

## **Rules & 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**

**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 users;
  - (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 Circuits; 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.

Prohibited Clauses. Pursuant to Section 87 of the IP Code, the following provisions and other clauses with equivalent effect 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 the 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.

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 all 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 fee/s, 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 refile 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 the relevant sectors.

**Rule 11.** Recognition of Valid Intellectual Property Rights. In the assessment of requests for exemptions involving clauses which restrict the use of the technology supplied after the expiration of the technology transfer arrangement under Section 87.9 of the IP Code, the Bureau shall take into consideration the protection of valid patent, copyright, trademark, trade secret or other intellectual property rights subsisting even after the termination or expiration of the technology transfer arrangement.

**Rule 12.** Payment of taxes. In the evaluation of requests for exemption involving provisions which do not require the licensor to pay Philippine taxes on all payments relating to the technology transfer arrangement under section 88.4 of the IP Code (Rule 3 (4) of these Regulations), the Bureau shall take into consideration current laws, rules and regulations issued by the Bureau of Internal Revenue regarding the liability for payment of such taxes.

**Rule 13.** Decision. The Bureau shall decide whether or not to grant the application within thirty-five (35) days from the Filing Date.

**Rule 14.** Issuance of Certificate. The Bureau shall issue the Certificate of Registration within two (2) days from approval of the application.

If a draft agreement was submitted for evaluation, the Certificate of Registration shall be issued two (2) days after the submission of the duly executed agreement provided it shall not contain any amendment or any modification not authorized by the Bureau.

**Rule 15.** 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.

**Rule 16.** Cancellation of Registration. Automatic cancellation of registration shall be made upon receipt of a duplicate original or certified copy of the registered technology transfer arrangement containing amendments or modifications that violate the Prohibited Clauses and Mandatory Provisions of the IP Code without approval of the Bureau.

The Bureau may also cancel the registration of the technology transfer arrangement if, after evaluation, the Bureau 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.

In both cases, the parties shall be required to surrender the Certificate of Registration provided that the surrender of the Certificate shall not be a pre-requisite to the cancellation of the registration.

### **PART 3**

#### **SUMMARY PROCEDURES**

##### **CHAPTER 1. Trademark License Agreement**

**Rule 17.** Clearance Prior to Recordal with the Office. Prior to its recordal, any trademark license agreement covered by Section 150.1 and Section 150.2 of the IP Code shall be filed with the Bureau for clearance together with the proof of payment of the filing fee.

**Rule 18.** Evaluation Period. Within a period of ten (10) days, the Bureau shall determine whether such agreement violates any of Prohibited Clauses or Mandatory the Provisions of the IP Code.

**Rule 19.** Certificate of Clearance. If an agreement submitted for clearance does not violate any of the Prohibited Clauses or Mandatory Provisions of the IP Code, the Bureau shall issue a certificate of clearance and the agreement shall be recorded by the appropriate officer in the Office.

**Rule 20.** Notice to Comply. Should any provision of the agreement violate any of the Prohibited Clauses or Mandatory Provisions of the IP Code, the Bureau shall issue a notice to the parties in the agreement informing them of the violation and requiring them to comply with pertinent provision of the IP Code prior to recordal.

##### **CHAPTER 2. Certificate of Compliance and Approval for Legal Purposes.**

**Rule 21.** Request for certification of compliance. The parties to a technology transfer arrangement may jointly file a request for a certification to the effect that the technology transfer arrangement conforms with the Prohibited Clauses and Mandatory Provisions of the IP Code. The request shall be under oath, filed in duplicate, state the purpose of the certification, and state that the agreement is not subject of any judicial, administrative or other proceeding. It shall be accompanied by a duplicate original copy of the duly executed and notarized agreement, payment of the required fees, and other documents that will be required by the Bureau to support and establish the merit of the request.

**Rule 22.** Evaluation Period; Action on the request. The Bureau shall conduct a summary evaluation of the technology transfer arrangement within ten (10) days from filing. If the technology transfer arrangement conforms with the Prohibited Clauses and Mandatory Provisions of the IP Code, the Bureau shall issue a Certificate of Compliance. Otherwise, the Bureau shall give the parties a notice informing them of the violation and requiring them to comply with the IP Code if they wish to obtain a Certificate of Compliance.

##### **CHAPTER 3. Preliminary review and/or pre-clearance of technology transfer arrangements.**

**Rule 23.** Request for Preliminary Review. Any party to a technology transfer arrangement may file a request for a preliminary review of a draft technology transfer arrangement to determine conformance with the Prohibited Clauses and Mandatory Provisions of the IP Code.

**Rule 24.** Evaluation Period. The Bureau shall conduct a summary evaluation of the draft technology transfer arrangement within ten (10) days from filing of the application and upon payment of the required fees.

**Rule 25.** Notice of findings. The Bureau shall issue a notice of its findings on the draft technology transfer arrangement as submitted.

**Rule 26.** Submission of the agreement under Part 2. After the completion of the foregoing summary procedure, the technology transfer arrangement may be submitted for registration under Part 2 of these Regulations.

## **PART 4**

### **Reconsideration and Appeal**

**Rule 27.** Requests for Reconsideration. Requests for reconsideration of all actions or decisions rendered by the 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 Director within fifteen (15) days from receipt of the decision and shall be accompanied with proof of payment of the required fee. The Director shall render final decision within thirty-five (35) days from the date of filing of the request in accordance with this Section.

**Rule 28.** Appeal to the Director General. Appeal from a decision of the 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 appellant's receipt of the decision of the Director and shall be accompanied with proof of payment of the required fee.

**Rule 29.** Appeal to the Secretary of Trade and Industry. A decision or final order of the Director General shall be final and executory unless an appeal is filed with the Secretary of Trade and Industry within fifteen (15) days from appellant's receipt of the decision.

## **PART 5**

### **Miscellaneous Provisions**

**Rule 30.** Rights of Licensor. In the absence of any provision to the contrary in the technology transfer arrangement, the grant of a license shall not prevent the licensor from granting further licenses to third persons nor from exploiting the subject matter of the technology transfer arrangement himself.

**Rule 31.** 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.

**Rule 32.** Technology Transfer Agreements Subject of Judicial Proceedings. The Bureau shall not take cognizance of any request for exemption, clearance for legal purposes, and/or recordal of trademark license agreement where the validity, enforceability, or any issue involving such technology transfer arrangement has become the subject of a judicial proceeding.

**Rule 33.** Publications. The Bureau 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 exemption/s granted, if any.

**Rule 34.** Office Forms. For the convenience of applicants, the Office shall draw up and make available a standard application form, and such other forms as may be necessary or useful, which may be reproduced at will by applicants and other persons at their own cost.

**Rule 35.** Coverage. These rules and regulations shall apply to:

(a) all applications, requests, exemption, and clearance prior to recordal of a trademark license agreement covering new, renewal or amendatory technology transfer arrangements filed on or after January 1, 1998 regardless of the date of execution or date of effectivity;

(b) all agreements extending the life of technology transfer agreements with subsisting registration under the Rules of the Technology Transfer Registry of the Bureau of Patents, Trademarks and Technology Transfer. Minor changes, such as change in licensor/licensee, addition/deletion of products, among others, affecting technology transfer agreements with subsisting registration under the Rules of Practice of the Technology Transfer Registry of the Bureau of Patents and Technology Transfer may be submitted to the Bureau for notation purposes.

## **FINAL PROVISIONS**

**Section 1.** Implementation. In the interest of the service, until the organization of the Bureau is completed, the functions necessary to implement these Regulations shall be performed by the personnel of the former Bureau of Patents, Trademarks, and Technology Transfer as may be designated by the Director General upon the recommendation of the Chief of the Technology Transfer Registry of the Bureau of Patents Trademarks and Technology Transfer heretofore designated as Officer-in-Charge or Caretaker of the Documentation Information and Technology Transfer Bureau.

**Section 2.** Fees and Charges to be prepaid; Fees and charges payable in advance. Express charges, freight, postage, telephone, telefacsimile including cost of paper and other related expenses, and all other charges on any matter sent to the Office must be prepaid in full. Otherwise, the Office shall not receive nor perform any action on such matters. The filing fees and all other fees and charges payable to the Office shall be collected in advance of any service to be rendered.

**Section 3.** Repeal. All rules and regulations, memoranda, circulars and memorandum circulars and parts thereof inconsistent with these Regulations particularly the Rules of Practice of the Technology Transfer Registry of the Bureau of Patents, Trademarks and Technology Transfer (BPTTT), as amended, are hereby repealed.

**Section 4.** Separability. If any provision in these Regulations or application of such provision to any circumstance is held invalid, the remainder of these Regulations shall not be affected thereby.

**Section 5.** Effectivity. These rules and regulations shall take effect fifteen (15) days after publication in a newspaper of general circulation.

Done this day of 1998.

EMMA C. FRANCISCO    Director General