

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

House Bill No. 2038

Introduced by HON. IRWIN C. TIENG
and HON. MARIANO MICHAEL M. VELARDE

EXPLANATORY NOTE

This bill seeks to restore the Philippine Inventors Commission that will serve as the lead agency that will promote research and development, provide comprehensive support services to Filipino inventors and protect their inventions.

Article XIV, Section 10 of the Constitution provides that the State shall give priority to research and development, invention, innovation, and their utilization and to support indigenous, appropriate, and self-reliant scientific and technological capabilities, and their application to the country's productive systems and national life. Currently, the Technology Application and Promotion Institute (TAPI) under the Department of Science and Technology (DOST) is taking the lead in implementing Republic Act No. 7459, the law providing incentives to Filipino inventors and inventions. R.A. No. 7459 only expanded the function of TAPI but had difficulties providing the necessary support mechanism that will have a significant impact on the sector.

The intent of the Constitutional provision to harness local inventions for national progress would be advanced further if there would be an agency with the appropriate and sufficient mandate, powers and resources to formulate and implement programs that have a far-reaching impact on the plight of Filipino inventors. R.A. No. 3850 had created such an agency, the Inventors Commission. However, said Commission was effectively abolished by way of Executive Order No. 128 when bureaucracy was reorganized during the term of President Corazon Aquino. At present, the need for re-instituting an agency such as the Inventors Commission becomes ever relevant as the role of science and technology is more pronounced in economic development in the Philippines and elsewhere.

This bill will strengthen the mechanisms for providing the much needed support to Filipino inventors by rationalizing programs for research and development, manufacture and market of our inventive ideas, products, processes and such other areas of technology development.

In view of the urgency of this measure, passage of this bill is earnestly sought.



IRWIN C. TIENG



MARIANO MICHAEL M. VELARDE

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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.*

SECTION 1. *Title.* – This Act shall be known as the "Inventors and
Invention Incentives Act of 2010"

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

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

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

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

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

- a. **Innovation (Utility Model)** shall mean any new model or implement
or tool of any industrial product or part of the same, which does not
possess the quality of an invention, configuration, construction or
composition. A certificate of registration is issued to a utility model.

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

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

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

- a) To accredit inventors and Filipino Inventors' associations/ organizations;
- b) To take responsibility of the Invention Development Assistance Fund (IDAF) which is at least 12% of DOST-TAPI's operational fund;
- c) To render technical assistance to inventors in the preparation of the disclosure, description, abstract, claims, drawings and other documents relating to the patent application, under certain terms and conditions;
- d) 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;
- e) To render legal assistance to inventors by representing them in filing their patent application here and/ or abroad, in prosecuting said application until grant or final action, and in protecting their patent 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.
- l) To publish and disseminate information about inventions, and other related information;

- m) To hold regular monthly dialogues for the exchange of ideas among inventors, and
- n) To help organize in coordination with other government agencies creative societies in schools, colleges and universities to promote and encourage inventiveness among our youth and citizenry.

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

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

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

SECTION 8. *Invention Economic Zone.* - 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 sites to be surveyed, delimited and transferred to the Commission to be under its exclusive jurisdiction and control.

SECTION 9. *Transfer of Functions and Funds to the Commission.*- All functions, duties and responsibilities referring to the promotion and development of inventions conferred upon the Technology Application and Promotion Institute and/or Department of Science and Technology under Republic Act No. 7459 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 Act shall also be transferred to the Commission; Provided, that the research and development (R & D) fund under Section 7 of R.A. 7459, the Invention

Development Assistance Fund, shall be increased and provided under the General Appropriation Act in the initial amount of One Hundred Fifty Million Pesos (PhP 150,000,000.00). The TAPI shall identify equipment acquired from the defunct PIDI and shall donate the same to the Commission, subject to acceptable accounting rules and regulations.

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

SECTION 10. *Tax Exemptions and Incentives.* - To promote, encourage and accelerate the development, manufacture and commercialization of Filipino inventions or technologies, any income derived from these technologies or 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, subject to the rules and regulations of the Department of Finance: Provided, that this tax exemption privilege shall be extended to the legal heir or assignee upon the death of the inventor.

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

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

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

SECTION 12. All donations and grants to the Commission shall be tax-exempt and deductible in full from the donor's gross 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 (PhP 50,000.00) or imprisonment of 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.

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

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

SECTION 12. *Repealing Clause.* - All laws, decrees, orders, rules and regulations or portions thereof inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SECTION 13. *Separability Clause.* - If any provision of this Act is declared invalid, other parts or provisions thereof not affected thereby shall remain and continue to be in full force and effect.

SECTION 14. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in at least two (2) national newspapers of general circulation.

Approved,