


THIRTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
First Regular Session

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SENATE
S.B. No. 1174 RECEIVED BY:



Introduced by Senator Magsaysay, Jr.

EXPLANATORY NOTE

The Constitutional mandate under Article XII Section 14 and XVI Sections 10 to 13 has not been fully pursued through legislation. Even Republic Act Numbered 7459 has not been that effective to address the plight of the Filipino inventors for its just an expanded function of the Technology Application and Promotion Institute, Department of Science and Technology.

Thus, establishing or creating an agency, such as a National Inventors Commission, for a focused or concentrated duties and functions will make a difference in the generation, production and market of the inventive reservoir of talents, skills and intelligence of the Filipinos. This bill will give the full realization of independence and freedom of a commission to govern and determine its own future in pursuit of its invention research and development (R&D) initiatives to help develop more enterprises generating more jobs, income and wealth for the nation resulting from inventive efforts and activities. The inherent problems of the inventors would be best approximated with solutions by an agency solely tasked to do it!

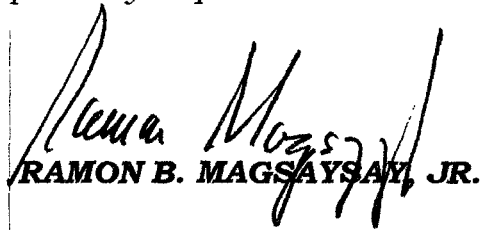
Under an expanded function only of the Technology Application and Promotion Institute, RA 7459 has some setbacks/drawbacks. Difficulties have been encountered to meet the so great a responsibility to full implement the said Inventors and Invention Incentives Act addressing the so vast a resource sector to be developed into a viable economic impacting zone.

Superior economies of developed countries of the world have demonstrated their aggressive concentrated and/or focused efforts in keeping themselves sustainable by putting virtually unlimited support and profound interest in inventions with budgetary support ranging from 2.5 to 4% of GNGP like US, Japan, UK, and others including the Eastern Block. The UN suggested at least 1% to attain a break-even point! 1% of our GNP is about Sixteen Billion Pesos (P16,000,000.00) some years ago that must be allocated for our invention research and development activities. The dismal reality is that only 0.128 of GNP goes to our home-grown invention/technology development effort. If and when we could only focus a decisive political will of the entire government machinery on inventive activities we, as a nation second only to Japan after the World War II, can still be technologically or inventively competitive with our untapped vast storage of inventive manpower.

In pursuing this bill, we cannot help but cite the Japan Institute of Invention and Innovation (JIII), organized in 1904 which was converted two (2) years later into a public corporation in 1906. Likewise, the Korea Invention Association (KIPA), organized only in 1973, became a public corporation in 1995 by legislation like JIII. These country showed to the world what a focused efforts can do to develop, produce and market inventions or technology.

We as a developing, if not under developed country, can do no less but follow the footsteps of the developed economies or countries of the world. Let it happen in this country what happened to Japan, South Korea and other developed countries supportive of invention development program considered to be the single greatest national economic resource of any developed economies. Give the Filipino inventors a chance to prove their worth to the highest possibilities to demonstrate their capabilities to the hilt. Let it make the difference between economic stagnancy and industrial prosperity the Filipino way. Let it happen at no other time than now.

Passage of this bill is most respectfully requested.


RAMON B. MAGSAYSAY, JR.

THIRTEENTH CONGRESS OF THE REPUBLIC
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30 10 40

SENATES.B. No. 1174

Introduced by Senator Magsaysay, Jr.

AN ACT

**ENCOURAGING THE GENERATION, DEVELOPMENT, CREATION,
PROMOTION AND MARKETING OF PHILIPPINE INVENTIONS
CREATING FOR THIS PURPOSE A NATIONAL INVENTORS
COMMISSION, APPROPRIATING FUNDS THEREFOR AND FOR
OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the
Philippines in Congress assembled:*

SECTION 1. This Act shall be known and cited as the **“Inventors
and Inventions Incentives Act of the Philippines of 2004.”**

SEC. 2. There is hereby created a National Inventors Commission,
under the Office of the President of Republic of the Philippines,
hereinafter referred to as the Commission, for the purpose of giving
technical, financial, legal and marketing assistance to inventors and
their inventions.

SEC. 3. The Commission shall have the following functions, power
and duties:

- 3.1 To give technical assistance to inventors by examining their
submitted inventions to determine their patentability and by
helping them prepare their patent application, under certain terms
and conditions;
- 3.2 To grant financial aid to inventors to enable them to develop,
perfect and produce their patented inventions or those which are
pending patent, under certain terms and conditions;
- 3.3 To render legal assistance to inventors by representing them in
filing their patent applications here and/or abroad and in
protecting their patents from infringement in patent cases, under
certain terms and conditions;
- 3.4 To extend financial assistance and/or recommend to government
lending institutions inventions that are beneficial to our country
for long term loans to enable inventors to manufacture their
inventions, with only their letters patent as collateral, the amount
of loan to be granted depending upon the importance and market
of their inventions as determined by the Commission;

- 3.5 To develop and establish import and export assistance program and help inventors find markets for their inventions here and abroad;
- 3.6 To encourage Philippine inventors to make known their inventions by giving annually sizeable cash awards and medals, to be known as the "Presidential Awards for Inventions," to patented inventions in the Philippines in the filed of agriculture, chemistry, commerce, communications, education, engineering, fishery, forestry, medicine, national defense, pharmacy, physics, public safety and welfare, public works, transportation and other fields science chosen by distinguished persons in their respective field of endeavor appointed annually by the President of the Philippines to serve as judges of the contest, which shall be open to all Filipino inventors who may submit entries in one or more fields; *Provided*, however, That inventions developed in the country by other nationality of economic potential which are beneficial to the country may be accepted for entry.
- 3.7 To establish and maintain a public research laboratory and experimental station where authorized inventors and researchers may avail themselves of its facilities and services for carrying out or perfecting their approved inventions and researches: *Provides*, That the inventor or researcher shall, before making use of its facilities and services, agree to give to the Commission at least one tenth of all royalties arising from his invention or research, depending upon the extent of facility or service to be given to him, to help maintain the public research laboratory and experimental station: *Provided*, further, That the laboratory facilities and services of the Department of Science and Technology and other government agencies, offices and instrumentalities shall be made available to inventors or researchers who may need the same, as recommended by the Commission against which the expenses incurred in such laboratories shall be chargeable;
- 3.8 To promote and encourage inventiveness and creativeness among our people by including them to submit new and useful ideas, researches or gadget in the fields mentioned in paragraph (3.6) that may solve the problems of our country through an annual "Creative Research Contest" with cash prizes and medals to the winners chosen by the respective judges of the "Presidential Awards for Inventions,"
- 3.9 To publish and disseminate information about inventions, researches and science in general;
- 3.10 To hold regular monthly sessions for the exchange of ideas among inventors;
- 3.11 To help Philippine inventors join international competitions on inventions or researches, or recommend them to such competitions; and
- 3.12 To organize creative societies in schools, colleges and universities to promote and encourage creativeness among our youth.

SEC. 4. All functions, duties and responsible referring to the promotion and development of inventions conferred upon the Technology Application and Promotion Institute and/or Department of Science and Technology in Republic Act Numbered Two thousand sixty-seven and Republic Act Numbered 7459 respectively are hereby transferred to the Commission which shall hereafter exercise those functions. All real and personal properties, moneys, assets, bequests, devices and the like

accumulated in the exercise of those functions in implementing the said Acts shall also be transferred to the Commission; Provided, That the Commission may choose to deposit any and/or all its funds in other banks than the Development Bank of the Philippines (DBP) as it deems necessary. Provided, further, That the research and development (R&D) fund under Section 7 of RA 7459, the Invention Development Assistance Fund, shall be accordingly increased and provided under the General Appropriation Act in the initial amount of five hundred million pesos (500,000,000.00) pursuing the global average of 2% of the gross national product (GNP) allocated for research and development activities.

SEC. 5. The Commission shall be under a Chairman and to be assisted by four (4) Commissioners appointed by the President of the Philippines and shall hold office for a period of seven years unless otherwise renewed. Each one shall be a Filipino citizen, at least twenty-five of age and an inventor with at least one invention or utility model patent issued by the Intellectual Property Office. The Chairman and the Commissioners respectively shall receive an annual compensation not more than the existing salary grade of any other government agency of same level, and may be removed earlier from office only for cause.

SEC. 6. The Commission shall promulgate, subject to approval of the President, such rules and regulations as may be necessary for the conduct and exercise of the functions, powers and duties of the Commission under this Act: Provided, That any assistance rendered or extended by the Commission in accordance with Section three of this Act shall be given on condition that the inventor-applicant shall sign a contract agreeing to give to the Commission at least ten percent of all royalties arising from the local and foreign patents of his invention developed and perfected or secured and/or protected through the service and/or financing of the Commission, depending upon the extent of the service or financing given to him. The proceed from these contracts shall accrue to the general funds of the Commission and shall be used to carry out its objectives. The invention and the patent that may be obtained therefore shall belong to the inventor, subject to provision of this section.

SEC. 7. The Commission, with the approval of the President, may select a suitable location on any public land owned by the National Government for the site of its public research laboratory, experimental station and manufacturing plants/factories or branch thereof with housing facilities for the inventors and researchers working therein to be known as Invention City and/or Invention Economic Zone. Within three months from receipt of the choice of the Commission duly approved, the Director of Lands shall cause the chosen site to be surveyed, delimited and transferred to the Commission to be under its exclusive jurisdiction and control.

SEC. 8. The Commission shall have the following divisions: Intellectual Property and Legal Division, Finance Division, Administrative Division, Research and Development Division, Project Development and Business Consultancy Division, Record and Information Division, Personnel Division and other divisions that the Commission, with the approval of the President may deem necessary to create. To better assure the attainment of the objectives of this Act, the heads of divisions of the Commission, shall be Filipino inventors, at least twenty-five years of age with at least one invention or utility model or industrial design

patent issued by the Intellectual Property Office. The annual compensation of the division heads and other staff/personnel shall be determined by the Commission. Such technical and administrative personnel as may be necessary to carry out the functions shall be appointed by the Chairman of the Commission subject to the approval of the President.

In view of the limited number of persons who may qualify for positions in the Commission requiring the appointee to be an inventor with at least one invention or utility mode or industrial design patent issued by the Intellectual Property Office, where nobody qualifies for a given position any technical person trained in any field of engineering, preferably with experience, may be qualified.

SEC. 9. All donations and grants to the Commission shall be tax-exempt and deductible in full from the donor's income tax returns when evidenced by a certificate duly issued by the Commission. Any person who evades or defeats, or attempts to evade or defeat in any manner any tax imposed by law by availing himself of the provisions of this section through fraud or misrepresentation shall be punished by a fine of not more than fifty thousand pesos or imprisonment not exceeding one year or both, in the discretion of the court. In case the violator is a corporation or association, the president or general manager thereof shall be criminally liable, without prejudice to the criminal responsibility of the member, officer or employee thereof committing such violation.

SEC. 10. To promote, encourage and accelerate the manufacture and sale of home grown and/or adopted inventions or technologies the inventors and their inventions shall be exempted from all kinds of taxes effective from the date of the tax exemption approval, such as the following:

- 10.1 Exemption from the payment of direct and indirect taxes, customs duties, taxes, import value added taxes, and other charges on import of machinery/equipment, parts and materials and other components which shall be actually directly and exclusively used for the manufacture and market of the invention/technology.
- 10.2 Exemption from the payment of income and value added taxes on the income derived from the commercialization and market of their inventions and technologies;
- 10.3 Exemption from the payment of fees, and such other fees required for the renewal of patent certificate by the intellectual property office, exemption from the payment of license and business permits fees, inspection fees, and realty taxes on machinery and equipment used for the development, manufacture and sale of their invention/technology; and all of these tax exemption privileges shall be extended to their legal heir, or assignee/licensee. Provided, further, that any business entity, organization and the like of which the inventor is an owner or stockholder of not less than 50% of the total capital shall be extended the same tax exemption privilege.

The Commission shall issue tax exemption certificate as an exemption to the power and authority of the Bureau of Internal Revenue,

local government units and such other agencies concerned pursuant to the incentive principle and objectives of this Act.

SEC. 11. An inventor - supplier and/or manufacturer, certified/endorsed by the Commission, dealing in inventions with any government department, bureau or any other agency shall exempt from bidding requirements to conclude a purchase order or letter of credit and any other instrument necessary for the conclusion of government sales for a period of ten (10) years from the date of commercialization of the invention.

SEC. 12. The Commission shall be constituted within one month from the approval of this Act and the sum of one hundred fifty million pesos is hereby appropriated out of any funds in the National Treasury not otherwise appropriated to be released immediately to the Commission to enable it to carry out as soon possible the objectives of this Act.

SEC. 13. There is hereby authorized to the appropriated annually such sums as may be necessary to carry out the provisions and objectives of this Act to be included under the general appropriations for the Office of the President: Provided, That these sums shall not be less than the original appropriation of one hundred fifty million pesos.

SEC. 14. The unconstitutionality of any section sentence, clause or term of this Act shall not affect the validity of the other provisions thereof.

SEC. 15. All provisions of law, rules, regulations or orders contrary to or inconsistent with the provisions of this Act are hereby repealed.

SEC. 16. This Act shall take effect upon its approval.

Approved,