

2 January 2020

IPOPHL MEMORANDUM CIRCULAR NO. 2020 002
Series of 2020

SUBJECT: Revised 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;

Whereas, the Rules & Regulations on Voluntary Licensing first issued and effected on 20 October 1998 with the passing of the Intellectual Property Code of the Philippines (RA 8293) needs updating for relevance, clarity, ease of use as reference, and on account of some procedural matters;

Now, therefore, pursuant to the provisions of Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines, the following Revised Rules and Regulations on Voluntary Licensing is hereby promulgated:

PART 1
Definitions

Rule 1. Definition of Terms. Unless otherwise specified, the following terms shall have the meaning provided for in this Rule:

- a. **“Amendatory Agreement”** means an agreement that changes, alters, or modifies any of the terms and conditions of an agreement;
- b. **“Bureau”** means the Documentation, Information, and Technology Transfer Bureau of the Intellectual Property Office; also known as the Innovation Bureau;

- c. **“Computer software developed for mass market”** means computer software that does not need any customization by the supplier or distributor; and is sold over the counter or via standard delivery mechanisms. Furthermore, the license for its use generally provides for an indefinite term and payments are not based on royalty.
- d. **“Director”** means the Director of the Documentation, Information, and Technology Transfer Bureau; also known as the Innovation Bureau;
- e. **“Director General”** means the head of the Intellectual Property Office of the Philippines;
- f. **“Intellectual Property Rights”** means:
 - (i) Copyright and Related Rights;
 - (ii) Trademarks and Service Marks;
 - (iii) Geographical Indications;
 - (iv) Industrial Designs;
 - (v) Utility Models;
 - (vi) Patents;
 - (vii) Layout-Designs (Topographies) of Integrated Circuits; and
 - (viii) Protection of Undisclosed Information.
- g. **“IP Code”** means Republic Act No. 8293 otherwise known as the Intellectual Property Code of the Philippines, as amended;
- 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 Rules;
- j. **“Office”** means the Intellectual Property Office of the Philippines;
- 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 Rules;
- l. **“Rules”** 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, also known as the Innovation Bureau, and approved by the Director General;
- m. **“Renewal Agreement”** means any agreement that extends the term of an agreement registered with the Bureau without any amendment or other modification of any provision of the previously registered agreement;
- n. **“Technology Transfer Arrangements”** 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 transfer, assignment or licensing of intellectual property rights will be considered a technology transfer arrangement only if it involves the transfer of systematic knowledge.

- o. **“Undisclosed Information”** means 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.

Rule 2. Prohibited Clauses. Pursuant to Section 87 of the IP Code, the following provisions shall be deemed *prima facie* to have an adverse effect on competition and trade:

- (1) Tie-in Purchase.

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) Price Fixing.

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) Restriction on Production Volume and Structure.

Those that contain restrictions regarding the volume and structure of production;

- (4) Prohibition on the Use of Competitive Technology in Non-exclusive Agreement.

Those that prohibit the use of competitive technologies in a non-exclusive technology transfer agreement;

- (5) Full or Partial Purchase Option.

Those that establish a full or partial purchase option in favour of the licensor;

- (6) Free Grantback.

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) Payment for Unused Patents.

Those that require payment of royalties to the owners of patents for patents which are not used;

(8) Export Restriction.

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) Restriction to Use the Technology after Term.

Those which restrict the use of the technology supplied after the expiration of the technology transfer arrangement, except in cases of early termination of the technology transfer arrangement due to reason(s) attributable to the licensee;

(10) Payment for Expired Patents.

Those which require payments for patents and other industrial property rights after their expiration or termination of the technology transfer arrangement;

(11) Non-contestability of Patents.

Those which require that the technology recipient shall not contest the validity of any of the patents of the technology supplier;

(12) R&D Restriction.

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) Adaptation or Innovation Restriction.

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) Hold Harmless.

Those which exempt the licensor for liability for non-fulfilment 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; and,

- (15) Other clauses with equivalent effects.

Other Anti-competitive Clauses or Stipulations in Restraint of Trade, e.g., unreasonable Post-Termination Non-Compete Covenants, likewise are prima facie to have an adverse effect on competition and trade. The burden of overcoming the presumption rests with the party claiming exemption.

Rule 3. Mandatory Provisions. Pursuant to Section 88 of the IP Code, the following provisions shall be included in voluntary license contracts:

- (1) Governing Law.

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 Improvement.

Continued access to improvements in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement;

- (3) Arbitration.

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 the 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.

“Any neutral country” is understood to be any third country, other than the Philippines, where neither the licensor nor the licensee was organized, registered, or existing, and one where neither party has a direct connection or legal ties.

- (4) Tax Liability.

The Philippine taxes on all payments relating to the technology transfer arrangement shall be borne by the licensor.

PART 2 Conformity with the IP Code and Exemptions

Rule 4. Conformity. Technology transfer arrangements that conform to the provisions of Sections 87 and 88 of the IP Code need not be registered with the Bureau. Non-conformance with any of the provisions of Sections 87 and 88, however, shall automatically render the

technology transfer arrangement unenforceable, unless an application for exemption in exceptional and meritorious cases has been filed with the Bureau and subsequently granted, and the Technology Transfer Arrangement is approved and registered with the Bureau.

(Sec. 92 of the IP Code)

Rule 5. Exemptions. Exemption from the Prohibited Clauses and Mandatory Provisions of the IP Code may be allowed in exceptional or meritorious cases, such as in the following:

- 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; and/or
- f. Pioneer status registration with the Board of Investments

where substantial benefits will accrue to the economy. *(Rule 9, last paragraph)*

5.1. Guidelines for Requesting Exemption. Unless specified, the guidelines and procedures for filing and processing requests for exemptions are the same as other requests covered by the subsequent Rules (Rules 6 – Registration of Technology Transfer Arrangement and Rule 7 – General Provisions).

- a. **Filing Period.** The recommended schedule for filing requests for exemption is as follows:
 - i. Draft Agreements for Preliminary Review – anytime before execution of the agreement;
 - ii. New Agreements – within thirty (30) calendar days from the date of execution or effectivity, whichever is earlier;
 - iii. Renewal Agreements – anytime prior to the expiration of the term of the existing technology;
 - iv. Amendatory Agreements – within thirty (30) calendar days from the date of the effectivity of such amendment or modification. *(Rule 6)*
- b. **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. *(Rule 9, first paragraph)*

The following shall be considered in the evaluation of requests for exemption:

- 1. **Acceptable Worldwide Industry Standards and Practices.** As part of the evaluation procedure for requests for exemptions, the Bureau shall take into account worldwide industry standards and practices for licensing technology in the relevant sectors. *(Rule 10)*

2. **Purchase Option.** In determining whether a provision in a technology transfer arrangement establishes a full or partial purchase option in favour of the licensor prohibited under Section 87.6 of the IP Code, the Bureau shall take into consideration if there is an option for the licensor to purchase the licensee's business. An option to purchase the remaining amount of stocks or inventory after the term of a technology transfer arrangement may be allowed. However, an option to purchase all or substantially all of the licensee's assets or equity is a prohibited clause."
3. **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 11)*
4. **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 Rules), the Bureau shall take into consideration current laws, as well as the rules and regulations issued by the Bureau of Internal Revenue (BIR) regarding the liability for payment of such taxes. *(Rule 12)*

PART 3

Registration of Technology Transfer Arrangements

Rule 6. Registration Procedure. The Bureau shall act on requests for registration of technology transfer arrangements based on the following procedure:

- 6.1. **Filing.** All requests pertaining to technology transfer arrangements shall be filed with the Bureau and duly stamped "Received" with the date, time, and name of the receiving officer upon receipt.
- 6.2. **Notice of Additional Requirements.** Should the Bureau find that the applicant has submitted incomplete or insufficient information and requirements, the Bureau shall issue a Notice of Additional Requirements to the applicant within three (3) working days from the filing of the request requiring the applicant to submit the additional requirements. The applicant shall complete the requirements within fifteen (15) working days from receipt of the Notice of Additional Requirements. Should the applicant not be able to comply with the requirements within the aforesaid period, applicant may request for an extension of another fifteen (15) working days and pay the corresponding fee. Otherwise, the file shall be archived and shall only be retrieved upon submission of the

complete requirements and payment of the Document Retrieval Fee. (*revised Rule 8*)

6.3. Filing Date. Upon receipt of all the requirements as contained in the Notice of Additional Requirements, the Bureau shall issue a Notice of Filing Date within three (3) working days from such receipt. The Filing Date shall be the date when the Bureau has satisfactorily received all the requirements. This date is also the date when evaluation of the request shall commence. (*revised Rule 7*)

6.4. Decision. The Bureau Director shall decide on the request within twenty (20) working days from the Filing Date. (*revised Rules 13, 18, 22 and 24*)

A favorable Decision shall cause the corresponding Certificates to be issued.

Otherwise, appropriate Notices shall be issued to applicant.

6.4.1. Notice of Findings and 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 informing them of the violation and requiring them to comply. (*revised Rules 20, 22 and 25*)

6.5. Issuance of Certificate. Upon the applicant's satisfactory response to the findings and subsequent compliance with the IP Code provisions, and/or after a favorable Decision by the Bureau Director, the Bureau shall issue the appropriate certificate within seven (7) days from receipt of the duly executed and notarized agreement and payment of the required fees for the following as requested: (*revised Rules 14, 19, and 21*)

a. Certificate of Registration – A certification that a technology transfer arrangement has been granted certain exemption/s from the requirements of Sections 87 and/or 88 of the IP Code;

b. Certificate of Compliance - A certification that the technology transfer arrangement does not violate any of the Prohibited Clauses and conforms to all the Mandatory Provisions of the IP Code;

c. Certificate of Clearance - A certification that a trademark license agreement covered by Section 150 of the IP Code has been cleared for recordal with the Bureau of Trademarks.

6.6. Entry in the Certificate Registry Book. After the issuance of a certificate, the Bureau shall enter in the Certificate Registry Book the following:

- a. Title of the technology transfer arrangement;
- b. The parties thereto;
- c. Its registration number;

- d. The date of registration; and
- e. The corresponding type of certificate as enumerated in Rule 6.5 above.

Other information needed by the agency for statistical purposes may likewise be recorded, in accordance with the provisions of the law. (*revised Rule 15*)

- 6.7. Publication.** The Bureau shall publish in the IPO Gazette all agreements that are granted exemption, registered, or cancelled. The publication shall contain the names of the parties, title and subject of the agreement, the specific exemption/s granted, if any, and the date of cancellation, if such was the case. (*revised Rule 33*)

Rule 7. General Provisions

- 7.1. Applicants.** Any party to a technology transfer arrangement or his duly authorized representative may file with the Bureau an application for Certificate of Registration, Certificate of Compliance, or Certificate of Clearance (as distinguished under Rule 6.5). Parties may also jointly file such Applications. (*revised Rules 5 and 21*)

- 7.2. Requirements.** The basic requirements for any request to be filed with the Bureau pertaining to a technology transfer arrangement shall be as follows:

- a. Letter request;
- b. Copies of the technology transfer arrangement;
- c. The duly filled-out sworn application form which shall include a verified statement from the applicant that the agreement is not subject of any judicial, administrative or other proceeding; and
- d. Requisite Fees.

Requests for Exemption shall also be accompanied with specifics on the exemption/s being requested and the justification for the exemption/s.

In case of Requests for Preliminary Review, the applicant may submit either a draft or a duly executed and notarized agreement.

Other documents may be required by the Bureau to support and establish the merits of a request. (*revised Rules 4 and 21*)

- 7.3. Amendments.** Minor changes on a technology transfer arrangement, such as addition or deletion of products, increase or decrease in royalty rates and other commercial terms, etc. which do not violate the requirements of Sections 87 and 88 of the IP Code, will not affect the findings of the Bureau and will not necessitate another round of review. Such requests for annotation shall be acted upon by the Bureau within three (3) working days from receipt of all the requirements which may include the surrender of a previously issued certificate covering the technology transfer arrangement. (*revised Rule 35(b)*)

7.4. Issuance and Validity of the Certificates. There will not be issued any perpetual certificates and in no case shall any of these certificates exceed the life of the Technology Transfer Arrangement.

Technology Transfer Arrangements which had expired shall not be issued certifications anew unless aforesaid technology transfer arrangement had been renewed or extended in due course.

Only one (1) original Certificate shall be issued to the applicant and the Bureau will maintain only one (1) original duplicate for file. Requests for additional original copies will not be granted. However, an applicant may request for certified true copies of the original duplicate on file.

a. Maximum Validity of the Certificate of Registration and Certificate of Compliance. The Certificates of Registration and Certificate of Compliance to be issued by the Bureau, as the case may be, may carry a maximum validity of ten (10) years from the date of effectivity of the technology transfer arrangement or from the date of issuance of the certificate, whichever is earlier.

b. Maximum Validity of the Certificate of Clearance. The Certificate of Clearance to be issued by the Bureau on account of Trademark License Agreements for recordal with the Bureau of Trademarks, may carry a maximum validity of ten (10) years but may not exceed the expiration of the Trademark registration itself, as appearing in the Trademark Registration certificate.

7.5. Cancellation of Registration. Automatic cancellation of registration shall be made upon receipt by the Bureau of a duplicate original or certified true 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. (*Rule 16*)

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. (*Rule 16*)

In both cases, the parties shall be required to surrender the certificate provided that the surrender of the certificate shall not be a pre-requisite to the cancellation of the registration. (*Rule 16*)

PART 4 Reconsideration and Appeal

[Please refer to IPOPHL's *Uniform Rules on Appeal* (Office Order No. 12, series of 2002)]

PART 5
Miscellaneous Provisions

Rule 8. 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. *(Rule 30)*

Rule 9. 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 31)*

Rule 10. Technology Transfer Arrangements Subject of Judicial Proceedings. The Bureau shall not take cognizance of any request where the validity, enforceability, or any issue involving such technology transfer arrangement has become the subject of a judicial proceeding. *(Rule 32)*

Rule 11. Office Forms. For the convenience of applicants, the Bureau 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 34)*

PART 6
FINAL PROVISION

Sec. 1. Repeal. All rules and regulations, memoranda, circulars and memorandum circulars and parts thereof inconsistent with these Rules and Regulations are hereby repealed.

Sec. 2. Separability. If any provision in these rules and regulations or application of such provision to any circumstance is held invalid, the remainder of these rules and regulations shall not be affected thereby.

Sec. 3. Filing of Certified Copies. Financial, Management and Administrative Services (FMAS) is hereby directed to immediately file three (3) certified copies of these rules with the University of the Philippines Law Center and Office of the National Administrative Register.

Sec. 4. Effectivity. These rules and regulations shall take effect fifteen (15) days after publication in a newspaper of general circulation.

Done this 2nd day of January 2020.


Atty. TEODORO C. PASCUA
OIC-Director General 