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Legal finesse

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5 Things to Expect with PHL's Accession to the Madrid Protocol

The Intellectual Property Office of the Philippines (IPOPHL) will begin accepting applications for international registration and designation of the Philippines using the Madrid Protocol beginning 25 July 2012. Trademark owners should expect the following changes after IPOPHL issued its own regulations covering Madrid:

1. Philippine trademark owners can secure an international registration using one application.

Using a pending local application or an IPOPHL-registered mark, Filipinos can now file a single international application with the International Bureau (IB) of the World Intellectual Property Organization (WIPO) also through the IPOPHL and designate over 80 jurisdictions, including the European Union, United States of America, Japan, China and Singapore, where they can get protection for their trademarks. The designated jurisdictions have at most 18 months to refuse the application in accordance with their respective trademark laws. The national protection in each of the designated jurisdictions will be granted in favor of the applicant where there is no refusal issued within the given period or where the refusal, if made, had been withdrawn.

IPOPHL will be charging a handling fee of Php2, 181.00 (about US$52.00) for every international application it receives as an office of origin. Payment for the international application itself will have to be made to WIPO's IB directly based on each jurisdiction's fees in Swiss francs.

2. Philippines now a Designated Contracting Party.

Prior to the accession of the Philippines to the Madrid Protocol, foreign trademark owners need to secure the services of local trademark agents in order to prosecute the registration of their marks in Madrid-member countries. Starting 25 July, foreign trademark owners can check off the Philippines in the list of jurisdictions where their international application will be prosecuted. If they already have an internationally registered mark, the owners can subsequently designate the Philippines to secure protection in this jurisdiction. However, if the IPOPHL issues a refusal within the 18 months from filing or designation, the foreign trademark owners need to secure the services of local counsel in order to overcome the refusal.

3. Philippine trademark owners can update the status of their Madrid-registered marks through one agency.

Any recordal of an assignment or licensing of a trademark covered by an international registration can be done with the IB and such transaction will have the same effect in the Philippines. For license agreements, copies thereof must be submitted with the IPOPHL within two months from recording with the IB in order to prove compliance with the prohibited and mandatory clauses provisions of the IP Code, otherwise these agreements will not be enforceable in the Philippines.

4. Owners of Madrid-registered marks can ask the replacement for their Philippine marks.

Holders of Philippine-registered trademarks can ask for the replacement of said marks with their trademarks previously registered through the Madrid Protocol. Any protection that the trademark owners have acquired through local registration will be tacked on to their international registration. By replacing the local trademarks with Madrid marks, they can now easily manage their marks through the WIPO's IB website.

5. Cancellation of Madrid marks through central attack now applicable to Philippines.

Foreign trademark owners with marks registered using the Madrid system who designated the Philippines need to ensure that the basic marks which they filed in their office of origin survive the 5-year dependency period. If their basic marks are canceled within the dependency period, their Philippine-designated marks will also suffer the same fate. If this happens, they can always transform their canceled Madrid-registration into individual national applications. Interests of trademark owners (Filipinos and foreigners alike) are best served if they wait for the completion of the registration of their basic marks in their office of origin before embarking on Madrid. (19 June 2012)

Employees of a Losing Division may be Retrenched, While Entire Company Remains Profitable

The Supreme Court once again emphasized the need for compliance with the substantive and procedural requisites of a valid retrenchment. It has further added that the closure of a division which is a legitimate subsidiary constitutes retrenchment, by and not closure, of the umbrella company itself. If the division or department has become a losing venture, it may be closed down and a retrenchment may be declared by the company.

In *Waterfront Cebu City Hotel v. Jimenez, et al. (G.R. No. 174214, 13 June 2012),* 45 employees of Club Waterfront, a separate subsidiary owned by but was operated as division of Waterfront Cebu City Hotel, received separation letters from the Hotel after the suspension of the operations of the Club. The Hotel likewise informed the Department of Labor and Employment a month before the closure of the Club. After the Club closed, the retrenched employees filed a case for illegal dismissal and other claims against the Hotel.

The employees contested the retrenchment. The Hotel, on the other hand, said that the Club had been incurring losses that the Hotel had to temporarily cease operations of the latter.

The Court affirmed the retrenchment done by the Hotel of its subsidiary. For a valid retrenchment, the following elements must be present:

(1) The retrenchment is reasonably necessary and likely to prevent business losses which, if already incurred, are not merely de minimis, but substantial, serious, actual and real, or if only expected, are reasonably imminent as perceived objectively and in good faith by the employer;

(2) The employer served written notice both to the employees and to the DOLE at least one month prior to the intended date of retrenchment;

(3) The employer pays the retrenched employees separation pay equivalent to one (1) month pay or at least ½ month pay for every year of service, whichever is higher;

(4) The employer exercises its prerogative to retrench employees in good faith for the advancement of its interest and not to defeat or circumvent the employees' right to security of tenure; and

(5) The employer used fair and reasonable criteria in ascertaining who would be dismissed and who would be retained among the employees, such as status, efficiency, seniority, physical fitness, age, and financial hardship for certain workers.

(6) All these elements were successfully proven by the Hotel according to the Court.

First, the huge losses suffered by the Club for the past two years forced the Hotel to close it down to avert further losses which would eventually affect the Hotel's operations. Even though the financial statements of the Hotel revealed that overall there was no loss, this fact does not mean that the Club was still profitable. The Club was a separate unit in the organization of the Hotel.

Second, all 45 employees working under the Club were served with notices of termination. The Hotel also served the corresponding notice to the DOLE one month prior to retrenchment.

Third, the employees were offered separation pay.

Fourth, cessation of or withdrawal from business operations was bona fide in character and not impelled by a motive to defeat or circumvent the tenurial rights of employees. The Club had not even resumed operations. Neither is there a showing that the Hotel carried out the closure of the business in bad faith. No labor dispute existed between management and the employees when the latter were terminated. (26 June 2012)

Department of Labor Clarifies Application of Contracting Rules to BPOs and Construction Industry

After the Department of Labor and Employment (DOLE) received various queries from the Business Processing Outsourcing/Knowledge Process Outsourcing (BPO/KPO) industry and the construction industry when the DOLE issued Department Order 18-A, Series of 2011 on the implementation of Articles 109 to 109 of the Labor Code to these industries, the department came out with Circular No. 1, Series of 2012 to answer the concerns of the stakeholders.

Labor Contracting Defined

DO 18-A defines contracting as "an arrangement whereby a principal agrees to put out or farm out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal."

The Order also defines the trilateral relationship as a contract for a specific job, work or service between the principal and the contractor, and a contract of employment between the contractor and its workers.

Based on these definitions, there are three (3) parties involved in the contracting and subcontracting arrangements namely:

1. the principal who decides to farm out a job, work or service to a contractor;

2. the contractor who has the capacity to independently undertake the performance of the job, work or service; and

3. the contractual workers engaged by the contractor to accomplish the job, work or service.

BPOs/KPOs excluded

Information technology-enabled services involving entire business processes, including but not limited to BPOs, KPOs, legal process outsourcing, hardware/ software support, medical transcription, animation services, back office operations or support, are excluded from the coverage of DO 18-A. These types of companies may hire employees based on applicable laws and maintain these employees based on business requirements which could be different from client to client and at different periods of the employees' appointment.

Only trilateral relationships that govern the contracting/subcontracting arrangements contemplating a generic or focused singular activity in one contract between the principal and the contractor are covered by DO 18-A. Some of the activities included are janitorial, security, merchandising, or specific production work.

Department Order No. 19 covers Construction Industry

On the other hand, the construction industry will continue to be covered by Department Order No. 19, Series of 1993. DO No. 19 also defines contracting and subcontracting specific to the construction industry, thus:

The practice of contracting out certain phases of a construction project is recognized by law, particularly wage legislations and wage orders and by industry practices. The Labor Code and its implementing regulations allow the contracting out of jobs under certain conditions. Where such job contracting is permissible, the construction workers are employees of the contractor or subcontractor as the case maybe.

Aside from DO No. 19, the other regulations concerning labor contracting applicable in the construction industry are Department Order No. 13, Series of 1998 (Guidelines Governing the Occupational Safety and Health in the Construction Industry); and DOLE-DPWH-DILG-DTI and PCAB Memorandum of Agreement-Joint Administrative Order No. 1, Series of 2011 (on coordination and harmonization of policies and programs on occupational safety and health in the construction industry). (15 May 2012)

No Need to Wait 180 Days: Reckoning Date to Appeal is Date of Receipt of CIR Decision on Protest

In case of the inaction by the Commissioner of Internal Revenue on a protested assessment, the taxpayer has two options, either: (1) file a petition for review with the Court of Tax Appeals within 30 days after the expiration of the 180-day period; or (2) await the final decision of the Commissioner on the disputed assessment and appeal such final decision to the CTA within 30 days after the receipt of a copy of such decision, these options are mutually exclusive and resort to one bars the application of the other. This rule was reiterated in *Rizal Commercial Bank Corporation vs.CIR (G.R. No. 168498, 24 April 2007).*

However, in the recent case of *Lascona Land Co, Inc. vs. Commissioner of Internal Revenue (G.R. No. 171251, 5 March 2012),* the High Court clarified that it is the final decision of the CIR on the protest of the taxpayer against the assessment that is appealed to the CTA within 30 days after the receipt of a copy of such decision.

Lascona Land Co., Inc. (Lascona) received an assessment notice from the CIR on its alleged deficiency income tax. Lascona filed a letter protest, but the CIR subsequently denied it in a Letter dated 3 March 1999. Lascona then appealed the decision to the CTA on 12 April 1999. The CTA nullified the subject assessment, but on appeal, the Court of Appeals reversed the decision and declared the assessment as final, executory and demandable due to the failure of Lascona to file an appeal before the CTA within 30 days from the lapse of the 180-day period.

In reversing the decision of the appellate court, the Supreme Court declared that Lascona's appeal was timely filed on 12 April 1999 before the CTA. The appeal was made within 30 days after receipt of the copy of the decision, reckoned from 12 March 1999 when Lascona received the Letter dated 3 March 1999.

The Lascona case follows the discussion on the meaning of "decisions" as regards the filing of an appeal with the CTA. In Commissioner of Internal Revenue vs. Villa (G.R. No. L-23988, 2 January 1968), the High Court held that the word "decisions" in paragraph 1, Section 7 of Republic Act No. 1125 has been interpreted to mean the decisions of the CIR on the protest of the taxpayer against the assessments, and not the assessment itself. (31 May 2012)

FNS Law celebrates 19th Year

Founding partners Ogie, Sig, and Dicky hamming it up in White Beach, Puerto Galera, where the entire Firm spent a weekend of sun, sand and sports.

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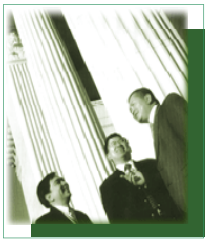

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