

## PHILIPPINE INTELLECTUAL PROPERTY LAWS: A REVIEW IN LIGHT OF THE GATT\*

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### THE SIGNIFICANCE OF INTELLECTUAL PROPERTY RIGHTS PROTECTION TO DEVELOPING COUNTRIES

The protection of intellectual property rights (IPR) is a commercial concern significant in various respects. It impacts directly on the rights which creators and inventors may have in their creations and inventions. It affects the manner by which these rights may be exploited to build businesses or spur further creation and invention.

For developing countries such as the Philippines, however, it has another consequence, most probably unimagined by those who had drafted the U.S. Lanham Act or our own 1947 Patent Law. For in our times, a developing country's IPR laws may spell the difference between a deluge and a dearth of foreign capital.

The question of whether foreign investors will want to do business in the jurisdictions of so-called "IPR offenders" appears to be a non-issue.

This has been demonstrated by China's efforts to crack down on intellectual property pirates in order to establish a more

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attractive investment climate.<sup>1</sup> Malaysia, Singapore and Korea have now implemented IPR reforms in order to encourage the influx of foreign capital.<sup>2</sup> Vietnam, which is aggressively competing for the attention of potential investors, has already issued regulations on international trademarks.<sup>3</sup>

Foreign investment is also a key component of the current economic program of the Philippines, and the Government has not delayed in heeding the message that inadequate IPR protection is a disincentive to investment.

### PHILIPPINE IPR LAWS AND POLICY

The Philippines has a relatively strong IPR policy. As early as 1947, two major statutes on intellectual property were already established within the legal system: Republic Act No. 165<sup>4</sup> (Patent Law) and Republic Act No. 166<sup>5</sup> (Trademark Law). In 1972, Presidential Decree No. 49,<sup>6</sup> known as the Intellectual Property Decree, was issued. Most recently, the policy placing value on creations and inventions found expression in the 1987 Philippine Constitution. It is pronounced in Article XIV thereof that:

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

Insofar as protection for foreign creations and inventions is concerned, the Philippines is a signatory to a number of treaties which seek to promote intellectual property rights. Some of these

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<sup>1</sup>A. Blass, *Learning the Soft Way*, Far Eastern Economic Review, December 3, 1992, p. 55.

<sup>2</sup>*Improving Adjudication Procedures for the Resolution of Intellectual Property Rights Cases in the Philippines*, a report commissioned by the Private Investment and Trade Opportunities/Philippines Organization, January 1994, p. 2.

<sup>3</sup>CCH ASIA WATCH, Report No. 21, June 29, 1995, p. 5.

<sup>4</sup>43 O.G. No. 7: 2654 (July 1947).

<sup>5</sup>43 O.G. No. 7: 2669 (July 1947).

<sup>6</sup>68 O.G. 9634-I No. 20 (December 11, 1972).

treaties are the Paris Convention for the Protection of Industrial Property (1967), the Berne Convention for the Protection of Literary and Artistic Works (1971), and the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961).

While Government has encountered problems in fully implementing its IPR policy, there is no question that it is aware of the fact that its business relations with the world may be affected by its IPR record. Thus, on 6 April 1993, Secretary of Trade and Industry Rizalino Navarro signed a *Memorandum of Understanding* with the United States Trade Representative Michael Kantor, which memorandum expressed the Philippine Government's commitment to improve its efforts on IPR protection.

Then, on 14 December 1994, the Philippine Senate ratified the country's accession to the Final Act of the Uruguay Round of the *General Agreement on Tariffs and Trade* (GATT). One of the more significant and controversial aspects of the GATT is the *Agreement on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods* (TRIPS).

### IMPACT OF TRIPS

The TRIPS requires member-States to enact, or amend, intellectual property laws to provide for certain minimum standards.

Philippine IPR laws, however, will not require extensive modification to become harmonious with TRIPS.

For example, our Patent Law already provides for the patentability of inventions, designs and utility models, provided these are novel, useful, are not obvious and involve in inventive step<sup>7</sup> under the TRIPS, this scope must be broadened to include all fields of technology, but still based on the conditions of novelty,

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<sup>7</sup> Secs. 7 and 55, Rep. Act. No. 165, (1947) as amended.

inventiveness and capability of industrial application. The TRIPS also requires the country to extend the life of Philippine patents from 17 years, as currently provided for under Section 58 of Republic Act No. 165, to 20 years.

As to trademarks, the TRIPS requires the registration of service marks--a provision already found in our Trademark Law<sup>8</sup>.

Extensive amendments are likewise unnecessary to align our copyright laws with the minimum standards of TRIPS.

#### PHILIPPINE COPYRIGHT LAWS

Under the Intellectual Property Decree, copyright is acquired automatically from the moment of creation without need of any formality.<sup>9</sup> It consists of, among others, the exclusive right to:

- (i) print, publish, copy, and distribute works;
- (ii) exhibit, perform, produce or reproduce works; and
- (iii) make any other use or disposition of the work consistent with Philippine laws.<sup>10</sup>

The decree also governs and protects neighboring rights, that is, the rights of performers, producers of sound recordings and broadcasting organizations under Sections 41-55 thereof. It also protects follow-up rights or the right to proceed in subsequent transfers, under Sections 31-33. Finally, Pres. Decree No. 49 grants moral rights, such the right to make alterations of the work prior to publication, or to object to any alterations.<sup>11</sup>

The decree provides in Section 2 thereof a listing of the various literary, scholarly, scientific and artistic works over which

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<sup>8</sup> Sec. 2, REP. ACT NO. 166 (1947).

<sup>9</sup> Sec. 2, PRES. DECREE NO. 49 (1972).

<sup>10</sup> Sec. 5, PRES. DECREE NO. 49 (1972).

<sup>11</sup> Sec. 34, PRES. DECREE NO. 49 (1972).

copyright is granted. The list expressly includes musical compositions, which may be with or without words, and cinematographic works and works produced by a process analogous to cinematography or any process for making audio-visual recordings.

With regard to motion pictures and videos, Section 6 of Pres. Decree No. 49, as amended, identifies which persons may claim to be the creators thereof:

The creators of cinematographic or analogous works are the producer, the author of the scenario, the composer of the music, the film director, the photographic director and the author of the work adapted. However, subject to contrary or other stipulation among the creators, the producer shall exercise the copyright to an extent required for the exhibition of the work in any manner, except to the right to collect performing fees for the musical compositions, with or without words, which may be incorporated into the work.

As to computer software, commentators on the TRIPS advise that "the main effect of the TRIPS Agreement is that (it) makes clear that computer programs and data bases have to be protected under copyright law."<sup>12</sup> The Intellectual Property Decree, however, already makes an express mention of computer programs among the works to which copyright is attached.<sup>13</sup>

To enforce the rights granted under the Intellectual Property Decree, the latter subjects the violator to civil and criminal liabilities under Sections 28-30. The party who suffered the infringement may require payment of all actual damages borne to the infringement, as well as the profits which the violator may have made. Also, all articles alleged to have infringed the copyright may be impounded and destroyed.

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<sup>12</sup>*The Essential Features of Copyright Law*, a document prepared by the International Bureau of the World Intellectual Property Organization for the WIPO/EC/ASEAN National Seminar on TRIPS dated 20-21 July 1995, Manila (hereinafter cited as WIPO Seminar), par. 54.

<sup>13</sup>Sec. 2 (N), Pres. Decree No. 49 (1972).

As to the international aspects of copyright protection, as already mentioned, the Philippines is a member of the Berne Convention for the Protection of Literary and Artistic Works.

### TECHNOLOGY TRANSFER

It has been noted earlier that IPR protection is a concern significant in various respects. One issue closely related to IPR protection, and of particular importance to developing countries, is technology transfer.

Many studies indicate that "ownership and control worldwide of information goods--as well as the industrial infrastructure for the production and distribution of information goods--lies in the hands of advanced countries."<sup>14</sup> Hence, the question of sharing technology has always been a key issue in North-South dialogues.

This is especially true for the Philippines. To ensure that transactions involving intellectual property is advantageous to both parties and will promote the country's economic agenda, Government has issued rules covering technology transfer agreements between local persons and foreign entities.<sup>15</sup>

These rules were issued by the Philippine Department of Trade and Industry and administered by the Bureau of Patents, Trademark and Technology Transfer (BPTTT). The BPTTT also administers the Patent Law and Trademark Law.

Under these rules, every technology transfer arrangement must be registered with the BPTTT.<sup>16</sup> *Technology transfer arrangements* are defined as:

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<sup>14</sup>R. Verzola, *IPRs and the Information Sector*, 1994 IPR Sourcebook Philippines, p. 17 (1994).

<sup>15</sup>DTI Adm. O. No. 5 (1988), as amended by DTI Adm. O. No. 6 (1992).

<sup>16</sup>*Ibid.*

contracts and agreements entered into by and between domestic companies and foreign companies and/or foreign-owned companies involving:

- transfer of systematic knowledge for the manufacture of a product or the application of a process
- rendering of a service including management contracts
- licensing of computer software
- transfer, assignment and licensing of all forms of industrial property including marketing, distributorship agreements involving the license to use foreign trademarks, tradenames, and service marks and other marks of a proprietary nature.<sup>17</sup>

The rules on technology transfer do not put a cap on the amount of royalties which may be paid to the technology supplier. The standard imposed by the rules is that the fee arrangement must be "reasonable." However, the BPTTT automatically approves a fee arrangement which requires the technology recipient to pay no more than five percent (5%) of net sales.<sup>18</sup> In practice, the BPTTT uses this rate as a benchmark.

Technology transfer arrangements must contain certain mandatory provisions. Among them are:

- (i) the arrangement must have a fixed term of ten years with no automatic renewal;
- (ii) there must be continued access to improvements in techniques and processes related to the technology during the life of the agreement; and
- (iii) the laws of the Philippines must govern the agreement.<sup>19</sup>

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<sup>17</sup>Tbid.

<sup>18</sup>Sec. 33-A, Rep. Act No. 165 (1947), as amended by Pres. Decree No. 1263 (1977).

<sup>19</sup>DTI Adm. O. No. 5 (1988), as amended by DTI Adm. O. No. 6 (1992).

Also, certain provisions cannot be included in the agreement. These include, for instance, those which requires the techonology recipient to keep part or all of the information received under the agreement confidential beyond a reasonable period, or those which prevent the technology recipient from adapting the technology to local conditions, or those which restrict the manufacture of similar or competing products after the expiry of the technology transfer agreement.<sup>20</sup>

#### THE TASK AHEAD

I believe the Philippines has accomplished much in establishing an IPR policy responsive to the concerns raised during the negotiations on the GATT.

Indeed, efforts in this area continue. Local IPR agencies such as the BPTTT, the Presidential Inter-Agency Committee on Intellectual Property Rights and several private sector associations have studied and already begun to submit recommendations on how best to discharge the Philippines' obligations under the TRIPS. Measures to enforce existing IPR laws are likewise being implemented.

A number of bills have been filed in Congress for this purpose, among them are Senate Bills No. 921, 963 and 964 which seek to establish updated patent, trademark and copyright laws, respectively. These bills are now with the Senate Committee on Trade and Industry for further study and refinement.

Clearly, therefore, the task that challenges the Philippines insofar as IPR is concerned is not that of establishing a basic IPR system or finding the initiative to implement the TRIPS or demonstrate the country's willingness to cooperate with the international agenda on IPR. I believe these have been done and there appears to be sufficient momentum to ensure that the

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<sup>20</sup>*Ibid.*



Government's objectives in that respect, particularly in creating an attractive investment climate, will be achieved.

The next phase involves, I believe, a harder look at technology transfer. One student of the GATT has commented that, through TRIPS, many advanced countries have abandoned their commitment to technology-sharing.<sup>21</sup> While this essentially remains an unresolved issue, for a country which has "bit the bullet" and acceded to the GATT, the question is simple: Within the parameters of TRIPS, is there room for real technology-sharing?

There are some areas of flexibility allowed to members which the Philippines now has to carefully study.

One aspect which requires evaluation is the provision of exceptions to patentability for plants and animals. As an agricultural country which has more resources in terms of biotechnology than other fields, the ability to make such exceptions must be utilized carefully. It should be noted, however, that the TRIPS nevertheless requires patentability for plant varieties either by patents or a *sui generis* system.

Another important aspect is the manner by which the TRIPS provisions, as they will be embodied in local laws, will be eventually implemented. Of note are the provisions on compulsory licensing. Our Patent Law allows the issuance to third parties over patents that are not being worked.<sup>22</sup> TRIPS requires that each compulsory license must be studied and considered on its individual merits and GATT commentators warn that "[g]overnments may make undue use of the granting of non-voluntary licenses" and that they should be made "subject to scrutiny..."<sup>23</sup> I believe, however, that too stringent a reading of this

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<sup>21</sup>R. Verzola, *supra*, note 18 at 19.

<sup>22</sup>Sec. 34 (a), Rep. Act No. 165 (1947).

<sup>23</sup>*The TRIPS Agreement, A Basis for Discussion*, a lecture prepared by Jorge Peydro-Aznar for the WIPO Seminar, Part C(2) (1995).

TRIPS requirement breaches the avowed purposes of the agreement.

It is in these areas, and with this perspective, that new legislation must be drafted. In this regard, not only IPR practitioners such as government officers and IPR lawyers should be consulted. The input of scientists, researchers and businessmen involved in the affected fields would be just as significant, if not more so, as they are the ones directly affected by any new laws.

The Philippine Government has shown its commitment to the international agenda on intellectual property rights. As we strive to ensure that the Philippines meets its obligations under the TRIPS, we hope to apply equal efforts to enable it to exercise its rights as well.

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