



DOST Administrative Circular No. 001
Series of 1998

04 JAN 1999

**REVISED IMPLEMENTING GUIDELINES FOR R.A. 7459
OTHERWISE KNOWN AS INVENTORS AND
INVENTION INCENTIVES ACT OF THE PHILIPPINES**

Pursuant to R. A. 7459, otherwise known as the "Inventors and Invention Incentives Act of the Philippines" and after consultation with the Filipino Inventors Society and the Screening Committee, the following guidelines, rules and regulations are hereby promulgated consistent with DOF Order No. 121-93, BIR Revenue Regulations No. 19-93 and DILG Memorandum Circular No. 94-169:

Section 1. Principles

Procedures and granting of incentives shall be governed by the following principles:

- 1.1 Responsibility for implementing the law is vested upon the Technology Application and Promotion Institute of the Department of Science and Technology;
- 1.2 Responsibility for implementing tax and duty exemption incentives is vested upon the Department of Finance through the Bureau of Internal Revenue and the Bureau of Customs;
- 1.3 Responsibility for implementing incentives/exemption on patent registration is vested upon the Department of Trade and Industry through the Bureau of Imports Services, Board of Investments and the Intellectual Property Office.
- 1.4 Responsibility for implementing local taxes and permit fees and exemption on registration of inventions is vested upon the Department of the Interior and Local Government.

Section 2. Definition of Terms

As used herein, the following terms shall mean:

- 2.1 DEPARTMENT shall refer to the Department of Science and Technology (DOST);
- 2.2 INSTITUTE shall refer to the Technology Application and Promotion Institute (TAPI);
- 2.3 PATENT OFFICE shall refer to the Intellectual Property Office (IPO);

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- 2.4 FIS shall refer to the Filipino Inventors Society;
- 2.5 RDIs shall refer to the Research and Development Institutes of the Department;
- 2.6 SCREENING COMMITTEE shall refer to the committee composed of the representatives from the Department of Science and Technology, the Filipino Inventors Society, the Department of Trade and Industry, the Department of Agriculture, and the Department of Environment and Natural Resources;
- 2.7 INVENTION shall refer to any patented machine, product, process including implements or tools and other related gadgets of invention, utility model and industrial design patents;
- 2.8 INVENTOR shall refer to the patentee, heir/s or assignee/s of an invention;
- 2.9 TECHNOLOGY shall generally include the application of knowledge or science including inventions, innovations and research results;
- 2.10 HEIR shall refer to a person called to the succession either by the provision of a will or by operation of law as defined in Article 782 of the Civil Code of the Philippines;
- 2.11 ASSIGNEE shall refer to any person or entity to whom the inventor has transferred the entire right, title or interest in and to the patent and the invention covered thereby, or an undivided share of the entire patent and invention in which event the parties become joint owners thereof;
- 2.12 CUSTOMS DUTIES and CHARGES ON IMPORTS shall refer to the definition as provided for under the Tariff and Customs Code;
- 2.13 FUND shall refer to the Invention Guarantee Fund created by Republic Act No. 3850 as amended, deposited with the Development Bank of the Philippines, and the interest earnings thereof, which shall be made available to finance and guarantee the loan assistance of any patented Filipino invention duly certified by the Filipino Inventors Society and the Screening Committee. A continuing annual appropriation in the amount of not less than Ten Million Pesos (P10,000,000) shall also be provided for this purpose in the annual budget of the Department of Science and Technology and interest earnings of the Fund shall form part of the fund to pay for the finance and guarantee of loan assistance, cash rewards, and other incentives to inventors provided under the Act.

- 2.14 ACT shall refer to Republic Act 7459 otherwise known as the "Inventors and Invention Incentives Act of the Philippines".

Section 3. Cash Rewards

- 3.1 Granting of cash rewards shall be done through a National Contest organized for the purpose;
- 3.2 Contest shall be open to Filipino inventors, researchers and scientists;
- 3.3 There shall be four categories of awards:
- 3.3.1 Invention
 - 3.3.2 Utility Model
 - 3.3.3 Industrial Design
 - 3.3.4 Creative Research
- 3.4 For the purpose of implementing 3.3, the following definitions are hereby provided:
- 3.4.1 Invention shall refer to any technical solution of a problem in any field of human activity which is new, involves an inventive step and is industrially applicable. It may be, or may relate to a product, or process, or an improvement of any of the foregoing (Sec. 21, RA 8239);
 - 3.4.2 Utility model shall refer to any technical solution of a problem in any field of human activity which is new and industrially applicable, within the contemplation of the above statute (Sec. 109, RA 8239);
 - 3.4.3 Industrial design shall refer to 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 pattern for an industrial product or handicraft within the contemplation of the above statute (Sec. 112, RA 8239);
 - 3.4.4 Creative research shall refer to any patent pending or unpatented inventions, utility models, industrial designs and research results with demonstrable qualities and potential for improvement and/or wider commercialization/dissemination.

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3.5 Cash awards shall be provided for each category as follows:

3.5.1 Invention
First Prize ----- P100,000
Second Prize ----- 50,000
Third Prize ----- 20,000

3.5.2 Utility Model
First Prize ----- P 50,000
Second Prize ----- 20,000
Third Prize ----- 10,000

3.5.3 Industrial Design
First Prize ----- P 50,000
Second Prize ----- 20,000
Third Prize ----- 10,000

3.5.4 Creative Research
First Prize ----- P 50,000
Second Prize ----- 20,000
Third Prize ----- 10,000

3.6 Cash awards may be adjusted by the Screening Committee subject to the approval of the Department;

3.7 At the discretion of the Institute, local contests at the regional or provincial level may be organized to select/screen contestants for the national contest;

3.8 Members of the Screening Committee as appointed by the Secretary of the Department shall serve as members of the panel of judges. The Institute may invite representatives from other sectors as may be necessary;

3.9 Rules and criteria to be followed in the contest shall be subject to approval by the Screening Committee;

3.10 The panel of judges has the right to declare no winner if it deems that there are no deserving entries. The decision shall be final and unappealable.

Section 4. Screening Committee

4.1. Composition

4.1.1. The Screening Committee (SC) shall consist of representatives from the Department of Science and Technology, the Filipino Inventors Society, the Department of Trade and Industry, the Department of Agriculture and the Department of Environment and Natural Resources.

4.2. Functions

- 4.2.1 Recommend policies, action plans and programs for the effective implementation of RA 7459.
- 4.2.2 Evaluate and endorse/approve application for tax and duty exemptions and financing assistance.
- 4.2.3 Review rules and criteria for the Presidential Awards for inventions.
- 4.2.4 Review and recommend approval of amendment to the Implementing Guidelines.
- 4.2.5 Conduct visit to endorsed/approved projects for monitoring purposes.
- 4.2.6 Recommend proper management in the operation of the programs and projects under RA 7459.
- 4.2.7 Coordinate and initiate intervention with other agencies or sectors as may be necessary.
- 4.2.8 May invite consultant/s on special arrangement by the Institute.
- 4.2.9 May initiate and/or recommend sanctions/disciplinary action for infraction or violation of an agreement or contract related to benefits received under RA 7459.
- 4.2.10 Perform other functions as may be necessary.

4.3. Meeting

- 4.3.1. Simple majority constitutes a quorum.
- 4.3.2. Shall meet regularly on a monthly basis.
- 4.3.3. In the absence of the Chairman, the members shall elect from among themselves an Acting Chairman.
- 4.3.4. Special meetings may be called as deemed necessary.
- 4.3.5. The Screening Committee shall decide on the venue of the meeting.

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4.4. Honorarium

4.4.1 Honorarium shall be provided to the Screening Committee members on the basis of appropriate rates subject to auditing and accounting rules and regulations chargeable against RA 7459 funds.

4.5. Secretariat

4.5.1. TAPI shall serve as the Secretariat of the Committee.

Section 5. Tax Incentives and Duty Exemption

5.1 Tax incentives and exemption shall be principally governed by orders, revenue regulations and/or administrative issuances from the Department of Finance through the Bureau of Internal Revenue and the Bureau of Customs;

5.2 Exemption from payment of fees involved in the application for registration of their invention shall be governed by issuances from the Department of Trade and Industry through the Board of Investments and the Patent Office.

5.3 Exemption from payment of local taxes, permit fees and other fees involved in the application for registration of business operation of the inventions shall be governed by issuances from the Department of Interior and Local Government.

Section 6. Invention Development Assistance Fund (IDAF)

6.1 Source and Use of IDAF

6.1.1 The Invention Development Assistance Fund shall constitute 12% of the Institute's annual operating funds and funds coming from donations, bequests and other sources whether public, private, domestic or foreign specifically made for the purpose and deposited in a trust fund to be opened by the Institute;

6.1.2 Donations to this Fund shall be tax exempt and tax deductible;

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6.1.3 IDAF shall be used for experiments and prototype development, piloting, testing, promotion and other invention development related activities.

6.2 Evaluation of Projects for Assistance

6.2.1 Assistance shall be given to projects which address national priority programs and specific agriculture and industry needs and whose utilization will increase productivity and improve product quality.

6.2.2 The Institute's Technical Review Committee (TRC) as may be assisted by an Advisory Board composed of inventors shall conduct an evaluation of project proposals and shall recommend the amount of assistance to be granted, payback mechanism and repayment schedule.

6.2.2.1 For purposes of ensuring effective project implementation, the Committee composed of the Institute technical staff and experts in the field under review/consideration shall adopt additional criteria/guidelines as deemed necessary by the Institute.

6.2.2.2 Inventors who are delinquent in complying with any of the terms and conditions set by the TRC, except on exceptional grounds approved by the Institute, shall not be allowed to avail of any TAPI assistance in the future.

Section 7. Invention Guarantee Fund (IGF)

7.1 Purposes

7.1.1 To finance and guarantee the loan assistance of any patented Filipino invention duly certified by the Filipino Inventors Society and by the Screening Committee.

7.1.2 To pay for and finance loan assistance, cash rewards and other incentives to inventors.

7.1.3 To specially finance inventions/researches and technologies developed locally or adopted from foreign sources geared to generate viable economic activities and upgrade existing technologies.

7.2. Who are Eligible to Apply

7.2.1 Filipino individuals or Filipino juridical entities holding letters patent may qualify to avail the Fund.

7.2.2 Under highly meritorious cases and subject to the approval of the Screening Committee, Filipino juridical entities with pending patents may also qualify to avail of the Fund.

7.3 Terms and Conditions

7.3.1 Loan amount shall depend on the need and growth potential of the project and paying capacity of the proponent as determined by the Screening Committee.

7.3.2 Amount of Loan shall not exceed P10M per project unless fully justified by the proponent and approved by the Screening Committee.

7.4 Interest and other Charges

7.4.1 The loan shall bear an interest of not more than 6% per annum and a guarantee fee of not more than 1% of the guaranteed portion of the loan.

7.4.2 A default charge of two percent (2%) per month shall be due on installment amount in arrears.

7.5 Term of Loan

7.5.1 The term of loan shall be determined by the cash flow and/or return of investment (ROI) of the project. In no case shall the term exceed five years but not less than three years exclusive of one year grace period unless a longer term is approved by the Screening Committee.

7.6 Equity/Collateral Requirement

7.6.1 The equity requirement shall not be less than 20% of the loan.

7.6.2 The loan shall be secured through offer of collateral in the form of chattel mortgage and/or real estate, the loan value of which are 50% to 60% of the appraised value, respectively.

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7.6.3 Other forms of collateral shall be through a Patent Valuation and shall be determined/valued by TAPI based on total receivable royalties for five (5) years but not more than fifty percent (50%) of the collateral requirement. Provided further that the inventor assigns his Letters Patent to TAPI for the duration of the loan.

7.6.4 In case of collateral shortfall, the inventor should apply for a guaranteed coverage of the Fund at a fixed rate of 1% interest.

7.7 Requirements for Application

Eligible inventors who wish to avail of the Fund shall submit the following:

7.7.1 For Technical Evaluation

7.7.1.1 FIS Certification as to the inventions' authenticity and inventor's credibility as provided for by Article V, Sec. 9 of RA 7459.

7.7.1.2 Complete copy of Letters Patent

7.7.1.3 Comprehensive and complete Feasibility Study/Business Plan to include the following components:

- a) marketing aspect
- b) technical aspect
- c) management/ administration aspect
- d) detailed financial proposal
 - financial assumptions
 - details of project cost/specific purpose of loan
 - counterpart funding offered
 - projected income statement for five (5) years
 - details of income and expenses
 - project cash flow statement for five (5) years
 - amortization/repayment scheme of financial assistance
- e) waste disposal / environmental concerns

- 7.7.1.4 Picture/Drawings of Working Model
- 7.7.1.5 Business Permits and Licenses
- 7.7.1.6 For Corporations or Cooperatives, a Board Resolution Authorizing the Borrowing and Designating Authorized Signatories of the Loan

7.7.2 Other Information

- 7.7.2.1 Brief resume of applicant/major stockholders/officers
- 7.7.2.2 History/background of business.
- 7.7.2.3 Income Tax Return (last 3 years)
- 7.7.2.4 Proof of past performance/track record on related activity of the proponent;
- 7.7.2.5 Bank/credit references

7.7.3 Proof of the proponent's properties/assets offered as collateral/equity

7.7.4 Patent Valuation from accredited patent appraisers

7.7.5 Notarized Deed of Assignment of patent

7.8 Valuation of Patents

TAPI shall approve the patent valuation undertaken by accredited patent appraisers and issue acceptance of the same for the purposes of the loan applied for subject to the approval of the Screening Committee.

7.9 Approval of the Loan

All projects submitted to the Institute shall be subject to a series of screening/evaluation, under the following committees:

- 7.9.1 Pre-Screening Committee (PSC). This committee consisting of technical experts from the Institute shall evaluate projects according to their line of expertise. Documents submitted shall be preliminary evaluated as to its market and technical viability and financial profitability. Results of the evaluation shall be presented by the PSC Chairman to the TAPI Executive Committee

7.9.2 TAPI Executive Committee (TAPI EXECOM). This committee consisting of TAPI officials shall deliberate on the approval/disapproval of the application for final evaluation of the Screening Committee.

7.9.3 Screening Committee (SC). This committee shall conduct the final evaluation of the proposal for action of DBP. The proponent is personally required to present the proposal to Screening Committee.

7.10. Duration and Loan Application

7.10.1 Processing of loan application shall be done within 30 working days from receipt of complete documents. Applicants shall be informed accordingly of results of the evaluations conducted.

7.10.2 For approved projects, DBP will be instructed thru a letter signed by the Director of the Institute to effect the release of the loan as provided for in the terms and conditions.

Section 8. Financial and Loan Assistance from Government Banks (Article V, Sec. 10, RA 7459)

8.1 No limit on the amount of loan applied for shall be granted to the inventor who can provide fifteen percent (15%) equity of the loan applied for, provided, that acceptable collaterals can be presented to fully secure his loan.

Section 9. Other Financing Schemes

9.1. Rediscounting of foreign/domestic irrevocable letters of credit/purchase orders shall not exceed 80% of its peso value.

9.2. Interest under the scheme shall not exceed 6% of the guaranteed value of the Letters of Credit/Purchase Orders. Provided further that Letters of Credit/Purchase Orders shall be subject to the verification of TAPI.

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Section 10. Amendatory Clause

These guidelines, rules and regulations shall be amended from time to time as condition warrants.

Section 11. Effectivity

These guidelines, rules and regulations shall take effect immediately.


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Secretary