

[PRESIDENTIAL DECREE NO. 1263, December 14, 1977]

AMENDING PORTIONS OF REPUBLIC ACT NO. 165 OTHERWISE KNOWN AS THE PATENT LAW.

WHEREAS, certain provisions of Republic Act No. 165, otherwise known as the Patent Law, have become obsolete and are inadequate to meet the demands of our primordial goal of industrial and overall national economic development;

WHEREAS, this goal can, to a significant extent, be promoted through the licensing of patents;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree the following:

SECTION 1. Chapter VIII of Republic Act Numbered 165 is hereby amended to read as follows:

"CHAPTER VIII — *Licensing*

"ARTICLE ONE. — *Voluntary Licensing*

"SEC. 33-A. *Voluntary License Contracts.* — (1) All voluntary license contracts as well as renewals thereof involving payment of royalty for the use of patents, transfer of technology, or furnishing of services respecting patents shall, whenever entered into between residents and non-residents, be submitted to the Technology Resource Center for prior approval and registration.

"(2) The royalty to be granted in all license contracts involving manufacturing (including actual transfer of technology services such as secret formulae, processes, technical know-how and the like) shall, whenever entered into between an alien licensor and a Filipino licensee, not exceed five per cent (5%) of the net wholesale price of the articles manufactured under the royalty agreement and shall be equally distributed to all the patentees in cases where more than one patent similar to that contemplated in Section 34-C hereof are involved.

"(3) The term "net wholesale price" means the gross amount billed for the patented product subject to royalty less;

"(a) Trade, quantity, or cash discounts, and broker's or agent's commission, if any, allowed or paid;

"(b) Credits or allowances, if any, given or made on account of rejection or return of the patented product previously delivered; and

"(c) Any tax, excise or other government charge, included in such amount, on, or measured by, the production, sale, use or delivery of the patented product.

"(4) Unless and until approved and registered in accordance with paragraph (1) of this section, the license contract contemplated therein may not be the subject of an application filed with either the Board of Investment or the Central Bank of the Philippines, Neither will it have an effect against third persons until such registration.

"SEC. 33-B. *Rights of Licensor.* — (1) In the absence of any provision to the contrary in the license contract, the grant of a license shall not prevent the licensor from granting further licenses to third persons nor from exploiting the invention himself.

"(2) Without prejudice to the grant of a compulsory license in accordance with Section 34- hereof, the grant of an exclusive license shall prevent the licensor from granting licenses to third persons and, unless otherwise expressly provided in the license contract, from exploiting the invention himself.

"SEC. 33-C. *Rights of Licensee.* — (1) The license shall be entitled to exploit the invention during the whole duration of the patent in the entire territory of the Philippines through any application of the invention, and in respect of all acts referred to in Sections 37 and 42.

"(2) Clauses of fane following tenor contained in license contracts shall be null and void:

"(a) 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;

"(b) 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;

"(c) Those that contain restrictions regarding the volume and structure of production;

"(d) Those that prohibit the use of competitive technologies;

"(e) Those that establish a full or partial purchase option in favor of the licensor;

"(f) Those that obligate the licensee to transfer to the licensor the inventions or improvements that may be obtained through the use of the licensed technology;

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

"(h) Those that prohibit the licensee to export the licensed product; and

"(i) Other clauses with equivalent effects.

"ARTICLE TWO. — *Compulsory Licensing*

"SEC. 34. *Grounds for Compulsory Licensing.* — (1) Any person may apply to the Director for the grant of a license under a particular patent at any time after the expiration of two years from the date of the grant of the patent, under any of the following circumstances;

"(a) If the patented invention is not "being worked within the Philippines on a commercial scale, although capable of being so worked, without satisfactory reason;

"(b) If the demand for the patented article in the Philippines is not being met to an adequate extent and on reasonable terms;

"(c) If, by reason of refusal of the patentee to grant a license or licenses on reasonable terms, or by reason of the conditions attached by the patentee to licensee or to the purchase, lease or use of the patented article or working of the patented process or machine for production, the establishment of any new trade or industry in the Philippines is prevented, or the trade or industry therein is unduly restrained;

"(d) If the working; of the invention within the country is being prevented or hindered by the importation of the patented article; or

"(e) If the patented invention or article relates to food or medicine or manufactured products or substances which can be used as food or medicine, or is necessary for public health or public safety.

"(2) In any of the above cases, a compulsory license shall be granted to the petitioner provided that he has proved his capability to work the patented product or to make use of the patented product in the manufacture of a useful product, or to employ the patented process.

"(3) The term "worked" or "working" as used in this section means the manufacture and sale of the patented article, of the patented machine, or the application of the patented process for production, in or by means of a definite and substantial establishment or organization in the Philippines and on a scale which is reasonable and adequate under the circumstances,, Importation shall not constitute "working".

"SEC. 34-A. *Products or Processes Vital to National Defense, Economy or Health.* — The National Economic Development Authority may, by order, provide that for certain patented products or processes, or for certain categories of such products or processes, which are declared in such order to be of vital importance to the country's defense or economy or to public health, compulsory license may be granted under the conditions provided in the next preceding; section even before the expiration of the period mentioned therein.

"SEC. 34-B. *Product, Substances or Processes Subject of Project Approved by the Board of Investments.* — (1) All products or substances and/or processes involved in any industrial project approved by the Board of Investments under the Investment Incentives Act shall be deemed products or substances and/or processes vital to the national defense or economy or to public health. If the proponent of the project is neither a patentee nor a licensee of any of the products, substances or