



The Philippine Inventors and Invention Incentives Act ¹

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INTRODUCTION

National development is anchored on its critical mass of scientists, researchers and investors. They significantly contributed in providing scientific solutions to address the simplest and most complicated daily problems. Succinctly, the inventions developed made our lives easier and better.

The 1987 Philippine Constitution, Section 10 of Article XIV, states that the State shall provide priority to research and development (R&D), 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. This statement codified the country's intent to harness local inventions and scientific breakthroughs to achieve national development and inclusive growth. Hence, specific laws to cater for this goal were created and enacted.

Republic Act No. 3850 or the "Philippine Inventors Incentives Act", which was signed on April 13, 1964, created a Philippine Inventors Commission, to promote and encourage the creation and manufacture of Philippine inventions. This was amended through Presidential Decree No. 1423, dated June 9, 1978 "to ensure that deserving investors are adequately encouraged and supported through appropriate incentives particularly in the production and marketing of useful inventions". Moreover, On January 30, 1987, Executive Order No. 128 which catered for the Reorganization of the National Science and Technology Authority, created the Technology Application and Promotion Institute (TAPI). The TAPI's prime responsibility is to promote the commercialization of technologies and market the services of other operating units of the Department of Science and Technology (DOST).

On April 28 1992, President Corazon C. Aquino signed Republic Act No. 7459, titled "An Act Providing Incentives to Filipino Inventors and Expanding the Functions of the Technology Application and Promotion Institute, Appropriating Funds Therefor, and for Other Purposes". The law also known as the "Inventors and Invention

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Incentives Act of the Philippines, “codified the country’s recognition of the important contribution of the Filipino inventors and the technologies they developed. RA 7459 was crafted to give priority to invention and its utilization and to provide incentives to investors and protect their exclusive right to their invention (Section 2)³. Among the incentives stipulated in the law include cash rewards, tax incentives and exemptions, invention development assistance fund, and invention guarantee fund.

Salient Provisions of RA 7459

Cash Rewards. Presidential awards for inventions consisting of Cash Rewards shall be granted to patented inventions in the Philippines to be chosen by a Screening Committee (Section 4) with members consisting of technical representatives from the Department of Science and Technology (DOST), the Filipino Inventors Society, the Department of Trade and Industry (DTI), the Department of Agriculture, and the Department of Environment and Natural Resources (Section 3.1.1, IRR of R.A. 7459). There shall be four categories with the corresponding cash rewards as follows: (Section 4)

- (1) Inventions. (i) First Prize, One hundred thousand pesos (P100,000.00); (ii) Second prize, Fifty thousand pesos (P50,000.00); and (iii) Third prize, Twenty thousand pesos (P20,000.00);
- (2) Utility Models. (i) First Prize, Fifty thousand pesos (P50,000.00); (ii) Second prize, Twenty thousand pesos (P20,000.00); and (iii) Third prize, Ten thousand pesos (P10,000.00);
- (3) Industrial Design. (i) First Prize, Fifty thousand pesos (P50,000.00); (ii) Second Prize, Twenty thousand pesos (P20,000.00); and (iii) Third prize, Ten thousand pesos (P10,000.00);
- (4) Creative Research, (i) First prize, Twenty thousand pesos (P20,000.00); (ii) Second Prize, Ten thousand pesos (P10,000.00); and (iii) Third prize, Five thousand pesos (P5,000.00);

A round-trip ticket fare in addition to necessary and reasonable expenses but not more than three hundred pesos (P300.00) a day shall be provided to all provincial awardees. Upon recommendation of the Screening Committee, all winners may be sent by the Philippine Government to other countries where their winning inventions or areas of interest are advanced. The Screening Committee may adjust the cash awards and the additional expenses aforementioned subject to the approval of the Institute.

Tax incentives are provided to inventors who shall be exempt from payment of license fees, permit fees, and other business taxes in the development of the invention. However, the Inventor must be certified by the Filipino Inventors Society and duly confirmed by the Screening Committee to avail these incentives (Section 5).

Tax exemption is provided to any income derived from commercialization of technologies developed by local researchers or adapted locally from foreign sources including inventions, during the first ten years from the date of the first sale, subject to the rules and regulations of the Department of Finance. This tax exemption privilege pertaining to invention shall be extended to the legal heir or assignee upon the death of the inventor. Moreover, the technologies, their manufacture or sale, shall also be exempt from payment of license, permit fees, customs duties and charges on imports (Section 6).

³ Articles and Sections refer to R. A. 7439, unless indicated.

Inventions Development Assistance Fund (IDAF) is established from the operations of the Technology Application and Promotion Institute (TAPI) of the DOST. The IDAF, which is at least twelve percent (12%) of the annual operations fund of the Institute and from donations, bequests, and other sources, public, private or domestic or foreign, for assisting potential or actual inventors in the initial experiments and prototype development and other inventor-development related activities of invention or innovation, shall be administered by TAPI. Donations to the IDAF shall be tax exempt or tax deductible (Section 7).

Invention Guarantee Fund (IGF), which was created by Republic Act No. 3850, as amended, deposited with the Development Bank of the Philippines (DBP), and the interest earnings thereof, shall be made available to finance and guarantee the loan assistance of any patented Filipino invention duly certified by the Filipino Inventors Society and by the Screening Committee (Section 9).

Financial and Loan Assistance from Government Banks. Loan assistance for the commercial production of an invention, either locally or for export and duly certified by the Filipino Inventors Society and the Screening Committee, shall be extended by government banks. However, the said invention must meet the criteria that would enhance the economy of the country such as profitability and viability, dollar-earning capacity, and generation of employment opportunities for Filipinos (Section 10).

Government Agencies Assistance. To facilitate the granting of loans or financial assistance by any government bank, all government agencies concerned are required to extend all possible assistance, such as the use of its facilities in the preparation of project feasibility studies and evaluations and products to be produced by the inventor (Section 11).

Expanded Functions of the TAPI. Section 8 of R.A. 7439 provided the following additional functions to the TAPI in order to carry out its provisions.

- (a) Assist technologies, inventors and researches, avail of the laboratories and other facilities of the RDI's including regional offices and other government agencies, offices and instrumentalities upon recommendation of the Director of the Institute: Provided, That the receipt of such assistance agree to give to the Institute at least one-tenth (1/10) of all royalties arising from the technology or invention depending upon the extent of facility or services utilized to help maintain the research laboratories; and
- (b) Accredite and recognize inventor organization throughout their activities.

CONCLUSION

The Inventors and Invention Incentives Act is the country's prime law that recognizes the significant contribution of our inventors and researchers. The law promotes and supports the welfare of the country's critical mass of scientific workforce and human capital through the provision of technical and administrative assistance from TAPI and other government agencies as well as giving financial support. These may motivate inventors to pursue their research and create something useful for the country. However, considering the high cost of raw materials to conduct research and develop inventions, researchers, scientists and inventors are confronted with financial issues and may be tempted or forced to sell their inventions to non-Filipino investors who offer higher values for these inventions. This

calls for increased government support to Filipino inventors. At present, Senate Bill No. 682 which was filed on July 9, 2013, introduced by Senator Loren B. Legarda, calls for the creation of the Philippine Inventors Commission (re-establishment as provided by R.A. No. 3850). The Senate Bill aims to strengthen the mechanisms for providing the much needed support of the country's inventors. Specifically, the bill will provide technical, financial, legal and marketing assistance to Filipino inventors and their inventions.

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