

## [ IPO, October 02, 1998 ]

### **RULES AND REGULATIONS ON VOLUNTARY LICENSING**

Whereas, the State recognizes that an effective intellectual and industrial property system is vital to the development of domestic creativity, facilitates transfer of technology, attracts foreign investments and ensures market access for our products;

Whereas, the State recognizes that the use of intellectual property bears a social function and to this end, the State shall promote the diffusion of knowledge and information for the promotion of national development and progress and the common good;

Whereas, it is the policy of the State to liberalize the registration of the transfer of technology and enhance the enforcement of intellectual property rights in the Philippines;

Whereas, there is a need to encourage the transfer of technology, prevent or control practices and conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition and trade;

Now, therefore, pursuant to the provisions of Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines, the following rules and regulations on voluntary licensing are hereby promulgated:

#### **PART 1** **Definitions**

*Rule 1. Definition of Terms.* Unless otherwise specified, the following terms shall have the meaning provided in this Rule:

- (a) *"Amendatory Agreement"* means an agreement that amends any of the terms and conditions of the agreement;
- (b) *"Bureau"* means the Documentation, Information and Technology Transfer Bureau of the Intellectual Property Office;
- (c) *"Computer Software Developed for Mass Market"* means computer software that:
  - (i) is produced, made and marketed for a broad range of purposes and users including end-users and commercial user;
  - (ii) is sold over the counter or via standard delivery mechanisms;

- (iii) involves payments that are not based on royalty;
  - (iv) generally provides for an indefinite term for the use of the software; and
  - (v) does not need any customization by the supplier or distributor.
- (d) "*Director*" means the Director of the Documentation, Information and Technology Transfer Bureau;
- (e) "*Director General*" means the head of the Intellectual Property Office;
- (f) "*Intellectual Property Rights*" means:
1. Copyright and Related Rights;
  2. Trademarks and Service Marks;
  3. Geographic Indications;
  4. Industrial Designs;
  5. Patents;
  6. Layout-Designs (Topographies) of Integrated Circuit; and;
  7. Protection of Undisclosed Information
- (g) "*IP Code*" means Republic Act No. 8293 otherwise known as the Intellectual Property Code of the Philippines;
- (h) "*IPO Gazette*" means the Intellectual Property Office's own publication where all matters required to be published under the IP Code shall be published;
- (i) "*Mandatory Provisions*" means provisions that shall be included in voluntary license contracts as provided in Section 88 of the IP Code and reproduced in rule 3 of these Regulations;
- (j) "*Office*" means the Intellectual Property Office;
- (k) "*Prohibited Clauses*" means provisions in Technology Transfer Arrangements that are deemed prima facie to have an adverse effect on competition and trade as provided in Section 87 of the IP Code and reproduced in Rule 2 of these Regulations;
- (l) "*Regulations*" means this set of rules and regulations and such rules and regulations as may be formulated by the Director of the Documentation, Information and Technology Transfer Bureau and approved by the Director General;
- (m) "*Renewal Agreement*" means any agreement that extends the term of an agreement registered with the Office or with the former Technology Transfer Registry of the former Bureau of Patents, Trademarks and Technology Transfer, without any amendment or other modification of any other provision of the previously registered agreement;
- (n) "*Technology Transfer Arrangements*" shall mean contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or 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.

The licensing of copyright is considered a technology transfer arrangement only if it involves the transfer of systematic knowledge.

(o) *"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.

*Rule 2. Prohibited Clauses.* Pursuant to Section 87 of the IP Code, the following provisions and other clauses with equivalent affect shall be deemed prima facie to have an adverse effect on competition and trade:

(1) 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;

(2) Those pursuant to which the licensor reserves the right to fix that sale or resale prices of the products manufactured on the basis of the license;

(3) Those that contain restrictions regarding the volume and structure of production;

(4) Those that prohibit the use of competitive technologies in a non-exclusive technology transfer arrangement;

(5) Those that establish a full or partial purchase option in favor of the licensor;

(6) 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;

(7) Those that require payment of royalties to the owners of patents for patents which are not used;

(8) 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;

(9) Those which restrict the use of the technology supplied after the expiration of technology transfer arrangement, except in cases of early termination of the technology transfer arrangement due to reason(s) attributable to the licensee;

- (10) Those which require payments for patents and other industrial property rights after their expiration or termination of the technology transfer arrangement;
- (11) Those which require that the technology recipient shall not contest the validity of any patents of the technology supplier;
- (12) 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;
- (13) 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;
- (14) 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.

*Rule 3. Mandatory Provisions.* Pursuant to Section 88 of the IP Code, the following provisions shall be included in voluntary license contracts:

- (1) 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;
- (2) Continued access to improvements in techniques and processes related to technology shall be made available during the period of the technology transfer arrangement;
- (3) 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; and
- (4) The Philippine taxes on also payments relating to the technology transfer arrangement shall be borne by the licensor.

## **PART 2**

### **Registration of Exempt Technology Transfer Arrangements**

*Rule 4. Application for Exemption.* A sworn application for exemption from any of the Prohibited Clauses and/or Mandatory Provisions of the IP Code may be filed with the Director stating the exemption/s being requested, the justification for the exemption/s, and that the agreement is not subject of any judicial, administrative or other proceeding.

The application must be accompanied by a copy of the agreement, payment of the

appropriate feels, and other documents that may be required by the Bureau to support and establish the merits of the request.

The applicant may submit either a draft or a duly executed and notarized agreement.

*Rule 5. Who may File.* Any party to a technology transfer arrangement or his duly authorized representative may file an application for exemption with the Director.

*Rule 6. When to File.* The application shall be filed 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* — anytime prior to the expiration of the term of the existing technology transfer agreement; and
- (c) *Amendatory Agreements* — within thirty (30) days from the date of effectivity of such amendment or modification.

*Rule 7. Filing Date.* The date on which the applicant complies with the requirements of the Bureau is the Filing Date which shall be duly recorded in the Filing Date Entry Book. The Bureau shall issue to the applicant a Notice of Filing Date which is also the date when evaluation of the request shall commence.

*Rule 8. Notice of Additional Requirements.* Should the Bureau find that the documents submitted are incomplete or insufficient, the Bureau shall issue a notice to the applicant, within six (6) days from the Filing Date, requiring the 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 without prejudice to refiling as a new application. Should the applicant require additional time to comply with the requirements, a final extension of fifteen (15) days will be granted upon payment of the required fee.

*Rule 9. Scope of Evaluation.* Requests for exemption shall be evaluated based on the adverse effects of the terms and conditions of the technology transfer arrangement on competition and trade. Exemption from the Prohibited Clauses and Mandatory Provisions of the IP Code will be granted in exceptional or meritorious cases where substantial benefits will accrue to the economy, such as:

- (a) high technology content;
- (b) increase in foreign exchange earnings;
- (c) employment generation;
- (d) regional dispersal of industries;
- (e) substitution with or use of local raw materials;
- (f) pioneer status registration with the Board of Investments.

*Rule 10. Acceptable Worldwide Industry Standards and Practices.* As part of the evaluation procedure for requests for exemptions, the Bureau shall take into account acceptable worldwide industry standards and practices for licensing technology in