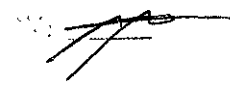


FIFTEENTH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES  
Third Regular Session

)  
)  
)

12 DEC 10 P 3:39

SENATE  
S. B. **3359**



---

Introduced by Senator Villar

---

### EXPLANATORY NOTE

In a presentation made at the National Innovation Summit (2007), it was reported that the percentage between grant of patents to residents vs. total grants in the Philippines is at 0.90%. This pales comparison with the percentages in other countries such as Japan, USA and Taiwan which registered a 90%, 52% and 44% respectively. This means very few residents of the Philippines file for patent grant in the country, or worse, very few inventions are made in the country or made by Filipinos.

It is clear that the government needs to encourage and assist our Filipino inventors to improve this lacklustre performance. Through this bill, tax incentives and exemptions are envisioned to promote and accelerate the development and commercialization of Filipino inventions or technologies.

Thus, this bill also seeks to support and encourage Filipino inventors and their inventions through the creation of a Philippines Inventors Commission. This Commission will have the power to render technical assistance to inventors relating to patent application, to grant financial aid, to render legal assistance, to establish import and export assistance to help inventors find market for their inventions, and to encourage inventions by holding contests, among others.

For this reason, the passage of this bill is earnestly sought.



**Manny Villar**

SENATE

S.B. No. 3359

Introduced by SENATOR MANNY VILLAR

**AN ACT**  
**RESTORING THE PHILIPPINE INVENTORS COMMISSION, DEFINING ITS**  
**POWERS, FUNCTIONS AND DUTIES, AND FOR OTHER PURPOSES THAT**  
**WILL ENCOURAGE THE GENERATION, DEVELOPMENT, MANUFACTURE,**  
**PROMOTION AND MARKET OF THE PHILIPPINE INVENTIONS**

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

1           **SECTION 1. Title.** – This Act shall be known as the “Inventors and  
2 Invention Incentives Act of 2012”  
3

4           **SECTION 2. Declaration of Policy.** – It is hereby declared a policy of the  
5 State to give priority to research and development, invention, innovation, and their  
6 utilization. The State shall also support indigenous, appropriate, and self-reliant  
7 scientific and technological capabilities, and their application to the country’s  
8 productive systems and national life.  
9

10           The State shall regulate the transfer and promote the adaptation of  
11 technology from all sources for the national benefit. It shall encourage the widest  
12 participation of private groups, local governments, and community-based  
13 organizations in the generation and utilization of science and technology. The  
14 sustained development of a reservoir of national talents consisting of Filipino  
15 scientists, entrepreneur, professionals, managers, high-level technical manpower  
16 and skilled workers and craftsmen in all fields shall be promoted by the State  
17

18           Further, the State shall protect and secure the exclusive rights of scientists,  
19 and inventors to their intellectual property and creations, particularly when  
20 beneficial to the people, for such period as may be provided by law.  
21

22           Furthermore, the State shall promote the preferential use of Filipino labor,  
23 domestic materials and locally produced goods, and adopt measures that make  
24 them competitive.  
25

26           **SECTION 3. Definition of Terms.** The following terms shall mean:  
27

- 28           a. **Innovation (Utility Model)** shall mean any new model of implement or  
29 tool of any industrial product or part of the same, which does not

1 possess the quality of an invention, configuration, construction or  
2 composition. A certificate of registration is issued to a utility model.  
3

- 4 b. **Industrial Design** is any composition of lines or colors or any three-  
5 dimensional form, whether or not associated with lines or colors;  
6 Provided, that such composition or form gives a special appearance to  
7 and can serve as a pattern for industry or handicraft (as defined in RA  
8 8293, Intellectual Property Code).  
9
- 10 c. **Inter-Agency Committee** refers to the following government  
11 agencies: Department of Science and Technology (DOST),  
12 Department of Trade and Industry (DTI), National Economic and  
13 Development Authority (NEDA), Development Bank of the Philippines  
14 (DBP), Department of Agriculture (DA) that shall consult private  
15 agency associations and appropriate government agencies in  
16 identifying technological research priorities in order to guide inventors'  
17 research work and enhance the economic viability and commercial  
18 applicability of their inventions.  
19
- 20 d. **Filipino Inventors Society** pertains to a single umbrella organization  
21 to represent the inventors sector, where associations of the Filipino  
22 inventors may join.  
23
- 24 e. **Mega Regions** refer to Northern Luzon, Central Luzon, Southern  
25 Luzon, the Visayas and Mindanao.  
26

27 **SECTION 4. Philippine Inventors Commission.** - The Philippine  
28 Inventors Commission is hereby restored as provided for under Republic Act No.  
29 3850, as amended. The Philippine Inventors Commission, hereinafter referred to  
30 as the Commission, shall be under the Office of the President of the Republic of  
31 the Philippines for the purpose of giving technical, financial, legal and marketing  
32 assistance to Filipino inventors and their inventions.  
33

34 **SECTION 5. Functions, Duties and Responsibilities.** - The  
35 Commission shall have the following functions, power and duties:  
36

- 37 a) To accredit inventors and Filipino Inventors' associations/  
38 organizations;  
39
- 40 b) To take responsibility of the Invention Development Assistance Fund  
41 (IDAF) which is at least 12% of DOST-TAPI's operational fund;  
42
- 43 c) To render technical assistance to inventors in the preparation of the  
44 disclosure, description, abstract, claims, drawings and other  
45 documents relating to the patent application, under certain terms  
46 and conditions;  
47
- 48 d) To grant financial aid to inventors to enable them to develop, perfect  
49 and produce their patented inventions or those which are pending  
50 patent, under certain terms and conditions;  
51
- 52 e) To render legal assistance to inventors by representing them in filing  
53 their patent application here and/ or abroad, in prosecuting said  
54 application until grant or final action, and in protecting their patent

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55

from infringement in patent cases, under certain terms and conditions;

- f) To facilitate financial assistance from local and international lending institutions on the development of 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 will depend upon the importance and commercial viability of their inventions as determined by the Commission;
- g) To develop and establish import and export assistance programs and help inventors find markets for their inventions here and abroad;
- h) To encourage Filipino inventors to promote their inventions by holding periodic contests, conventions, citations and awards to patented inventions, utility models, industrial designs, and creative research in the Philippines and abroad in various fields including but not limited to the following: agriculture, chemistry, commerce, communications, education, environment, engineering, fishery, food, science and technology , forestry, medicine, national defense, pharmacy, physics, public safety and welfare, public works, transportation and other fields of science. This shall be open to all Filipino inventors who may submit entries in one or more fields;
- i) To provide assistance to inventors, technologists and researchers in availing laboratories and other facilities of the Research and Development Institutes (RDI's), including regional offices and instrumentalities of the Department of Science and Technology and other government agencies; Provided, that the recipient of the assistance agrees to give the Commission at least one tenth (1/ 10) of all royalties arising from the technology or inventions depending on the extent of facility or services utilize to help maintain the research laboratory. The determination of royalty shall be based on the existing international standards. In case there is no royalty arrangement in the commercialization and/ or production and market of the assisted ideas, products and processes, the inventor or researcher shall give the commission at least five percent (5%) of the net income derived therefrom. Proceeds from all kinds of assistance rendered by the Commission shall accrue to its account and shall be used to carryout its objectives and mandate.
- j) To assist inventors, scientists, technologists and the researchers in joining national and international invention competitions duly recognized by the Commission, including market development here and abroad;
- k) To exercise arbitration power, when necessary, organize an Arbitration Board to help settle/ or arbitrate or encourage extra judicial settlement of conflict problem and the like besetting between and among inventors organization in order to foster unity, harmony and camaraderie among themselves. An Arbitration Board shall be presided over the Commission with at least three (3) members invited from disinterested organizations of veritable and respectable reputation, and one from the Filipino Inventors Society.

- 1  
2 l) To publish and disseminate information about inventions, and other  
3 related information;  
4  
5 m) To hold regular monthly dialogues for the exchange of ideas among  
6 inventors, and  
7  
8 n) To help organize in coordination with other government agencies  
9 creative societies in schools, colleges and universities to promote  
10 and encourage inventiveness among our youth and citizenry.  
11

12 **SECTION 6. *Organization.*** - The Commission shall be composed of a  
13 Chairperson and five (5) commissioners representing the five (5) mega regions  
14 appointed by the President of the Philippines. Each shall be a natural born  
15 Filipino citizen and at least thirty-five (35) years of age, an inventor with at least  
16 one invention letter patent, with no final conviction by a court of an offense  
17 involving moral turpitude, a degree holder, preferably with M.S. or MBA and a  
18 member of the Filipino Inventors' umbrella organization. They shall exercise  
19 collective decision-making as the highest policymaking body of the Commission.  
20 The Board of Commissioners shall promulgate and implement rules and  
21 regulations necessary to perform the functions of the Commission to carryout the  
22 provisions of this Act.  
23

24 The Commission shall have the following standing departments:  
25 Intellectual Property and Legal Department, Finance Department, Administrative  
26 Department, Research and Development Department, Project Development and  
27 Business Consultancy Department, Record and Information Department. The  
28 Commission, with the approval of the President, may create additional units  
29 deemed necessary by the Board of Commissioners.  
30

31 **SECTION 7. *Inter-Agency Committee.***- The Commission shall within  
32 three (3) months of the effectivity of this law, constitute an Inter-Agency  
33 Committee whose function is to guide the inventors' research work and enhance  
34 the economic viability of their inventions. The findings of the Committee shall  
35 serve as the basis for the issuance of certifications required from the Commission  
36 for inventors to avail of the Invention Guarantee Fund. This is in addition to the  
37 requirements prescribed by the Development Bank of the Philippines (DBP).  
38  
39

40 **SECTION 8. *Invention Economic Zone.*** - The Commission, with the  
41 approval of the President, may select a suitable location on any public land  
42 owned by the National Government for the site of its public research laboratory,  
43 experimental station and manufacturing plants/ factories or branch thereof with  
44 housing facilities for the inventors and researchers working therein to be known  
45 as Invention City and/ or Invention Economic Zone. Within three months from  
46 receipt of the choice of the Commission duly approved, the Director of Lands shall  
47 cause the chosen sites to be surveyed, delimited and transferred to the  
48 Commission to be under its exclusive jurisdiction and control.  
49

50 **SECTION 9. *Transfer of Functions and Funds to the Commission.***- All  
51 functions, duties and responsibilities referring to the promotion and development  
52 of inventions conferred upon the Technology Application and Promotion Institute  
53 and/or Department of Science and Technology under Republic Act No. 7459 are  
54 hereby transferred to the Commission which shall hereafter exercise those  
55 functions. All real and personal properties, moneys, assets, bequests, devices

1 and the like accumulated in the exercise of those functions in implementing the  
2 said Act shall also be transferred to the Commission; Provided, that the research  
3 and development (R & D) fund under Section 7 of R.A. 7459, the Invention  
4 Development Assistance Fund, shall be increased and provided under the  
5 General Appropriation Act in the initial amount of One Hundred Fifty Million Pesos  
6 (Php 150,000,000.00). The TAPI shall identify equipment acquired from the  
7 defunct PIDI and shall donate the same to the Commission, subject to acceptable  
8 accounting rules and regulations.  
9

10 The TAPI shall transfer to the Commission the balance of the Inventions  
11 Guarantee Fund (IGF) deposited with the DBP. The Commission shall establish  
12 rules for the availment of the IGF including all the pending loans funded under  
13 IGF. Uncompleted inventors projects funded under the IDAF shall be transferred  
14 to the Commission, subject to accounting rules and regulations.  
15

16 **SECTION 10. Tax Exemptions and Incentives.** - To promote,  
17 encourage and accelerate the development, manufacture and commercialization  
18 of Filipino inventions or technologies, any income derived from these technologies  
19 or inventions, shall be exempted from all kinds of taxes for a period of ten (10)  
20 years effective from the date of the tax exemption approval, subject to the rules  
21 and regulations of the Department of Finance: Provided, that this tax exemption  
22 privilege shall be extended to the legal heir or assignee upon the death of the  
23 inventor.  
24

25 The Inventor shall also be entitled to the following tax incentives and tax  
26 exemptions:  
27

- 28 a) Exemption from the payment of customs duties and value added tax on  
29 import of machinery/ equipment, parts and materials and other components  
30 which shall be actually, directly and exclusively used for the manufacture of  
31 the patented inventions and registry utility models. The Commission, in  
32 coordination with the Department of Finance, Bureau of Internal Revenue,  
33 and the Bureau of Customs, shall determine the ceiling on tax incentives  
34 and import duty privileges.  
35
- 36 b) Exemption from the payment of license fees, permit fees and other  
37 business taxes from the machinery and equipment used for the  
38 development, manufacture and sale of their patented inventions, as an  
39 exemption to the taxing power of the local government units.  
40

41 **SECTION 11. Free Patent Registration.**- Inventors shall be exempted  
42 from the payment of any registration fees for their inventions, utility models and  
43 industrial designs required by the Intellectual Property Philippines (IPP). The IPP  
44 and the Commission shall establish the rules and requirements for the  
45 implementation of the provision of this section to avoid violation of existing  
46 International Agreements and/ or rules.  
47

48 **SECTION 12.** All donations and grants to the Commission shall be tax-  
49 exempt and deductible in full from the donor's gross income tax returns when  
50 evidenced by a certificate duly issued by the Commission. Any person who  
51 evades or defeats, or attempts to evade or defeat in any manner any tax imposed  
52 by law by availing himself of the provisions of this section through fraud or  
53 misrepresentation shall be punished by a fine of not more than fifty thousand  
54 pesos (Php 50,000.00) or imprisonment of not exceeding one year or both, in the  
55 discretion of the court. In case the violator is a corporation or association, the

1 president or general manager thereof shall be criminally liable, without prejudice  
2 to the criminal responsibility of the member, officer or employee thereof  
3 committing such violation.  
4

5 **SECTION 13.** The Board of Commissioners shall be constituted by the  
6 President within three (3) months from the approval of this Act to formulate the  
7 implementing rules and regulations, and organize the Commission.  
8

9  
10 **SECTION 14. Appropriations.** – There is hereby appropriated the sum of  
11 one hundred fifty million pesos ( Php 150,000,000.00) to fund the initial year of  
12 the Commission's operation. Thereafter, the amount necessary to effectively  
13 carry out the provisions of this Act shall be included in the Annual General  
14 Appropriations Act.  
15

16 **SECTION 15. Repealing Clause.** - All laws, decrees, orders, rules and  
17 regulations or portions thereof inconsistent with the provisions of this Act are  
18 hereby repealed, amended or modified accordingly.  
19

20 **SECTION 16 Separability Clause.** - If any provision of this Act is  
21 declared invalid, other parts or provisions thereof not affected thereby shall  
22 remain and continue to be in full force and effect.  
23

24 **SECTION 17. Effectivity.** – This Act shall take effect fifteen (15) days  
25 after its publication in at least two (2) national newspapers of general circulation.  
26

27 Approved,  
28  
29  
30  
31  
32  
33  
34