce, without which no country can hope to compete.”).

\textsuperscript{310} See Veronica S. Cusi, IP Policy Finalized by Gov’t, BUS. WORLD (Phil.), Nov. 8, 2007.

\textsuperscript{311} For example, the Philippines “continues to lack aggressive prosecution of intellectual property rights (IPR) violators.” INVESTMENT CLIMATE STATEMENT, supra note 21.

\textsuperscript{312} See Focus on IPR, supra note 203. Some of the large malls in Manila provide an example of strong will (albeit business rather than political) that leads to a
forming its IP regime, writes, “[a]n unequivocal commitment from the political leadership is perhaps the single most critical element to further momentum for reform.”313 The Philippines has to be willing to make IPR enforcement a priority and commit more of its scarce resources to addressing the problem.314 And those resources have to be used efficiently and effectively. As mentioned above, IPR is not yet a Philippine priority.315

So what needs to happen for the political leadership in the Philippines to make IPR a priority, and how will the leadership gain the general public’s support for this goal? The answer is that, ultimately, Filipinos need to see, believe, and act on the idea that they have a stake in strong IPR protection and enforcement. They need to realize that they can benefit from strong IPR protection and enforcement and that it is, in fact, in their long-term national interest.316 However, at the moment, this is not happening on the scale necessary to significantly reduce IPR infringement in the country. As one Filipino copyright insider, speaking about book piracy, said, “[w]e lack the teeth, funds and the willpower in implementing the Copyright Law and the Intellectual Property Code. . . .”317 Filipinos have trouble justifying the cost of strong IPR protection and enforcement because they are net consumers and importers of IP rather than producers and exporters.318 They believe a high level of IPR protection and enforcement is not yet in the country’s best economic interest,319 especially the economic and po-

314 See INTELLECTUAL PROPERTY, supra note 297, at 4; Press Release, Bus. Software Alliance, New Study Projects Significant Economic Benefits from Reducing Software Piracy (March 10, 2008), http://w3.bsa.org/india/press/newsreleases/india-pr-2008-03-10.cfm (noting that one of the steps a government can take to reduce software piracy is to devote significant resources to the problem).
315 See supra Part IV.B.
316 See Reichman, supra note 110, at 469 (“Once the developing countries see that they, too, have a big stake in the global intellectual property system, the long-term prospects for that system would become bright, indeed.”).
317 Before You Photocopy that Book. . . , supra note 87.
318 See IPR Commission Report, supra note 231, at 11.
319 Cf. Endeshaw, supra note 236, at 378 (“The fundamental reason for the impasse in enforcement of IP in Asia, as elsewhere in the non-industrial world, lies in the huge economic and technological gap between them and those of the indus-

https://digitalcommons.pace.edu/pilr/vol21/iss1/3
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litical oligarchs that do quite well with the status quo.320 The Philippines has to embrace an IPR system that translates into significant benefits for its citizens, and not just foreign IPR holders from developed countries, in order to justify its expense on such a system.321

Domestic IPR industries have a role to play in pushing for better IPR protection and enforcement. Their support sends a signal to the government that local industries have a stake in strong IPR protection and enforcement. According to Sun,

[the] most effective tool to convince that nation’s leadership of the need for better Intellectual Property protection is the pressure from within, [i.e.,] a self-initiated urge that stronger Intellectual Property protection is more to the benefit of that nation than to foreign states.322

For example, in Taiwan, the government “did not capitulate to U.S. demands for better IPR enforcement but rather voluntarily adopted a stricter regime upon evolving to a state where doing so was in its economic interest.”323 Only when the domestic copyright industry in Taiwan evolved did the government crack down on copyright piracy.324 As domestic IPR industries grow and local businesses recognize that they can benefit from IP, they will be more likely to put more pressure on the government to commit to IPR protection and enforcement.325 Yes, pressure

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320 See supra Part V.A-B (a further discussion of the Philippines' economic and political oligarchy).
321 Cf. Reichman, supra note 110, at 466 (“In the end, of course, the developing countries' greatest need is to make the worldwide intellectual property system work for them and not just for coalitions of powerful rights holders operating from the developed countries.”); Sherwood, supra note 285, at 493 (“A great deal will depend on the political willingness of countries to make their intellectual property systems work well to benefit their nations.”).
322 Sun, supra note 313, at 168.
323 Guha, supra note 247, at 242.
324 See id. at 245.
325 Cf. Horacio Teran, Intellectual Property Protection and Offshore Software Development An Analysis of the U.S. Software Industry, 2 MINN. INTELL. PROP. REV. 1, 9-10 (2001) (“[L]ocal suppliers can play a role in overcoming nationalist and administrative barriers to improvements in public enforcement of intellectual property rights. With adequate organizational and financial resources, they can put pressure on local authorities to commit to public enforcement of intellectual...
from foreign players such as the U.S. government has an impact on the strength of IPR protection and enforcement. And these foreign players play an important role in assisting developing countries with their IPR regimes. But a true commitment to IPR protection and enforcement from the political leadership in the Philippines—one that results in adequate attention and funding—will come only when the domestic IPR industries have a strong enough voice to make it known that IPR protection and enforcement is in the country’s best interest.

1. How Strong IPR Protection and Enforcement can Help the Philippines

Regardless of the size or significance of a country’s IPR industries, a solid IPR system can lead to a number of benefits. It can spur economic development and increase global competitiveness by encouraging innovation and inviting FDI, which facilitates technology transfer and creates jobs and a source of tax revenue for the government. When it comes to FDI, Jean Raymond Homere notes:

[Developing countries with stronger IPR regimes are in a better position to attract knowledge-related foreign direct investments (FDI) flows. . . . Studies have shown a positive correlation between stronger IPR protection, FDI and the transfer of technology from developed countries to developing countries. . . . This is due to the property rights.]); Shiu, supra note 50, at 631 (“As a developing industrialized nation [Taiwan] with much economic power, local development may provide an internal push to increase IPR protection.”); Joseph A. Massey, The Emperor is Far Away: China’s Enforcement of Intellectual Property Rights Protection, 1986-2006, 7 CHI. J. INT’L L. 231, 237 (2006) (noting that domestic businesses in China benefit from IPR enforcement).

326 For example, through training and technical assistance.

327 Cf. Sun, supra note 313, at 167-69 (citing domestic pressure as one of the keys to better IPR protection and enforcement).

328 See IIPA Survey, supra note 230, at 1; Homere, supra note 236, at 277. But see Yu, supra note 228, at 234 (claiming that the idea that stronger IPR protection benefits developing countries has yet to be demonstrated); Endeshaw, supra note 236, at 380 (asserting that stronger IPR protection can have negative economic impacts on developing countries).

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fact that foreign investors are more willing to invest in countries
that provide adequate legal protection for intellectual property. 330

Weak IP regimes can stunt the growth of a country’s economy,
as FDI in those cases “tends to be more limited and directed
toward sales and distribution rather than manufacturing.” 331

Strong IPR protection can also help address one of the Phil-
ippines’ most pressing concerns, eradicating poverty. As Presi-
dent Arroyo said, “[f]ighting piracy is fighting poverty because
it enables Filipino excellence and enterprise to rise in the global
arena, expanding opportunities and jobs along the way.” 332
Countries with strong copyright protection, for instance, tend to
experience a greater contribution to their GDP from copyright
sectors.333

2. The Philippines’ Survival in the Global Economy

The Philippines has to face the realities of an increasingly
knowledge-based, global economy if it wants to improve the
plight of its citizens.334 As IP Philippines Director-General
Cristobal said, “IP and innovation are essential to [the] coun-
try’s survival and continued competitiveness” in the new econ-

330 Homere, supra note 236, at 286-87 (citations omitted).
331 Helm, supra note 329, at 130.
332 IP COALITION 2007 SUBMISSION, supra note 2, at 4 (quoting a speech by
President Arroyo). Accord BLAKENEY, supra note 37, at 4 (“For developing coun-
tries, the nurturing of indigenous technological capacity through the intellectual
property system has also proved to be a key determinant of economic growth and
poverty reduction.”); INTELLECTUAL PROPERTY, supra note 297, at 5 (“Intellectual
property protection contributes to economic growth in both developed and develop-
countries by stimulating innovation, cultural diversity and technical develop-
ment as part of a larger policy framework. Properly used, intellectual property
rights can also be key tools for the alleviation of poverty through trade.”).
333 See IIPA SURVEY, supra note 230, at 1.
334 Cf. Ongpin, supra note 4 (stating that high value work that depends on
knowledge and innovation is a key to improved living conditions for the citizens of
a country such as the Philippines); B. Zorina Khan, Intellectual Property and Eco-
nomic Development: Lessons from American and European History 47 (Commis-
(“Knowledge intensive industries account for an increasing fraction of national
output in the developed countries and have led to claims of a ‘new economy.’”),
The country “should not be contented as a nation importing technologies. Neither should [it] be satisfied with being mere users of other nation’s technology.” 336 Instead, the Philippines “needs to be the creator, the inventor, the supplier of new technologies in the world market.” 337

The country is home to a great deal of innovative and creative talent, but its domestic IPR industries suffer from the lack of effective IPR protection and enforcement. 338 This deficiency prevents these industries from reaching their full potential. 339 Because developing countries have limited capital and labor, they must depend on technical progress if they hope to someday grow their economies to the level of developed countries. 340 Promoting domestic IPR industries and IPR protection is a key component in a country’s economic development strategy. 341 It also helps support and enrich a country’s cultural heritage. 342

One area where the Philippines can excel is the copyright sector. 343 Through vigorous IPR protection and enforcement, the country can help harness its creative talent in a number of copyright-related industries. 344 Copyright-related industries

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336 Sto. Domingo, supra note 335.
337 Max V. de Leon, IP Plan May Turn RP Into Global Player, BUS. MIRROR (Phil.), Nov. 27, 2007.
340 See Homere, supra note 236, at 283 (commenting on the work of developmental economist Robert Solow).
341 STRENGTHENING THE IP SYSTEM, supra note 24, at 4; see U.S. Embassy Hosts IPR Roundtable. One of the aims of an IPR system is to “promot[e] . . . investment in knowledge creation and business innovation.” Homere, supra note 236, at 280.
343 See Carlos, supra note 215.
344 See Bernadette S. Sto. Domingo, Competitiveness Boost Seen From Creative Sectors, BUS. WORLD (Phil.), July 20, 2006; Focus on IPR, supra note 203 (noting the link between effective IPR enforcement and growth in local music industries, especially in Asia). According to Maskus,
make up an estimated 5% of the Philippines’ GDP, but much of this comes from industries such as business process outsourcing (BPO), the fastest growing sector in the country, where Filipinos are working in an IP industry but not necessarily creating the IP. Core copyright industries—those responsible for the creation of IP or high-value IP work such as the software, movie, or book publishing industry—account for much less of the 5% figure. Many of these industries have only started to develop and have the potential to be a significant source of jobs and wealth in the country.

For example, the information technology (IT) sector has been the source of a lot of government attention in recent years. Yet the industry still lags behind its regional neighbors when it comes to IT competitiveness. Piracy has hurt investments in the sector, which, for instance, dropped from 2002 to 2003 when the piracy rate increased. On the bright side, industries such as software development and animation copyrights also may materially promote business development. In the presence of weak and poorly enforced protection, copyright industries, such as publishing, entertainment, and software, are likely to be dominated by foreign enterprises (which can absorb temporary losses and afford to deter infringement) and pirate firms. Thus, imitative copies are cheaply available but the economy’s domestic cultural and technological development is discouraged.

Intellectual Property Challenges, supra note 8, at 461-62.


Another estimate puts that number as high as 10%, although that figure is for the broad category of copyright-applicable industries. Kristine L. Alave, Policy Makers Press for Updates to Copyright Law, BUS. WORLD (Phil.), Sept. 14, 2006.

346 Id. For instance, basic call center and transcription services generate over $2 billion a year. Federico C. Gonzalez, Entreprenuers NEWS, BUS. WORLD (Phil.), July 19, 2007.

347 Higher-end content such as software, engineering design, and animation services generate around $300 million a year. Id.

348 See Sto. Domingo, Competitiveness Boost Seen From Creative Sectors, supra note 344.

349 See Alave, supra note 345.

350 See Mejia, supra note 232, at 470-71.


352 See Ho, supra note 49.
possess great potential. “Philippine software houses now have a foothold in the global market,” with sales of $359 million in 2007 and a projected 30% growth in 2008. These sales account for only a sliver of the world market. The animation industry, which made $105 million in 2007, is growing, and it aims to increase its number of animators from 7,500 to 25,000 by 2010.

Also, the film industry in the Philippines could benefit from improved IPR protection and enforcement. The industry, whose rich history includes the works of such great directors as Gerardo de Leon and Lino Brocka, has been struggling. Today it produces less than half the number of movies that it did only twenty years ago. While the industry suffers from steep production costs, high taxes and strong competition from big budget foreign films and television, piracy remains its biggest problem. The recent proliferation of digital films and bump in local production revenue are encouraging, but more effective IPR enforcement efforts will be needed if the industry is going to return to its past glory.

D. IPR Protection and Economic Development

Strong IPR protection and enforcement have the potential to help a nation’s economy grow, especially in a country with a promising copyright sector such as the Philippines. But the no-
that a developing country will see significant benefits from IPR enforcement is no slam-dunk. Players with vested interests in IPR enforcement, such as the IIPA, argue for stronger IPR protection in developing countries such as the Philippines by highlighting the economic advantages that will accrue to that particular country.\textsuperscript{363} And the leaders of these developing countries, such as the president of the Philippines, often subscribe to this view, at least publicly.\textsuperscript{364} But make no mistake: players such as the U.S. government ultimately push for stronger IPR protection because they themselves will benefit from it.\textsuperscript{365} More objective observers do not necessarily buy into the idea that stronger IPR protection alone will lead to economic development.\textsuperscript{366} As the prominent IPR scholar Keith Maskus contends, stronger IPR protection, by itself, could produce economic benefits for a developing country, but only under certain circumstances.\textsuperscript{367} Other complementary policies must exist for a country to realize the benefits that come with stronger IPR protection.\textsuperscript{368} What follows is a closer look at the connection between IPR enforcement and economic development.

1. **Strong IPR Protection and Enforcement Alone are Not Enough**

The relationship between IPR protection and economic development is complex and unclear.\textsuperscript{369} According to Maskus, serious questions surround the idea that strong IPR protection alone will lead to economic development.\textsuperscript{363} See IIPA Survey, supra note 230, at 1.

\textsuperscript{364} Watch List Part 3, supra note 238; Strengthening the IP System, supra note 24, at 4.

\textsuperscript{365} After all, IP is one of the U.S.’s “competitive advantages[.]” Sampson, supra note 229, at iii.


\textsuperscript{368} Id. at 496.

\textsuperscript{369} Intellectual Property Challenges, supra note 8, at 457-58; Mohan, supra note 366.
increases economic growth.\footnote{370} “Economic evidence currently available is fragmented and somewhat contradictory,” he states, “in part because many of the concepts involved are not easily measured.”\footnote{371} Maskus submits two reasons for this uncertainty:

First, an array of other factors influences growth in ways that could be more important than tighter IPR. Such variables include openness to international trade and investment, encouragement of an adequate technology infrastructure, support for literacy and technical education, and macroeconomic stability. Second, IPR could have numerous and contradictory effects on development, the importance of which would depend on the economic and social situation in each country.\footnote{372}

Despite these doubts, Maskus claims that “a regime of expanded property right protection holds considerable promise for promoting long-term economic growth and technological innovation among developing nations.”\footnote{373} He argues that “if developing countries embed their intellectual property systems within a broad and coherent set of collateral policies and transparent regulation, the systems bear considerable promise for promoting growth in the long run.”\footnote{374}

Other scholars support Maskus’ belief that strong IPR protection can promote economic development, but only under the right circumstances.\footnote{375} Ruth Gana argues that IPR protection’s “transformative potential is freed only by the existence of legal, economic, and political structures associated with free market systems in which property rights play a pivotal role.”\footnote{376} B. Zorina Khan, analyzing American and European history, concludes that:

[T]he impact of intellectual property rights will depend on their institutional context. This implies that changes in IPR rules

\footnote{370}{\textit{Intellectual Property Challenges}}, supra note 8, at 457-58.  
\footnote{371}{Id. at 458.}  
\footnote{372}{Id.}  
\footnote{373}{Id. at 457}  
\footnote{374}{Id. at 458.}  
\footnote{375}{See, e.g., Gana, supra note 366, at 738-39; Homere, supra note 236, at 277 (noting that “[m]odern economists have been increasingly inclined to recognize IPRs as a tool capable of stimulating economic growth when tailored to the particular needs of a country); Khan, supra note 334, at 4; Mohan, supra note 366.}  
\footnote{376}{Gana, supra note 366, at 738-39.}
must occur in tandem with developments in the legal system, the market system, and cultural norms. . . . Developing countries that adopt strong IPR will find that the benefits are likely to be minimal unless these contextual institutions are also reformed.377

Thus, whether strong IPR protection and enforcement will lead to economic development likely depends on the institutional factors that surround it. A country with an open, competitive economy, a transparent democracy with political stability, and a sound legal system is likely to experience economic growth as the result of strong IPR protection and enforcement, while one with a more protected economy, more political instability, and a more problem-ridden legal system is more likely to miss out on the economic benefits that come with strong IPR protection and enforcement.

FDI inflows illustrate this point. Market size and potential, and not simply IPR protection, have a significant effect on a company’s decision to invest in a country.378 As Maskus notes:

[I]t must be emphasized that strong IPR alone do not sufficiently generate strong incentives for firms to invest in a country. If that were the case, recent FDI flows to developing economies would have gone largely to sub-Saharan Africa and Eastern Europe. In contrast, China, Brazil, and other high-growth, large-market developing economies with weak IPR would have attracted less FDI.379

A country with an open economy and adequate regulations and competition rules is in the best position to draw and benefit from FDI.380 In contrast, a country prone to “expropriation,

377 Khan, supra note 334, at 4.
378 See Keith E. Maskus, The Role of Intellectual Property Rights in Encouraging Foreign Direct Investment and Technology Transfer, 109 DUKE J. COMP. & INTELL. PROP. L. 109, 128-29 (1998) [hereinafter Role of Intellectual Property Rights]; Teran, supra note 325, at 3 (discussing a study in which there was only a tenuous relationship between the level of IPR enforcement and the level of FDI in the software sector).
379 Role of Intellectual Property Rights, supra note 378, at 128-29 (citations omitted). The market potential in China and India “presumably offsets the risk of loss from poor intellectual property enforcement.” Teran, supra note 325, at 6.
380 See Role of Intellectual Property Rights, supra note 379, at 150; Intellectual Property Challenges, supra note 8, at 471. “[M]arket liberalization, promotion of free entry, and the removal of distribution monopolies should encourage dynamic gains from IPRs.” Id. at 472.
limited and variable profit repatriation rules, terrorism and violence, corruption, bureaucracy and red tape, ineffective legal systems, and considerable income inequality” is less likely to garner the investments of multinational corporations, regardless of the strength of IPR protection it provides.381 Some investors may be able to look past these factors, depending on the type and duration of their investment; nevertheless, the risks can only scare off investors, not entice them.382 Strong IPR protection and enforcement can be a factor that lures FDI, but it is only one aspect that influences a company’s decision.383

In addition to having an impact on FDI, a country’s economic, political, and legal institutions also affect the potential of domestic IPR industries to generate economic growth, even when the country has a functioning IPR regime in place. First, IPR protection can boost domestic innovation, but it is “economically useful only where innovations may be brought freely to the marketplace”—in other words, in an open economy without too many impediments.384 Next, a broken, unstable political system can make it difficult to pass pro-IP reforms and adequately fund agencies dealing with IP.385 Corruption within the government also results in unnecessary costs for anyone doing business, including those in IPR industries.386 Finally, an inefficient legal system can prevent inventors and creators from fully profiting from their IP, as rights holders cannot depend on courts to resolve their disputes in a timely manner or on deterrence for IPR violators.387

Thus, IPR infringement will remain entrenched in the Philippines until wide-scale reforms in the economic, legal, and political sectors take place.388 As Maskus and other scholars argue, IPR protection will likely lead to economic growth if a

381 Role of Intellectual Property Rights, supra note 378, at 143.
382 See id.
383 See id. at 152.
384 Intellectual Property Challenges, supra note 8, at 459, 472.
387 See discussion infra Part III.E.4.
388 See discussion infra Part V.
country has sound institutions in place. Right now, the Philippines has a lot of work to do when it comes to institutional reforms. When the country makes significant progress towards breaking up its oligopolies, unlocking the political stranglehold exercised by family dynasties, curbing corruption, and cutting down on judicial backlogs and delays, the IPR situation will improve because Filipinos will start seeing the benefits that come with stronger IPR protection and enforcement. Today, the Philippines is content with the IPR protection and enforcement status quo. It is primarily a consumer and importer of IP. It has other, more pressing problems, such as poverty, education, and infrastructure that vie for its limited funds. However, as IPR industries become more important to the Philippine economy, Filipinos will be more inclined to support IPR protection and enforcement, including the politicians who dole out the resources. Filipinos have to want to protect IPR, but the reality is that they are not there yet. International pressure to

389 See, e.g., Intellectual Property Challenges, supra note 8, at 458; Gana, supra note 367, at 738-39; Homere, supra note 236, at 277; Khan, supra note 334, at 4; Mohan, supra note 366.

390 IIPA SURVEY, supra note 230, at 2 (discussing Maskus' and other scholars' views that strengthened IPRs can increase economic growth); IP COALITION 2007 SUBMISSION, supra note 2, at 19 (noting that more effective IPR protection depends on institutional development and capacity-building); Khan, supra note 334, at 10 (“[T]he major lesson...from the economic history of Europe and America is that intellectual property institutions best promoted the progress of science and arts when they evolved in tandem with other institutions and in accordance with the needs and interests of social and economic development in each nation.”). One study of the relationship between a country’s culture and economic wealth and software piracy rates concluded:

Is this quote formatted correctly? It would appear that increased personal wealth has resulted in a natural decline in software piracy rates throughout the world. As people become richer, they become more individualistic, and the combination of these two effects result in the tendency to buy legal, rather than pirated copies of software, even in countries that traditionally have high software piracy rates.


391 See ORGANIZED CRIME, supra note 208.

392 The difference between Taiwan and China illustrates the importance of a country’s self-initiated desire to vigorously protect and enforce IPR. See Michael Yeh, Note, Up Against A Great Wall: The Fight Against Intellectual Property Piracy in China, 5 MINN J. GLOBAL TRADE 503, 516 (1996).

Taiwan established an effective IP regime because its explosive economic expansion, increasing awareness of the need for indigenous technology, ever-more-pluralistic political and intellectual life, growing commitment
improve IPR protection and enforcement can go only so far in provoking reforms. As mentioned above, the pressure most likely to effect change is domestic—Filipinos understanding and embracing IPR.\footnote{393}

Of course, this does not mean that the country should neglect IPR protection until these reforms take place. IPR protection and enforcement are important—and necessary—components of a country’s economic development strategy.\footnote{394} As IPR protection and enforcement improves, so will economic development, and vice versa. Better IPR protection and enforcement can encourage FDI and domestic innovation, which create economic growth. Likewise, as the economy grows, IPR-intensive industries will become a more important source of the country’s income, which will then warrant stronger legal protection for IP.\footnote{395}

The economic, political, and legal sectors are all interdependent, as reforms in one will benefit the others. An open economy leads to FDI, which results in money to hire more judges and prosecutors. Limiting political dynasties makes it easier to break up family economic monopolies and liberalize the market. Cutting down on corruption means more capital to invest in education and infrastructure, and a well-functioning legal system fosters investor confidence and deters corruption. The next section identifies and analyzes problems in the Philippine economic, political, and legal sectors that need to be addressed before the IPR infringement situation will improve significantly.

VI. WHAT IS HOLDING THE ECONOMY BACK?

The Philippine economy is growing, but a long list of problems continues to restrict its potential.\footnote{396} It is still rela-

to formal legal processes, and international aspirations . . . ‘made the need for IP law evident.

\textit{Id.} (quoting \textit{William P. Alford, To Steal a Book is an Elegant Offense} 108 (1995)). China, on the other hand, “remains a consumer of IP and is therefore unlikely to see gains from the vigorous protection of IP rights.” \textit{Id.}

\footnote{393 See discussion supra Part V.C.}

\footnote{394 See discussion supra Part V.C.1.}

\footnote{Cf. \textit{Yeh, supra note 392}, at 516 (noting that Taiwan’s economic growth was a factor in the country’s establishment of a strong IPR regime).}

\footnote{395 See U.S. Delegation Statement, \textit{supra} note 217, at 1.}
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tively closed, enough so that the Heritage Foundation rates it as “mostly unfree.” Inadequate revenue collection, poor infrastructure, a bloated bureaucracy, red tape, insufficient employment, and a lack of quality education all


400 A major problem is the lack of professionalism in the civil service. See Fidel V. Ramos, Former President of the Republic of the Philippines, Good Governance Against Corruption, Keynote Address at the Fletcher School of Law and Diplomacy’s “Conference on Good Governance Against Corruption” (Apr. 26, 2001), in 25 FLETCHER FORUM OF WORLD AFFAIRS, Fletcher Forum of World Affairs, Summer 2001, at 15-16. The Philippine president appoints around 8,500 high officials, twice the number the U.S. president appoints, and over 8,000 more than the British prime minister. Id.

401 For example, doing business the Philippines can be quite a chore. The country ranks 140 out of 181 in ease of business according the World Bank’s Doing Business Project. DOING BUSINESS PROJECT, WORLD BANK GROUP, DOING BUSINESS 2009 PHILIPPINES (2008), http://www.doingbusiness.org/ExploreEconomies?economyid=153. It takes 52 days and 15 procedures to start a business. Id. In contrast, it takes 33 days and 8 procedures to open a business in Thailand. DOING BUSINESS PROJECT, WORLD BANK GROUP, DOING BUSINESS 2009 THAILAND (2008), http://www.doingbusiness.org/Explore Economies?economyid=186.

402 “Heavy labor rules and protections — enforced by large enforcement agencies (which employ some 20,000 labor inspectors) — hamper job growth in the formal labor market.” Bocchi, supra note 398, at 24. At nearly 8%, the
require long-term fixes. And, as will be discussed, both public and private investment is declining, due in large part to oligopolies that limit economic entry and competitiveness in the country. These oligopolies, combined with the political dynasties that run the country, make passing significant economic, political, and legal reforms that would negatively impact the families that control the majority of the country’s wealth and power more difficult. Other major problems that limit economic growth include corruption, which results in lost tax revenue and scares away investment, and a dysfunctional legal system, which damages public and investor confidence in the enforceability of their rights. Ultimately, all these factors have an impact on the IPR situation in the country, as the key to stronger IPR protection and enforcement lies in a further developed Philippine economy that derives more wealth from its IPR industries.

unemployment rate in the Philippines was higher than that of its neighboring countries in 2006. Id. The underemployment rate also grew five percentage points from 2004 to 2006, landing at 22.7%. Id. These problems drive many of the best and brightest workers overseas. See id. at 25. Having an army of workers abroad has its advantages, though, as Overseas Filipino Workers (OFWs) remitted $14.4 billion—about 10% of GDP—in 2006. Chino S. Leyco, Money Sent Home by Overseas Filipino Workers Hits New Record, MANILA TIMES, Feb. 16, 2008. Overall, however, the exodus of skilled labor from the Philippines hurts the country, both socially and economically. Kristin Choo, The Families Left Behind – For Better or Worse, CHICAGO TRIBUNE, July 7, 1996.

403 See discussion supra Part IV.A. World Bank Vice President of the East Asia & Pacific Region James W. Adams noted that “education has long been a key ingredient in most Asian countries’ growth strategies. Giving education priority has paid off. Increasing levels of education have been estimated to account for well over one third growth in the highest performing Asian economies between 1960 and 1990.” James W. Adams, Back to School: Education Pays Off for Asian Economies, SINGAPORE BUS. TIMES, Dec. 6, 2007, available at http://web.worldbank.org/WEBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/MALAYSIAEXTN/0,,contentMDK:21576095–menuPK:50003484~pagePK:2865066~piPK:2865079~theSitePK:324488,00.html. He also stated that in today’s global, knowledge-based economy, “a nation’s competitiveness has come to depend more and more on its ability to acquire, apply and produce knowledge.” Id.


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A. Oligopolies

Recently, the Philippines has experienced a period of relative prosperity. Since 2002, the country’s economic growth has averaged 5.3%.\textsuperscript{406} In 2007, the economy grew at 7.3%, its highest rate in decades.\textsuperscript{407} The country is getting richer, but not all Filipinos are seeing the benefits. A small number of families control much of the country’s wealth. The rich-poor gap, rather than decreasing with the country’s economic growth, has widened.\textsuperscript{408} Filipinos were on average poorer in 2006 than they were in 2004.\textsuperscript{409} Poverty reduction in the Philippines lags behind the rest of East Asia.\textsuperscript{410} Contemplating this failure to reduce poverty, a former School of Economics dean at one of the Philippines’ top universities speculated that “[e]ither GDP growth is not as high as we think or that GDP growth only benefits the very affluent or the members of the elite.”\textsuperscript{411}

The concentration of wealth in the hands of a limited elite winds up hurting the economy. Despite economic growth, investments continue to decline.\textsuperscript{412} The World Bank’s working paper, “Rising Growth, Declining Investment: The Puzzle of the Philippines,” addresses this dilemma, and reaches the following conclusions: “investment does not grow at the pace of GDP because the public sector cannot afford it, the capital-intensive private sector does not want to expand that fast, and the rest of the private sector does not need it.”\textsuperscript{413} The paper offers a com-

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\textsuperscript{406} Bocchi, supra note 398, at 5.
\textsuperscript{408} See Survey: Rich-Poor Gap Widens, supra note 288; Ordinario, Inefficient Tax Collection, Corruption Worsen Poverty in RP, says ADB, supra note 406; Ordinario, High GDP Growth Not Enough to Lick Poverty in RP, supra note 244. The ADB cites low revenue collection, rampant corruption, and political instability among the main reasons for the lack of poverty reduction in times of substantial economic growth. Ordinario, Inefficient Tax Collection, Corruption Worsen Poverty in RP, says ADB, supra note 405 (discussing the ADB’s report, “Philippines: Critical Development Constraints”).
\textsuperscript{409} See id. (noting that the percentage of families below the poverty threshold grew from 24.4% in 2004 to 26.9% in 2006).
\textsuperscript{410} See Bocchi, supra note 398, at 34.
\textsuperscript{411} Needed: Growth with Equity, supra note 407.
\textsuperscript{412} See Bocchi, supra note 398, at 5.
\textsuperscript{413} Id.
prehensive discussion of each of these points, but for the purposes of this Article, the focus will be on the unwillingness of much of the private sector (which is made up of large corporate conglomerates, many owned by the country’s ultra-wealthy families) to change the status quo.

First, “there is a low productivity of capital” because “several rentseeking corporate conglomerates, controlled by the local elite[,]” limit their competition.414 The oligopolies:

[U]se their political connections to: a) hinder tax collection, hence hampering public capital spending (which is a necessary condition for private investment: for example, the availability of public infrastructure is essential to stimulate the private sector’s willingness to invest); and b) limit economic entry, drive potential investors out, discourage smaller firms to grow bigger, produce expensive inputs, and enjoy market power and oligopolistic rents.415

Moreover, according to the World Bank paper, the oligopolies “reduce the investment appetite” in the Philippines.416 “Operating as monopolies and oligopolies, the corporate conglomerates find [it] convenient to restrict production – and investment – below the competitive level. Also, their willingness to invest is inhibited by their concentrated ownership structure, and their uncertainties about the stability and duration of government favoritism.”417 Additionally, the country has trouble attracting FDI.418 FDI barely grew in 2007,419 and still lags behind other Asian countries.420 Restrictions on foreign investment and land ownership,421 a “highly-protected business envi-

414 Id. at 17.
415 Id.
416 Id.
417 Id. (citations omitted)
418 See Sarmiento, supra note 399; see also Gatbonton, ‘Hospitalable’ Filipinos Like their Economy Closed, supra note 271(discussing the Philippine proclivity for protectionism). See generally Mejia, supra note 232 (discussing Philippine foreign investment law).
420 See INVESTMENT CLIMATE STATEMENT, supra note 21.
environment” that features “regulatory inconsistency and a lack of transparency[,]” and the lack of a comprehensive competition policy keep many multinational corporations out of the country. 422 And political turmoil, which is common in the Philippines, does little to encourage investment.

The World Bank paper also states that the oligopolies limit the country’s competitiveness while at the same time paying their workers enough to keep them complacent. 423 The oligopolies hurt traditional sectors of the economy, raising food prices, inhibiting trade, deterring tourism, limiting access to bank loans, and increasing the cost of infrastructure developments. 424 Yet,

[b]y paying higher wages—relative to other Asian countries—to the salaried insiders, the politically-connected corporate conglomerates use the rents resulting from the government’s preferential treatment to stabilize the economic system, secure ‘national labor peace’, and perpetuate the status quo. 425

For the Philippine economy to move forward, “[t]o break monopolies and increase competition in protected sectors,” the country needs “a clear vision, political will, and a coherent implementation strategy,” the World Bank paper states. 426 Unfortunately, none of these currently exists. There has traditionally been little, if any, political will to close the income inequality gap. 427 After all, as former president Fidel Ramos said, “the costs of reform must be paid largely by the rich and powerful families and social groups who have historically benefited from areas in which foreign investment is restricted or limited. These lists are normally updated every two years. The restrictions stem from a constitutional provision, Section 10 of Article XII, which permits Congress to reserve to Philippine citizens certain areas of investment.” INVESTMENT CLIMATE STATEMENT, supra note 21.

422 Bocchi, supra note 398, at 29; INVESTMENT CLIMATE STATEMENT, supra note 21; see generally Emmanuel A. Cruz, The Development of a Philippine Competition Policy and Law (Difficulties Encountered) (2004), http://www.jftc.go.jp/eacp05/APECTrainingProgram2003/Nazareth.pdf (discussing Philippine economic policy and arguing for the enactment of a comprehensive competition policy) [hereinafter Philippine Competition Policy].

423 Bocchi, supra note 398, at 25, 33.

424 Id. at 33.

425 Id. at 25.

426 Id. at 42.

their influence over the political and economic system, while its benefits are diffuse and the beneficiaries are largely the inarticulate and powerless masses of ordinary and poor people.”⁴²⁸

These groups that oppose reform “are powerful, well-organized, and focused” while the groups pushing for change and the “potential beneficiaries are weak, scattered, and disorganized.”⁴²⁹

The wealthy elite maintains its political clout through its families in office (the owners or majority shareholders of a number of powerful corporations are also members of Congress)⁴³⁰ or through political donations (thanks to limited lobbying regulations)⁴³¹ or both.⁴³² Few “dare challenge the entrenched oligarchy[,]” whether political or economic.⁴³³

B. Political Dynasties

As with the economy, a limited group of people exhibits too much control, this time over politics, in a culture that is more family-oriented than the individualistic West.⁴³⁴ One of the major barriers to instituting the economic reforms necessary to open up the Philippine economy is the political system—and more specifically, the political dynasties.⁴³⁵ The Philippines

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⁴²⁸ Ramos, supra note 400, at 14.
⁴²⁹ Id.
⁴³⁰ Philippine Competition Policy, supra note 422, at 9 (discussing sources of opposition to any kind of comprehensive competition policy in the country).
⁴³² For instance, a discussion paper from the Philippine Institute for Development Studies notes the reality that family-owned monopolies in the telecommunication and power distribution sectors “would be difficult to break” in part because of the influence they have on regulatory bodies. Patalinghug, supra note 421, at 43.
⁴³³ Ramos, supra note 400, at 14.
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has more of an oligarchy than a genuine democracy.436 Families dominate the political scene, making it difficult for outsiders to run a credible campaign.437 And these political clans tend to be the same families that are members of the country’s economic elite,438 a fact that hinders any efforts to break up the existing economic monopolies.439

Political dynasties in the Philippines, whose origins date back to the Spanish and subsequent American colonial periods, continue to grow in influence.440 The reach of country’s estimated 250 political families extends into all positions of the government and into every province.441 One 2004 study found that two-thirds of the members of the House of Representatives were a part of political clans, with the majority being second or third-generation politicians.442

Despite the constitutional mandate guaranteeing equal access to public office and explicitly prohibiting political dynasties,443 powerful families remain dominant in Philippine politics.444 The political clans maintain their grip on power due to the “seemingly immutable and unequal socioeconomic structure[.]”445 They use their money and influence to quash any effective political opposition.446 And it works, largely because the costs of running a credible independent campaign are far too

436 See Esposo, supra note 435.
437 See Conde, supra note 435.
438 See id.
440 See Conde, supra note 435. “Even after the country gained independence, in 1946, a largely feudal system persisted, as landed Filipino families [who were among the elite nurtured by the Spanish and Americans] sought to protect their interests by occupying public offices.” Id.
441 Id.
443 See SALIGANG BATAS NG PILIPINAS [Constitution] art. II (Phil.).
444 See Romero, supra note 435. There are, of course, many fine politicians that come from political dynasties. The real problem lies in the absence of choice Filipinos have when dynasties continue to dominate politics.
445 See Conde, supra note 435.
446 See id.
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high for the average person. Violence is also common, with more than 100 persons murdered in the run up to the May 2007 elections. Over the years the political clans have developed a sense of entitlement when it comes to public office, viewing a political position as “personal property” that can be transferred from one relative to another.

Another reason for the persistence of political dynasties in the country stems from the lack of genuine democracy and the consistently uninspiring political leadership. Political parties are personality-focused and organized around local political families and politicians, rather than being built around political issues and ideologies. Voters may have little idea what a particular candidate stands for (something they may have in common with the candidate), so they cast their ballot for the most recognizable name or not at all. Or their general distrust of politicians and feeling that all politicians are the same (i.e., ineffective or corrupt) fuel their apathy, keeping them from attempting to change the system. Sadly, many Filipinos have simply accepted the current dysfunctional political situation as inevitable.

C. Corruption

Corruption is the elephant in the room whenever anyone discusses governance in the Philippines. It ranges from the

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447 See id.
448 Id.
449 Personal Property, supra note 439; accord The Philippines: Limping Forwards, supra note 435; McIndoe, supra note 442; Conde, Family Ties Bind Philippine Government, supra note 435.
450 See Conde, supra note 435.
452 One survey found that sixty-five percent of Filipino respondents considered their current political leaders to be dishonest. Darwin G. Amojelar, Majority of Pinoy See Politicians as Dishonest, MANILA TIMES, Jan. 18, 2008, available at http://www.manilatimes.net/national/2008/jan/18/yehey/top_stories/20080118top2.html (quoting Gallup International’s “Voice of the People” survey). Forty-nine percent said politicians behave unethically. Id.
454 See Conde, supra note 435.
small-time (traffic police soliciting bribes) to the more significant (transportation officials smuggling cars)\textsuperscript{455} to the most serious (senior civil servants pocketing the equivalent of millions of U.S. dollars on overpriced government contracts).\textsuperscript{456} The Philippines consistently ranks as one of the most corrupt countries in Asia.\textsuperscript{457} According to a 2000 World Bank report and a Social Weather Stations (SWS) survey, it loses an astounding 20\% of its capital spending each year to corruption.\textsuperscript{458}  

A number of institutional and cultural factors contribute to the corruption problem in the Philippines. For instance, often it “is simply that of badly underpaid officials possessing wide discretionary powers over the conduct of business, the amount of taxes you must pay, and even whether or not you are to go to jail for violating some law or other.”\textsuperscript{459} Also, morale among civil servants is a problem, due in large part to the considerable number of political appointees in government that often leave the most qualified individuals behind.\textsuperscript{460} On the cultural side,

Corruption is a serious problem that has curbed the country’s economic growth. As U.S. Ambassador to the Philippines Kristie Kenney said, “[c]ompared to some of the fast-moving economies in Asia, the Philippines is not where it ought to be . . . [and] corruption plays a role in this.”\footnote{US Support vs. Graft, \textit{Bus. World} (Phil.), Apr. 21, 2006.} Economic and social development slow down when scarce government resources go into the pockets of crooked government officials rather than into programs and projects aimed at helping the average Filipino.\footnote{See Cost of Corruption, supra note 386; \textit{NBN Deal Controversy Sparks Soul-Searching in Business Sector}, \textit{Bus. Mirror} (Phil.), Feb. 15, 2008, available at http://www.businessmirror.com.ph/0215\&162008/nation03.html.} The quality and quantity of public resources and infrastructure suffers.\footnote{See Cost of Corruption, supra note 38; \textit{Op-Ed, Red Tape and Then Some, Inquirer News Service}, June 9, 2003, available at 2003 WLNR 471915; Persistent Corruption, supra note 457.} Goods and services become more expensive.\footnote{See Cost of Corruption, supra note 387; Op-Ed, Red Tape and Then Some, \textit{Inquirer News Service}, June 9, 2003, available at 2003 WLNR 471915; Persistent Corruption, supra note 457.} Investors think twice about putting money into the country.\footnote{See Cost of Corruption, supra note 387; Red Tape and Then Some, supra note 466; Persistent Corruption, supra note 457.} In the end, it is the poor Filipinos who suffer most from the selfishness and greed of their fellow citizens who are in positions of power.\footnote{The United States, for example, still grapples with issues such as the role of money in politics. See Ramos, supra note 400, at 16.}

Corruption, of course, remains a challenge all over the world, not just in the Philippines.\footnote{Id.} It is another complex problem without easy solutions.\footnote{Id.} Promoting ethical behavior is

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one strategy.471 Ultimately, though, government practices need to be transparent, and corrupt officials need to be held accountable.472 The pardon of former president and convicted plunderer Joseph Estrada by President Arroyo, before he served any prison time, reinforced the wrong message to politicians and civil servants—that well-connected and powerful individuals are above the law.473 Transparency International points out the strong correlation between poverty and corruption.474 As the Philippines gets richer, corruption will likely become less significant. As former president Ramos notes, for a country such as the Philippines:

[T]he central task in the fight against corruption must be to build community and state capacity, because successful development needs an efficient state with transparent government, skilled and honest bureaucrats, stable policies, and an effective legal order.475

D. The Dysfunctional Legal System

Finally, a dysfunctional legal system likely constrains a country's economic growth, perhaps significantly.476 It damages public and investor confidence “in the enforceability of contractual and property rights.”477 Despite this knowledge, the Philippines, whose legal system is riddled with inefficiency and corruption,478 has failed to implement reforms that would curb

471 See id.
474 Persistent Corruption, supra note 457.
475 Ramos, supra note 400, at 15.
476 See Sherwood, supra note 285, at 538 (noting economic research that indicates institutions, including the judicial system, are important to a country's economic performance); Robert M. Sherwood, Judicial Performance: Its Economic Impact in Seven Countries, available at http://www.isnie.org/ISNIE04/Papers/Sherwood.pdf [hereinafter Judicial Performance].
477 Helm, supra note 329, at 204; accord Persistent Corruption, supra note 457.
478 See Patalinghug, supra note 421, at 13-14. The report describes corruption as "entrenched" in the country and states that two agencies responsible for interpreting and implementing laws, the DOJ and the Office of the Ombudsman, have a history "littered with corruption and ineptness, which [has] fostered skepticism
corruption and cut down on the backlogs and delays that slow down the administration of justice. In order to correct these problems, resources must be devoted to, and used efficiently for, judicial prosecutorial capacity building. Judicial vacancies need to be filled, more prosecutors need to be hired, and both need to be trained, especially those who deal with IPR.\textsuperscript{479} Judges also should be held accountable in some way for the timely disposition of their cases, whether through the cultivation of a judicial sense of urgency, or monitoring, or both.\textsuperscript{480}

There may be a straightforward answer, besides the country’s general lack of resources, for the Philippines’ continued legal system woes: reform is not a priority for those who exercise power and influence in the country, the political and economic elite.\textsuperscript{481} According to a report by Robert M. Sherwood, which looked at the link between judicial performance and economic growth in seven countries, including the Philippines:

[T]he research shows that poor judicial performance costs a country dearly. Would this news not prompt citizens to press for improved judicial performance? Logic would suggest so, but even where the results have been well disseminated, reaction has instead been interested but mild. The reason may be simple. People in many countries, including particularly people in economically and politically powerful elite groups, prefer an alternative to judicial system recourse. They transact business largely within their social networks and thus have limited need for a judicial system that works well.\textsuperscript{482}

Sherwood states in another, earlier, article that significant legal system reform “is essentially a matter of political will” that can be achieved “[o]nce it is more widely understood that a national economy suffers substantially for lack of an effective judiciary[.]”\textsuperscript{483} But the leaders in the Philippines, even with this understanding, lack the political will for reform because it would do little to advance their interests, a phenomenon that

\begin{itemize}
\item \textsuperscript{479} See discussion supra Part III.D.4.b.
\item \textsuperscript{480} See IP COALITION 2007 SUBMISSION, supra note 2, at 10-12; see also discussion supra Part III.D.4.c.
\item \textsuperscript{481} See Judicial Performance, supra note 476, at 2.
\item \textsuperscript{482} Id.
\item \textsuperscript{483} Sherwood, supra note 285, at 542.
\end{itemize}
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Sherwood notes above. Just like with the current oligopolies and political dynasties, the economic and political elite is content with the legal system status quo.

Establishing specialized IPR courts, a long term goal of IP Philippines,\(^{484}\) may be one way to cut down on IPR case backlogs and delays and build a group of judges better equipped to handle complex IPR issues.\(^{485}\) Thailand’s specialized IPR court, which also hears international trade matters, has met with success since its creation in 1996,\(^{486}\) and Taiwan is now following Thailand’s lead by establishing its own specialized court and prosecutor’s office to deal with IPR cases.\(^{487}\) Despite their potential to shorten the disposition of IPR cases from a range of two to ten years to something more like six months to one year, IPR courts may be more dream than reality for the time being in the Philippines.\(^{488}\) One previous attempt to form two specialized IPR courts failed in 2005,\(^{489}\) and “there is nothing [on] the horizon that indicates the creation of [an] IPR Court or IP-dedicated Court is going to happen anytime soon[,]” according to the IP Coalition.\(^{490}\) IPR courts, unlike specialized environmental courts, of which the Supreme Court created 117 “for improved environmental adjudication” at the beginning of 2008, do not seem to be a priority.\(^{491}\)

Overall economic growth and a greater contribution to the country’s wealth from its IPR industries are the keys to improved IPR protection and enforcement in the Philippines. Currently, however, institutional problems in the economic, political, and legal sectors stand in the way of these goals. Oli-

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\(^{484}\) *STRENGTHENING THE IP SYSTEM*, supra note 24, at 35.

\(^{485}\) See Sherwood, supra note 285, at 539.

\(^{486}\) See Antons, supra note 11, at 4.


\(^{488}\) See IP COALITION 2008 SUBMISSION, supra note 22, at 11.


\(^{490}\) IP COALITION 2008 SUBMISSION, supra note 22, at 11. The IP Coalition notes that a specialized IPR court “need not be created by another special law; it can be some existing court made ‘IP-dedicated’ by an order issued by the Supreme Court.” *Id.* The important part is that the court has “the flexibility to allocate the time needed to resolve its cases most expeditiously and a judge imbued with a judicial sense of urgency.” *Id.*

gopolies, political dynasties, rampant corruption, and an inefficient legal system are all holding back the country’s economic potential. More specifically, they are preventing the country from fully realizing the benefits that come with strong IPR protection and enforcement, as whether strong IPR protection and enforcement translates into economic development likely depends on the soundness of a country’s economic, political, and legal institutions.

VII. Conclusion

Significantly reducing IPR infringement in the Philippines, whether the counterfeiting of physical goods or the growing problem of digital piracy, will take time. Outside pressure from the United States and other developed countries may help speed things up, but ultimately Filipinos have to understand and have a stake in strong IPR protection and enforcement. That IPR infringement remains entrenched in the Philippines is a reflection of the plight of a developing country. IPR advocates—from police to politicians to business owners—can effect only so much change within the country’s larger institutional framework. The Philippines is a poor nation, and just like other countries, developing or not, it has to prioritize how it uses its time and resources. IPR protection and enforcement—whose effectiveness suffer, in part, from a lack of funding and administrative capability as well as an overburdened, inefficient legal system—currently take a back seat to more pressing issues such as alleviating the suffering of the 27 million Filipinos who live in poverty, improving the country’s dire education system, and limiting terrorism and violent crime. Those in power, whether politicians or members of the economic elite (often the same people), are content with the IPR protection and enforcement status quo because IPR industries remain an insignificant source of the country’s wealth and because they want to protect their status and influence. While developed countries such as the United States tout the economic benefits that come with strong IPR protection and enforcement, Maskus and other scholars point out that strong IPR protection and enforcement

\[\text{Cf. Coonan, supra note 52 (noting the difficulty in eliminating piracy in any country).}\]

\[\text{Poverty Worsens, supra note 5.}\]
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alone will not likely lead to long-term economic growth and technological innovation. A country also needs sound institutions such as an open economy, political stability, and a well-functioning legal system in order to realize the lasting benefits that come with strong IPR protection and enforcement. These areas are where the Philippines need major improvements. Once the country pushes through institutional reforms, no easy feat considering the grip oligarchs have on money and politics, its economy will grow. In turn, IPR industries will become more important to its sustained economic growth and global competitiveness. Only after these changes are in place will the Philippines vigorously protect and enforce IPR, and that is when IPR infringement will no longer remain entrenched in the Philippines.