

GUIDELINES TO IMPLEMENT CHAPTER IX, PART II OF THE INTELLECTUAL PROPERTY CODE ON VOLUNTARY LICENSING

PART I

PROCEDURES FOR REGISTRATION OF TECHNOLOGY TRANSFER ARRANGEMENTS

1. Definitions

(1) Definition of terms. - For purposes of these rules and regulations, the following terms shall be understood as follows:

- (a) "Office" shall refer to the Intellectual Property Office.
- (b) "DITTB" shall refer to the documentation, Information and Technology Transfer Bureau of the Office.
- (c) "AFHRDSB" shall refer to the Administrative, Financial and Human Resource Development of the Office.
- (d) "Technology Transfer Arrangements" shall mean contracts/agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, rendering of a service including management contracts; and the transfer, assignment or licensing of all forms of intellectual property rights, including licensing of computer software except computer software developed for mass market. (SEC. 4.2, PART I of the INTELLECTUAL PROPERTY CODE) Pursuant to the provisions of SEC. 182, CHAPTER VII of the INTELLECTUAL PROPERTY CODE, licensing of copyrights and related rights shall not be covered under the definition of a technology transfer arrangement unless the licensing thereof shall involve the transfer of systematic knowledge.
- (e) "Intellectual Property Rights" shall consist of: (SEC. 4.1, PART I of the INTELLECTUAL PROPERTY CODE)
 - 1. Copyright and Related Rights;
 - 2. Trademarks and Service Marks;
 - 3. Geographic Indications;
 - 4. Industrial Designs;
 - 5. Patents
 - 6. Layout-Designs (Topographies) of Integrated Circuits; and
 - 7. Protection of Undisclosed Information.
- (f) "Undisclosed Information" shall mean information which:
 - (i) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question.
 - (ii) has commercial value because it is secret; and
 - (iii) has been subject to reasonable steps under the circumstances to keep it secret, by the person lawfully in control of the information.
- (g) "Computer software developed for mass market" shall mean computer software produced, made and marketed for a broad range of purposes and users including end-users and commercial users; sold over the counter or via standard delivery mechanisms; payments not based on royalty basis; generally provides for an indefinite term for the use of the software; and where there is no need of any customization, by the supplier or distributor.
- (h) "IPO Gazette" shall refer to the gazette published by the Office. (SEC 4.4, PART I of the INTELLECTUAL PROPERTY CODE)

2. Functions of DITTB

(1) Functions. The DITTB shall have the following functions: (SEC. 11 PART of the INTELLECTUAL PROPERTY CODE)

- (a) Support the search and examination activities of the Office through the following activities:
 - i) Maintain and upkeep classification system whether they be national or international such as the International Patent Classification (IPC) system;
 - ii) provide advisory services for the determination of search patterns;
 - iii) Maintain search files and search rooms and reference libraries; and
 - iv) Adapt and package industrial property information.
- (b) Establish networks or intermediaries or regional representatives;
- (c) Educate the public and build awareness on intellectual property through the conduct of seminars and lectures, and other similar activities;
- (d) Establish working relations with research and development institutions as well as with local and international intellectual property professional groups and the like;
- (e) Perform state-of-the-art searches;
- (f) Promote the use of patent information as an effective tool to facilitate the development of technology in the country;
- (g) Provide technical, advisory, and other services relating to the licensing and promotion of technology, and carry out an efficient and effective program for technology transfer; and
- (h) Register technology transfer arrangements, and settle disputes involving technology transfer payments.

3. Registration of Technology Transfer Arrangements

(1) Filing of Technology Transfer Arrangements. Exemption from the provisions of SEC. 87 and SEC. 88, CHAPTER IX, PART II of the INTELLECTUAL PROPERTY CODE may be allowed by the Director of the DITTB after the evaluation of the request therefor accompanied by the following:

- (a) Letter from the applicant stating the exemption/s being requested and the verified statement of the justification for the exemption/s;
 - (b) Copy of the agreement; and
 - (c) Other documents that will be required by the DITTB to support and establish the merits of the request. For purpose of the above, the applicant may submit either a draft or a duly executed agreement to the DITTB.
- (2) Who may File. Either party to a technology transfer arrangement or his duly authorized representative may file a request for exemption with the DITTB Director.
- (3) Where to File. Filing of agreements shall be in accordance with the following schedule:
- (a) New Agreements - within thirty (30) days from the date of execution or effectivity, whichever is earlier;
 - (b) Renewal Agreements - within thirty (30) days before the expiration of the term of the existing technology transfer agreement; and
 - (c) Amendatory Agreements - Within thirty (30) days from such amendment or modification.
- (4) Notice of Additional Requirements. - Should the DITTB find the documents submitted incomplete, DITTB shall issue a notice to the applicant, within six (6) days from the filing of the request, requiring applicant to submit the additional documents. Failure of the applicant to comply with any of the requirements within a period of fifteen (15) days from the date of receipt of the notice shall be construed as an abandonment of the application. Should the applicant require additional time to comply with the submission of the documentary requirements, a final extension of fifteen (15) days will be granted upon payment of the required fee.
- (5) Notice of Official Acceptance. The date of full compliance by the applicant with all the pertinent requirements of the DITTB shall be deemed as the date of official acceptance, which

shall be duly recorded in the Official Acceptance Entry Book. The DITTB shall issue a Notice of Official Acceptance in favor of the applicant. Evaluation of the request shall commence on the date of official acceptance.

4. Evaluation Procedures and Guidelines

(1) Scope of Evaluation. In exceptional or meritorious cases where substantial benefits will accrue to the economy, such as high technology content, increase in foreign exchange earning, employment generation, regional dispersal of industries and/or substitution with or use of local raw materials, or in the case of Board of Investments registered companies with pioneer status, exemption from the requirements of SEC. 87 of the Prohibited Clauses and SEC. 88 of Mandatory Provisions may be allowed by the DITTB after evaluation thereof on a case by case basis. (SEC. 91, CHAPTER IX, PART II of the INTELLECTUAL PROPERTY CODE)

(2) Acceptable Worldwide Industry Standards and Practices. As part of the evaluation procedure for request for exemptions, the DITTB shall take into account accepted worldwide industry standards and practices for licensing technology.

(3) Prohibited Clauses. The following provisions shall be deemed prima facie to have an adverse effect on competition and trade: (Quoted From SEC. 87, CHAPTER IX, PART II of the INTELLECTUAL PROPERTY CODE)

- (a) Those which impose upon the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor;
- (b) Those pursuant to which the licensor reserves the right to fix the sale or resale prices of the products manufactured on the basis of the license;
- (c) Those that contain restrictions regarding the volume and structure of production;
- (d) Those that prohibit the use of competitive technologies in a non-exclusive technology transfer arrangement;
- (e) Those that establish a full or partial purchase option in favor of the licensor;
- (f) Those that obligate the licensee to transfer for free to the licensor the inventions or improvements that may be obtained through the use of the licensed technology;
- (g) Those that require payment of royalties to the owners of patents for patents which are not used;
- (h) Those that prohibit the licensee to export the licensed product unless justified for the protection of the legitimate interest of the licensor such as exports to countries where exclusive licenses to manufacture and/or distribute the licensed product(s) have already been granted;
- (i) Those which restrict the use of the technology supplied after expiration of technology transfer arrangement, except in cases of early termination of technology transfer arrangement due to reason(s) attributable to the licensee;
- (j) Those which require payments for patents and other industrial property rights after their expiration, termination arrangement;
- (k) Those which require that the technology recipient shall not contest the validity of any patents of the technology supplier;
- (l) Those which restrict the research and development activities of the licensee designed to absorb and adapt the transferred technology to local conditions or to initiate research and development programs in connection with new products, processes or equipment;
- (m) Those which prevent the licensee from adapting the imported technology to local conditions, or introducing innovation to it, as long as it does not impair the quality standards prescribed by the licensor;
- (n) Those which exempt the licensor from liability for non-fulfillment of his responsibilities under the technology transfer arrangement and/or liability arising from third party suits brought about by the use of the licensed product or the licensed technology; and
- (o) Other clauses with equivalent effects.

(4) Recognition of Valid Intellectual Property Rights. In the assessment of requests for exemptions under Rule 4.3(i) of this Rule, the DITTB shall take into consideration valid patent, copyright, trademark, trade secret or other similar intellectual property rights protection subsisting upon the termination or expiration of the technology transfer arrangement, unless the prohibition is authorized by Philippine law.

(5) Mandatory Provisions. The following provisions shall be included in voluntary license contracts: (Quoted From SEC. 88, CHAPTER IX, PART II of the INTELLECTUAL PROPERTY CODE)

(a) That the laws of the Philippines shall govern the interpretation of the same and in the event of litigation, the venue shall be the proper court in the place where the licensee has its principal office;

(b) Continued access to improvements in techniques and processes related to technology shall be made available during the period of the technology transfer arrangement;

(c) In the event the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) or Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC) shall apply and the venue of arbitration shall be the Philippines or any neutral country;

(d) The Philippine taxes on all payments relating to the technology transfer arrangement shall be borne by the licensor.

(6) Decision. The DITTB shall render action on applications within thirty-five (35) days from date of official acceptance.

(7) Issuance of Certificate. The DITTB shall issue the Certificate of Registration within two (2) days from the date of full compliance by the applicant of all the registration requirements. In the event that a draft agreement was submitted for evaluation, the issuance of the Certificate of Registration shall be subject to the submission of the duly executed agreement which shall not contain any amendment not authorized by the DITTB.

(8) Certificate Registry Book. After the issuance of the Certificate of Registration, the title of the technology transfer arrangement and parties thereto, its registration number and the date of registration shall be entered in the Certificate Registry Book.

(9) Cancellation Registry Book. Automatic cancellation of registration shall be made upon receipt of a verified copy of the registered contract which was amended or modified by the parties without approval of the DITTB and where the amendment constituted a violation of the provisions of Sec. 87 and SEC. 88, CHAPTER IX, PART II of the INTELLECTUAL PROPERTY CODE. The DITTB may also cancel the registration of the technology transfer arrangement and require the surrender of the Certificate of Registration if after evaluation the DITTB has established that the justification for the grant of an exemption submitted by the applicant does not exist or has ceased to exist. Such action will be made only after the parties in whose names the Certificate of Registration was issued are given an opportunity to be heard.

5. Trademark License Agreement.

(1) DITTB Clearance Prior to Recordal with the IPO. Any trademark license agreement falling under the purview of SEC. 150.1 and SEC. 150.2, PART III of the INTELLECTUAL PROPERTY CODE shall be filed with the DITTB for clearance.

(2) Within a period of ten (10) days, the DITTB shall determine whether such agreement violates any of the provisions of SEC. 87 or SEC. 88, CHAPTER IX, PART II of the INTELLECTUAL PROPERTY CODE.

(3) If an agreement submitted for DITTB clearance does not violate SEC. 87 and SEC. 88, CHAPTER IX, PART II of the INTELLECTUAL PROPERTY CODE, the DITTB shall issue a notice of clearance and shall forward the agreement to the relevant Bureau of the Office for recordal purposes.

(4) Should any provision of the agreement violate SEC. 87 and SEC. 88, CHAPTER IX, PART II of the INTELLECTUAL PROPERTY CODE, the DITTB shall issue a notice to the parties in the

agreement informing them of the violation and requiring them to comply with Rule 4.3 and Rule 4.5 prior to recordal.

6. Requests for Reconsideration

(1) Requests for Reconsideration. Requests for reconsideration of all actions or decisions rendered by the DITTB Director shall be filed in writing stating clearly and concisely the reasons therefor and shall, whenever relevant, be accompanied by supporting documents. The request shall be filed with the DITTB Director within fifteen (15) days from receipt of the decision and shall be accompanied with full payment of the required fee. The DITTB Director shall render final decision within thirty-five (35) days from the date of filing of the request in accordance with this section.

(2) Appeal to the Director-General. Appeals from the decision of the DITTB Director shall be filed with the Office of the Director-General in writing stating clearly and concisely the reasons therefor and shall whenever relevant, be accompanied by supporting documents. The appeal to the Office of the Director-General shall be made within fifteen (15) days from receipt of the decision of the DITTB Director and shall be accompanied with full payment of the required fee.

(3) Appeal to the Secretary of Trade and Industry. Decisions of the Director-General shall be final and executory unless an appeal to the Secretary of Trade and Industry is filed within fifteen (15) days from receipt of the decision of the Director-General.

7. Miscellaneous Provisions

(1) Rights of Licensor. In the absence of any provision to the contrary in the technology transfer arrangement, the grant of license shall not prevent the licensor from granting further licenses to third person nor from exploiting the subject matter of the technology transfer arrangement himself. (Quoted From SEC. 89, CHAPTER IX, PART II of the INTELLECTUAL PROPERTY CODE).

(2) Rights of Licensee. The licensee shall be entitled to exploit the subject matter of the technology transfer arrangement during the whole term of the technology transfer arrangement. (SEC. 90, CHAPTER IX, PART II of the INTELLECTUAL PROPERTY CODE)

(3) Technology Transfer Agreements Subject of Judicial Proceedings. The DITTB shall not take cognizance of any request for exemption, clearance for Bureau of Internal Revenue purposes or recordal where the enforceability of a technology transfer arrangement has become the subject of a judicial proceeding.

(4) Publications. The DITTB shall cause to be published in the IPO Gazette all registered technology transfer agreements. The publication shall contain the names of the parties, title and subject of the agreement, and specific exemptions granted. (Quoted From SEC. 5.1 (e), PART I of the INTELLECTUAL PROPERTY CODE)

(5) Certificate of Compliance and Approval for Internal Revenue Purposes. (a) The parties to a technology transfer arrangement may jointly file a request under oath for a certification to the effect that the technology transfer arrangement conforms with SEC. 87 and SEC. 88 of the INTELLECTUAL PROPERTY CODE. The request shall also contain a statement that the certification is for the sole purpose of complying with the requirement of the Bureau of Internal Revenue on approval of technology transfer arrangements.

(b) The DITTO shall conduct a summary evaluation of the technology transfer arrangement within ten (10) days from filing. If the technology transfer arrangement conforms with the provisions of SEC. 87 and SEC. 88 of the INTELLECTUAL PROPERTY CODE, the DITTB shall issue a Certificate of Compliance and Approval. Otherwise, the DITTB shall consider the technology transfer arrangement as filed pursuant to the provisions of Rule 3 of these Rules and Regulations.

8. Transitory Provisions

(1) Transitory Provisions. These RULES shall apply to:

(a) all applications for registration/request for exemption of new, renewal or mandatory technology transfer arrangement with effectivity date of January 1, 1998 filed on, before, or after January 1, 1998;

(b) all applications for registration of new, renewal or mandatory technology transfer arrangement with effectivity date earlier than January 1, 1998 and filed on or after January 1, 1998;

(c) all applications for registration of new, renewal or mandatory technology transfer arrangements with effectivity date earlier than January 1, 1998 and filed before January 1, 1998 unless the applicant elects to pursue the application under the Rules of Procedures of the Technology Transfer Registry of the Bureau of Patents, Trademarks and Technology Transfer within ten (10) days from receipt of notice from the DITTB.