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**SENATE**

**S. B. NO. 1765**

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Introduced by Senator Magsaysay, Jr.

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**EXPLANATORY NOTE**

The Constitution of the Republic of the Philippines mandates under Article XII Section 14 and Article XIV Sections 10 to 13 that the State shall prioritize and support science and technology as economically essential to national progress and prosperity through research and development (R&D) as well as protect Filipino inventors and their inventions. Deplorably, this mandate has not been optimized or maximized by way of an effective legislation. Republic Act No. 7459, known as the Inventors and Inventions Incentives Act of the Philippines, is only an expanded function of the Technology Application and Promotion Institute (TAPI) and which is only one over twenty (1/20) or so of its programs. TAPI was creation of the Executive Order No. 128 which virtually abolished Republic Act 3850, as amended, that created the Philippine Inventors Commission.

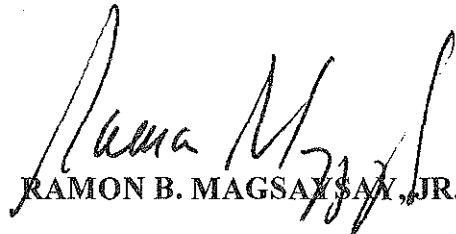
Our Philippine Inventors Commission, believe it or not, was made a paradigm for the countries of Sri Lanka and South Vietnam. They have theirs and sadly, this is cardiac note why we lost ours? Japan organized the Japan Institute of Invention and Innovation (JII) in 1094 and was reconstituted on focused government support in 1906. Every body should know what happened next? South Korea did its own by organizing the Korean Invention Promotion Association (KIPA) in 1973. Despite Korea's aggressive stance on invention and innovation system, KIPA was given more power and support in 1994. Does everybody know the Korean economic miracle? Our Filipino Inventors Society, Inc. was organized in 1943 during the raging World War II to generate and develop the inventiveness of the Filipino, and survive in such serious crisis. It has been doing on its own with only a meager or trickle of support of government.

This bill seeks to re-establish an Inventors Commission as per RA 3850, as amended, to effectively define its powers, duties, functions and responsibilities and clearly provide for the real and impacting incentives and support mechanism to be extended to the Filipino inventors. The bill will also rationalize plans and programs concerning R&D, commercialization and market of our inventive ideas, products and processes on the following grounds:

1. The bill will focus on its inherent mandate, thus avoiding dissipation of efforts and improving the delivery on its inherent mandate, and thereby, rectify the shortcomings of RA 7459, particularly in expanding the functions of TAPI without providing the much-needed manpower complement and resource support; and
2. It will rationalize and focus current efforts to develop and more effectively promote inventiveness in the country, and thereby, rectify the shortcoming of RA 7459, particularly in expanding the functions of TAPI without providing the much-needed manpower complement and resource support; and

3. Aggressively encourage more Filipino inventors to come forward with new inventive ideas, products and processes which will viably and sustainably impact on the country's economy and provide them with fiscal and non-fiscal incentives, technical, legal, managerial and business assistance in commercializing and marketing their inventions.

Foregoing premises considered early approval or enactment of this bill is earnestly prayed for.

  
RAMON B. MAGSAYSAY, JR.

THIRTEENTH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

SENATE  
DEPARTMENT OF LEGISLATION  
OFFICE OF THE CLERK  
MANILA

**SENATE**

**S. B. NO. 1765**

Introduced by Senator Magsaysay, Jr.

**AN ACT  
RE-ESTABLISHING AN INVENTORS COMMISSION AS PER RA 3850,  
AS AMENDED, THEREBY CONSOLIDATING RA 7459, THE  
INVENTORS AND INVENTION INCENTIVES ACT OF THE  
PHILIPPINES, PROVIDING FUNDS THEREFOR AND FOR OTHER  
PURPOSES**

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

**ARTICLE I  
TITLE, POLICY PROGRAM AND DEFINITION OF TERMS**

**SECTION 1. Title** - This Act shall be known as the "Filipino  
Inventors and Inventions Incentives Act of the 2004."

**SEC. 2. Declaration of National Policy and Program** -  
Pursuant to the Constitution of the Republic of the Philippines, it is  
hereby declared to be the national policy giving priority to invention and  
its utilization on the country's productive systems and national life, and  
to this end provide incentives to inventors and protect their exclusive  
rights to their inventions, particularly when such inventions are  
beneficial to the people contributing to national development and  
progress.

**SEC. 3. Definition of Terms - :**

- 3.1 Invention refers to, for the purpose of this Act, any patented machine, product, process including implements or tools and other related gadgets, utility model and industrial design;
- 3.2 Inventor refers to the patentee(s), heirs, assignee(s) of an invention, utility and industrial design letters patent;
- 3.3 Technology means the application of knowledge or science which shall include all others such inventions, innovations, and results of researches;
- 3.4 **DOST** refers to the Department of Science and Technology;
- 3.5 **DOF** refers to the Department of Finance;
- 3.6 **DA** refers to the Department of Agriculture;
- 3.7 **DENR** refers to the Department of Environment and Natural Resources;
- 3.8 **IPO** refers to the Intellectual Property Office;
- 3.9 **FIS** refers to the Filipino Inventors Society, Inc.

3.10 RDI's refers to the Research and Development Institute of DOST.

**SEC. 4. Re-establishment of a Commission** - To pursue the mandate of the Constitution as a matter of national policy, there is hereby re-established an Inventors Commission, as per RA 3850, as amended, to be known as the National Inventors Commission, under the Office of the President of the Republic of the Philippines, hereinafter referred to as Commission, for the purpose of providing technical, financial, managerial, legal and marketing assistance to Filipino Inventors and their Inventions. The Commission shall provide program to set up a conducive climate/atmosphere to the generation, development and market of inventions and innovations, give encouragement and support to inventors who are creative and resourceful, as well as those imbued with deep sense of nationalism, and maximize the their capacity and productivity.

**SEC. 5.** - The Commission shall have the following powers, duties and functions:

- 5.1 To render technical assistance to inventors by examining their submitted invention applications to determine their patentability and by helping them prepare their applications under certain terms and conditions;
- 5.2 To grant financial aid to inventors to enable them to develop, perfect and produce and market their inventions or those, which are pending patent, under certain terms and conditions;
- 5.3 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 cases, under certain conditions;
- 5.4 To extend financial assistance and/or recommend to government lending institutions for support funds inventions that are beneficial to our country with their patents as collateral;
- 5.5 To develop and establish import and export assistance program for inventions to accelerate their production and market here and abroad;
- 5.6 To encourage Filipino inventors to make known their inventions by giving annually sizeable cash awards, medals and certificates/diplomas of merit in the fields of science and technology and/or invention to be determined and adjusted from time to time by the Screening Committee under this Act as recommended by the Commission. The Commission may organize a panel of judges to determine meritorious deserving invention, utility model, industrial design, and creative researches:
  - 5.6.1 First Prizes - For invention, utility model, industrial design and creative research categories to be known as Presidential Awards; and
  - 5.6.2 Second and Third Prizes for the same categories as stated above. The Commission may establish consolation prizes to selective entries in all categories;

- 5.7 To establish and maintain facilities such as public research laboratory, machine shop and experimental station where inventors, scientists and researchers shall carry out their works in perfecting their inventive, scientific and technological ideas, products and processes. Provided, that the inventors, scientists and researchers shall agree to give to the Commission at least one percent (1%) of royalty arising from commercialization/production and market of the assisted ideas, products and processes certain percent but not lower than five percent (5%) of the net income derived there from shall agreed upon. The proceeds from all kinds of assistance rendered by the Commission shall accrue to its account or fund and shall be used to carry out its objectives.
- 5.8 To assist inventors, scientists and researchers join international competitions including market development abroad;
- 5.9 To hold regular monthly sessions for the exchange of ideas and information among inventors; and observe and/or help supervise the annual general assembly of the FIS;
- 5.10 To organize creative/inventive societies in schools, college and universities to encourage, generate, develop and promote creativity and resourcefulness among the youth of the land;
- 5.11 To publish, disseminate and exchange information about inventions, researches and science in general.

**SEC. 6.** All functions, duties and responsibilities referring to the promotion and development of inventions conferred upon the Technology Application and Promotion Institute and/or DOST under Republic Act No. 2067 and Republic Act No. 7459 are hereby transferred to the Commission which shall hereafter exercise those functions, duties and responsibilities. All real and personal properties, money assets bequests, devises and the like accumulated in the exercise of those functions, duties and responsibilities in the implementation of said Acts shall be transferred to the Commission. Provided, That the Commission may choose to deposit any its funds in any government banks and/or private banks as it deems necessary and favorable in the intent of this Act. Provided, further, That the research and development 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 (P500,000,000.00) pursuing the global average of two percent (2%) of the gross national product (GNP).

**SEC. 7. Screening Committee** - The Screening Committee shall be composed of a Chairman and four (4) members as per RA 7459. It shall be chaired by the Commission. The Commission may relinquish from time to time to other members as it deems necessary.

**SEC. 8.** The Filipino Inventors Society, Inc. shall be the institution to coordinate with the Commission in consultation with the other duly registered inventors and research societies to achieve the noble intent of this Act. The Commission shall exert all necessary efforts to unite and harmonize all inventors and research societies under the umbrella of the FIS.

**SEC. 9.** The Commission shall be headed by a Chairman to be assisted by two (2) Commissioner appointed by the President of the Philippines. They shall hold office for seven (7) years unless otherwise renewed. Each shall be a Filipino citizen, at least twenty five (25) years of age. The Chairman and the Commissioners shall receive an annual compensation of not more than the existing salary grade of any other government agency of the same level, and may be removed earlier from office for a cause.

**SEC. 10.** The Commission shall have the following divisions: Research and Development; Business Enterprise Development and Consultancy; Patent and Legal; Applied Communication and Promotion; Administrative; Finance; and appropriate sections for Personnel, Records, General Services, Property, Accounting and Cashiering shall be subsumed under relevant units and/or divisions. To better assure the attainment of the objectives of this Act, the heads of the divisions shall be a Filipino citizen of at least twenty-five (25) years preferably those having at least one letters patent issued here or abroad. The Commission shall determine the annual compensation of the division heads and other staff/personnel. Such technical and administrative personnel, as may be necessary to carry out their functions, duties and responsibilities, shall be appointed by Chairman of the Commission subject to the approval of the President.

**SEC. 11.** All donations and grants to the Commission shall be tax exempt and deductible in full from the income tax returns of the donor 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 the law by availing himself of the provisions of this section through fraud or misrepresentation shall be punished by a fine of not less than FIFTY THOUSAND (P50,00.00) or imprisonment not exceeding one (1) 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 made criminally liable, without prejudice to the criminal responsibility of the member, officer or employee thereof committing such violation.

**SEC. 12.** 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 for a period of ten (10) years effective from the date of the tax exemption approval, such as the following:

- 12.1 Exemption from the payment of direct and indirect taxes, customs duties, excise 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 inventions/technology;
- 12.2 Exemption from the payment of any income derived from the commercialization and market of their inventions/technologies including valued added taxes;
- 12.3 Exemption from payment of fees, and such other fees required from the renewal of patent certificate by the Intellectual Property Office;

- 12.4 Exemption from any payment of license and business permit fees, inspection fees, and realty taxes on machinery and equipment used for the development, manufacture and sale of invention/technology. All these tax exemption privileges shall be extended to any business organization and the like in which the inventor is an owner or stockholder of not less than fifty percent (50) of the total capital.
- 12.5 Exemption from any public bidding for purposes of government procurement/purchase as a matter of national patronage pursuant to Article XII Sections 12 to 14 of the Constitution of the Republic of the Philippines, Commonwealth Act No. 138 and the General Appropriation Act.

The Commission shall issue tax exemption certificate and such other certificate as an exemption to the powers and authorities of the Bureau of Internal Revenue, Department of Finance, local government units and such other agencies concerned to carry out the incentive principle and objectives of this Act.

**SEC. 13.** The Commission shall have the power to review all tax exemption and other incentives privileges granted under this Act and may recommend punitive sanctions such as recall of tax exemption certificate and others actions for the abuse of the same.

**SEC. 14.** The Commission shall exercise an arbitration power to organize when necessary an Arbitration to help settle and/or encourage extra judicial settlement of conflicts, problems and the like besetting between and among inventors and inventors organizations in order to foster unity, harmony and camaraderie among themselves. An Arbitration Board shall be presided over by the Commission with at least three (3) members invited from disinterested organizations of veritable and respectable reputation and one (1) from the FIS.

**SEC. 15.** The Commission shall be constituted within one month from the approval of this Act and the sum of One Hundred Fifty Million (P150,000,000.00), for the release immediately to the Commission to carry out as soon as possible the objectives of this Act.

**SEC. 16.** There is hereby authorized to be appropriated annually such sum as may necessary to carry out the provisions and objectives of this Act to be included under the General Appropriation Act of the One hundred Fifty Million Pesos (P150,000,000.00).

**SEC. 17.** Any unconstitutionality of any section, subsection, sentence, clause or terms of this Act shall not affect the validity of the other provisions thereof.

**SEC. 18.** The Commission shall, subject to the approval of the President of the Philippines, promulgate 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.

**SEC. 19.** Republic Act No. 7459 is hereby consolidated subsumed, and other provisions law, rules and regulations or order contrary or inconsistent with the provision of this Act are hereby repealed or modified.

**SEC. 20.** This Act shall take effect immediately upon approval.

Approved,