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Master's Thesis

**The Divergence in the Pursuit of
Global Patent Law Harmonization:
The Developing Countries Struggle and Stand**

특허법의 세계적인 통합 과정 내에서의
개발 도상국들의 노력

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Graduate School of Seoul National University

College of Law

Intellectual Property

Anna Liza B. Saet

**The Divergence in the Pursuit of
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Academic Advisor: Prof. JONG, Sang-jo

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Graduate School of Seoul National University

College of Law

Intellectual Property

Anna Liza B. Saet

Confirming the master's thesis written by

Anna Liza B. Saet

December 2016

Chair _____

Vice Chair _____

Examiner _____

Abstract

The Divergence in the Pursuit of Global Patent Law Harmonization: The Developing Countries Struggle and Stand

Anna Liza B. Saet
Intellectual Property
College of Law
Graduate School of Law
Seoul National University

Global patent law harmonization is envisioned to provide facilitation to negotiations and commercialization of every potential invention. Basically, it offers a platform where each player can be at the same level and can respond and meet the growing need for development in parallel to the expanding industrialization and international trade. While the world is agreeing to more free trade and moving towards union of nations, paradoxically nations are asserting their own independence, their sovereignty and distinctiveness. Distinctiveness of its law is a valuable measure of identity and sovereignty of each country and basically responding to the specific needs of the society. The distinctiveness of each jurisdiction is too valuable a difference to compromise among many factors, and this primarily becomes a hedge to harmonization of laws and key reason for the divergence of many nations.

With the arduous track towards harmonization this study presents the overview of global patent law harmonization, its importance and early efforts towards harmonization. Developed countries are considered to be the originators of the harmonization, their reforms and offered solutions that brought harmonization into its conception and early implementations were given a careful attention.

This study also delves largely on the divergence in pursuit to a more harmonized global patent law. Despite the various efforts on harmonization, outstanding issues are still huge to bridge the gap between nations. The newly proposed harmonization - substantive harmonization has a slow development due to obvious tug-of-war

among countries. The harmonization has impacted the developing countries economically and technologically as well as legislatively.

While the LDC's and developing countries are still in its struggle to cope with the TRIPS implementation, another substantive instrument is coming on its way. Proposed harmonization such as the SPLT would shrink the remaining flexibilities of the developing countries to catch-up. This may hinder the potential of the developing country of seeing its full capacity with IP system. Furthermore, harmonization could serve as legal imperialism to the LDCs and developing countries. This suppresses their sovereignty as they were obliged to align their laws to the one that is internationally implemented.

As a developing country, the Philippines has its own share on the struggles and setbacks in fully committing to harmonization. While the country desires for a harmonious patent system and be at tuned internationally, the cost of having it and its implementation is too high that it becomes of less priority. Its economic sustainability and technological capacity, including the leveling of its capacity to the one that the harmonization is requiring from a participating country are few among the many challenges it has to hurdle. Still another concern delves on the impact of harmonization on policies focusing public interest especially health and access to medicines. These concerns would substantiate the divergence on the proposed harmonization, requiring a huge and careful attention from a developing country. Philippines, as a developing country, the road to harmonization is still an unsteady one where compromises have to be made if it intends to pursue further patent law harmonization.

Finally, this study wants to provide founding theory and better outlook on the patent harmonization in the developing countries, which the succeeding researchers can further delve into.

Keywords: International Patent Law, Global Harmonization, Substantive Patent Law Treaty (SPLT)

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INTRODUCTION

Background

“Harmonization” from the term itself means, “to bring in harmony”, “to be in agreement”, or “to unify” certain differences and divergence in a system. This is so necessary especially when divergence in the system creates disruptions to its functional and intended operations. Accordingly, all jurisdictions have their own governing law, and have its sovereignty upon its jurisdiction hence the law of the land prevails. Certain commonalities on laws are noticeable among nations as some adopted laws from another jurisdiction. Some were due to the forces of empire at work on the country during its colonization. However, uniqueness or distinctiveness of each law also prevails.

Distinctiveness is a valuable measure of identity and sovereignty of each country and basically to respond to the specific needs of the society. While the world is agreeing to more free trade and moving towards union of nations, nations are also asserting their own independence, their sovereignty and distinctiveness. Paradoxically, the distinctiveness of each jurisdiction is too valuable a difference to compromise among many factors, and this primarily becomes a hedge to harmonization of laws and stir divergence of reaction from nations especially relating to patent system.

Intellectual Property (IP) as a law of every nation has its own divergence as a system. Patent system has passed through various

developments throughout the history. Evolution happens not only within the border of the country but more so on the outside and in the international level. This is largely brought by free trade and globalization. As globalization is taking its toll, divergence in patent laws and in the IP laws in its entirety becomes a challenge between and among nations. Harmonization seemed to be the most favorable response to bring nations in one accord.

In parallel to the expanding industrialization and international trade, global patent law harmonization is a significant milestone. It has the ultimate purpose of harmonizing significant differences among the national patent system at the international level. Considering that distinctiveness of law may impede international relations and trade and may undermine the potential of patent as a significant economic tool, it is necessary for nations to pay significant attention to level the international system. Basically, harmonization offers a platform where each player can be at the same level and can respond and meet the growing need for development.

Patent system is primarily created not only to protect the inventor or the innovators but also to advance the progress of useful arts and science. This is to encourage innovation, to promote development of technology and commercialization. Being territorial in nature is one of the important aspect of patent system, meaning its effectiveness is limited within its geographic boundaries. This is to encourage local inventors and specifically addressing the local needs giving due consideration for the development which would lead to a

national and economic growth. Hence, patent system serves as a tool for a nation towards economic growth and wealth creation. This is apparent when the patent system is established with strategic planning focused on the growth of the country. On the other hand, being territorialistic may impede development of technology due to geographical restrictions.

IP system has to adopt with the changes and challenges to sustain and to achieve a quality life for the society and to cope with the expanding industrialization and international commercialization. Gateways for international trades have opened and expanded to accommodate economic and societal evolution. Free trade and patent system as an economic growth tool has to be revolutionized as well. Certain divergence from each patent system is becoming a hindrance to the smooth flow of patent system at the international level. Hence, would affect trade and trade relationship among partners and stakeholders. Interestingly, the divergence in the system basically brought the idea of harmonization.

Now that international trade is evolving from industrial-based economies to information-based economy¹ wherein intangibles assets such as intellectual property and technological developments become the most valuable property, harmonization is especially pushed forward. The international community has been actively seeking for

¹ Kevin Cuenot, *Perilous Potholes in the Path Toward Patent Law Harmonization*, University of Florida. *J. Law & Pub Policy*. Vol. 11: (1999), available at http://heinonline.org/HOL/Page?handle=hein.journals/ufpp11&div=10&g_sent=1&collection=journals.

standard system, making the individual divergent patent system to be in one accord. This is to respond to the pressing need of continuous flow of the growing international trade. Proposals from the international community have been brought in various levels underscoring the value of having a unified and simplified international system.

Research Questions

This study aims to answer to the following questions:

1. What are the reforms that the harmonization is suggesting to the developing countries, especially in terms of policy?
2. What are the outstanding issues that hinder harmonization?
3. What are the divergences brought by the developing countries?
4. What direction that the Philippines is taking towards harmonization?

REVIEW OF RELATED LITERATURE

Harmonization may be a broad and abstract concept but it is not a new concept at all as the need for it is already felt way before industrialization has started. It is envisioned to provide facilitation to negotiations and commercialization of every potential invention. This will also serve as a catapult even to a least developing country if proper system is supportive of its condition. Hence, this entails huge attention as international trade and economic growth is a major concern of every nation.

True harmonization is believed to be achievable by having a uniform patent system that simplifies the law. In creating such system, balance of understanding in the interest of every participating state should be considered and no one should be left out which is difficult to achieved and nearly impossible. Key players on recent harmonization development, which include developed countries, developing countries and the major authorities (WTO and WIPO) has conceptualized and articulated international harmonization laws.

A. The Significance of Global Patent Law Harmonization

Interestingly, coming up with the harmonization has no standard and universal rule. It depends on the period of the conceptualization considering the pressing need at that time hence, the goals change. Early harmonization was initially responding only to the need of the international community to secure intellectual property for

the fear of theft of their ideas. Harmonization developments may happen based on the prevailing challenges and needs of today's society. Subsequently, harmonization was primarily targeted to streamlining procedures among varying procedures in application and granting patents². Each domestic patent law has a diverse and fragmented procedure in granting patent protection; hence, early harmonization was intended to ensure consistency and clarity of procedure as a prerequisite to maximizing the development and dissemination of innovation. The emergence of the Patent Cooperation Treaty satisfies this condition as to having a standard procedure for international patent applications and seeking patents to other nationals. This entailed a uniform patent law system that simplifies the procedure and making it easier to receive and enforce patents in many jurisdictions while reducing costs. This is so far the immediate demand for harmonization of the time being. This seemed to traverse the fragmented system in going beyond the border to apply and seek for grant of patent rights.

Another significant reason for harmonization is to lessen administrative burden and the redundancy of work in prosecuting international patent applications. With the international application by PCT, increasing number of patent applications has becoming a burden to receiving offices. Increasing workload and backlogs is being experience in the patent offices.

Figures show that the number of patent applications was more

² David Kappos, *Harmonization: The Time is Now, Landslide: July/August (2011)*.

than doubled in only a decade that it reached up to 2.79 million in 1995.³ Duplication of work among trilateral offices (United States, European Union, and Japan) of nearly 242,000 applications is already happening in 2006.⁴ Reports also show that the pending applications in 2011, United Kingdom (UK) has accumulated a backlog of 40,000 and United States (US) of 400,000 in 1996 to over 1,200,000 in 2007.⁵

An immediate answer for the demand to harmonize the patent law to ensure efficient and cost effective procedure was met through the PCT. PCT has hasten and ease up the process nationally and internationally. Additionally, according to a study by London Economics released on behalf of the United Kingdom Intellectual Property Office (UKIPO), the delay in processing patent applications has a great cost to the global economy by as much as £7.65 (\$11.4) billion each year.⁶ In this sense, harmonization is set forth to reduce global patent backlog amongst the developed countries and reduced its negative impact to the economy.

Implementation on procedural and administrative harmonization was acceptable among the member states, but challenges on economic aspect are still on. This brought a higher level of harmonization.

³ Dongwook Chun, *Patent Law Harmonization In The Age Of Globalization: The Necessity and Strategy for a Pragmatic Outcome*, Cornell Law School Inter-University Graduate Student Conference Papers. Paper 45 (2011).

⁴ *Ibid.*

⁵ Benjamin Kahn, et al., *Patent backlogs, inventories and pendency: An international framework: A joint UK Intellectual Property Office and US Patent and Trademark Office report (Working draft)*, (2013).

⁶ Chun, *Supra* note 3 at 12.

B. Early Efforts of Harmonization

Harmonization has a long and arduous history. It is noteworthy to look at each milestone of patent system harmonization to better understand the developments as the history unveils. While there is no standard and universal rule, various approaches were taken towards harmonization. Procedural-based approaches are noticed to be the major track of harmonization to update inconsistencies in the IP for the trends and changes happening in the industrialized nations. Substantive harmonization is also being sought, however, agreement among nations is difficult to achieve. Substantive harmonization may bring a major change in the system as it touches many of the sensitive issues that would affect states especially the developing countries. A closer look to each of the treaties necessitates to understanding further where the harmonization is heading and how harmonization could be better approach.

Paris Convention

In the early days, many inventors feared that their ideas would be stolen or exploited hence kept their inventions secret. The event in Vienna on the exhibit of technologies brought the birth of a Treaty. Participant was apprehensive to join the exhibition, as they fear that their technology or idea will be stolen through that event. This becomes a concern not only the host for that event but for all the participating countries, hence a regulation must be implemented to the

protection of the invention in international exhibition. The Paris Convention for the Protection of Industrial Property (Paris Convention)⁷ reflects this concerns as it entered into force in 1883 to reduce these fears of invention theft.⁸ It is considered as the first global intellectual property treaty.

Paris Convention has two main features that covers the early concerns of inventors and innovators, the national treatment and right of priority.⁹ The first feature is providing the national treatment by way of mutually accepting advantageous treatments for the member states. This cancelled the material reciprocity that was difficult to implement by countries. The second important feature is the right of priority, wherein the date of filing of application of the invention will be given as the date of priority to each application to other countries.

Paris Convention is considered as the first substantive harmonization as it established rights and obligation of the member countries to enact in its own legislation for implementing changes of those rules.¹⁰ While PCT is considered as a substantive harmonization, its lack of minimum standards of patent protection later led the countries to discuss the TRIPS agreement, accomplishing a major step

⁷ *Paris Convention for the Protection of Industrial Property, March 20, 1883 and as amended on September 28, 1979 (hereinafter Paris Convention)*. Available at http://www.wipo.int/treaties/en/text.jsp?file_id=288514.

⁸ Randy L. Cambell, *Global Patent Law Harmonization: Benefits and Implementation*, *Indiana International and Comparative Law Review* 13: 605-638 (2003).

⁹ *See id.*

¹⁰ *See id.*

toward legal-substantive patent law harmonization.¹¹

Patent Cooperation Treaty

Regional development has already its onset in 1950's. The council on European patent laws has begun to harmonize on having the unified procedure in patent application. The Paris Convention established the early substantive harmonization, however a procedural harmonization is timely needed to substantiate the changes that the Paris convention has to achieve. A considerable amount of goods is moving beyond borders, which challenges the patent law procedure in coming up a patent in countries where goods are to be marketed. This becomes an impediment for the traders to import and export goods. With this backdrop, the urgency to have a harmonize procedure was pushed; the Patent Cooperation Treaty (PCT) was adopted in 1970.¹²

PCT was established to have a single international filing system that allows international application, which has the same effect as the national application, filed in all Contracting states. It is a famous harmonization and believed to be the most successful procedural treaty in the field of industrial property as shown by its increased number of participating states and international applications filed under PCT system.¹³ PCT has grown to 149 member states.

¹¹ *See id.*

¹² *Patent Cooperation Treaty, June 19, 1970 (hereinafter PCT). Available at <http://www.wipo.int/export/sites/www/pct/en/texts/pdf/pct.pdf>.*

¹³ *See Baechtold and Miyamoto, supra Note 7 at 179.*

With the PCT system, it is expected that the costly patent application, prosecution up to granting of patent will be reduced since it was package with a platform where single international application is provided. However, contrary to the expected results, PCT failed to reduce the cost instead became more costly due to another layer of application before going through the national application as shown in the following table:

Table 1: The Comparison of Costs between Direct and PCT Applications¹⁴

Number of Countries	2 Countries		7 Countries		15 Countries	
Application	Direct	PCT	Direct	PCT	Direct	PCT
Costs	\$16,971	\$19,406	\$59,397	\$60,481	\$119,381	\$118,339

Table 1 shows a comparison of cost between the direct application and the cost of going through PCT route. It shows that the cost of PCT route is higher than going through a direct application especially when it only involves few countries for the national application. It is to be noted that the high default fees is contributory to the high cost for PCT application.¹⁵

PCT does offer an international platform to claim for international application and lengthens the claim of priority. However, it is not effective in reducing costs and facilitation of the granting of

¹⁴ *Ibid.*

¹⁵ *WIPO Patent Cooperation Treaty (PCT) Working Group, The Need For Improving The Functioning of The PCT System 19 (Third Session Geneva, June 14 to 18, 2010). Available at http://www.wipo.int/edocs/mdocs/pct/en/pct_wg_3/pct_wg_3_2.pdf.*

patent as the decision still relies on the national jurisdiction where the patent should be sought and granted. With this at hand, PCT system seemed to create a new problem with the solution it offered. It may be a successful procedural harmonization but to make it more useful towards unifying patent law and the spontaneous flow of patent in the globe, it has to hurdle the challenges that goes with its system.

Patent Law Treaty

There are continuous efforts in harmonization and proposed resolution for the emerging concerns that the recent economic trend has posed. In the attempts to resolve the issues that the PCT has brought up, another approach for promoting harmonization was later considered. Substantive harmonization is a huge concern not just for the developed country but most of all for the developing countries. There are efforts towards such harmonization but it did not significantly succeed as this would require legislative and sovereignty compromises, hence was set aside and instead efforts was just focused on the formality harmonization.

While formality requirements are considered less important than the substantive requirements, it is still necessary since non-compliance will lead to the refusal of a patent application.¹⁶ The discussion on the draft on the Patent Law Treaty (PLT) was started in

¹⁶ See Baechtold and Miyamoto, *supra* Note 7 at 179.

1995 and concluded in 2000 and entered into force in 2005.¹⁷ PLT was confined to the simplification of formality requirements as being streamlined for obtaining and maintaining a national or a regional patent. Contrary to PCT requirement of higher cost of obtaining patent in international route, PLT having the uniform and simple procedure for the applicants is expected to reduce the cost. This is also to assure efficient functioning of the operating offices, as there are guidelines on the simplified procedure to ensure efficiency and assuring of rights of the applicants.

PLT incorporates major provision of the PCT as to its unified formality requirements in the international level. However, it works more on the regional and national level since it provides unified procedure on operating offices which received patent applications and grant patents subsequently.

There are still ongoing improvement on the regulation of the PLT especially on giving a written opinion on the international search that was done for the patent application. The International Preliminary Examination Report (IPE)¹⁸ was introduced and to be implemented smoothly in all levels. IPE is another level of doing international search if the applicant wishes to have the second opinion for his invention. Giving the opinion on the search report deemed to be more

¹⁷ *Summary of the Patent Law Treaty (PLT) (2000)*. Available at http://www.wipo.int/treaties/en/ip/plt/summary_plt.html.

¹⁸ *PCT Applicant's Guidelines, Chapter 10: International Preliminary Examination Under Chapter II of the PCT*. Available at <http://www.wipo.int/pct/en/appguide/text.jsp?page=ip10.html>.

useful than just presenting related prior art to the proposed invention seeking for patent through the International Search Report.

Agreement on Trade-Related and Intellectual Property Rights (TRIPS)

Since issues in intellectual property does not only involve securing of patent for the protection of inventions but more on the international trade on global scale, World Trade Organization with WIPO has came up with the harmonization on the minimum standards. Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)¹⁹ became a bridge between trade issues relating to industrial property. TRIPS Agreement sets criteria for patentable subject matter and at the same time gives the flexibilities to each national to align their legislation with the Agreement regulations.

International organizations had earlier efforts toward harmonization but some attempts did not succeed. WIPO began discussions on harmonization of global patent laws in 1945 but US became apprehensive to the proposed change as it would bring a major change of their system, a shift from first-to-invent to first-to-file system and issues on grace period²⁰. WIPO also laid on the table the Patent Harmonization Treaty in 1991 but the North-South divergences and key disagreements among developing counties brings the

¹⁹ *Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994 (hereinafter TRIPS Agreement or TRIPS). Available at https://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm.*

²⁰ *See Campbell, supra Note 10.*

movement to halt. During this times, US was still not willing to give in to the first-to-file system, also Europe is not approving on the proposed grace period and the developing countries are on their stand not to give up their capacity to design their own national patent regimes.²¹ This is a chaotic view in the international patent system as divergence is more vivid than the vision of moving toward harmonization among participating countries.

Substantive Patent Law Treaty (SPLT) has resumed in 2000 to prioritize specific issues with direct relevance to the grant of patents, in particular, the definition of prior art, novelty, inventive step/non-obviousness, industrial applicability/utility, the drafting and interpretation of claims and the requirement of sufficient disclosure of the invention.²² However this effort was halted in 2006 as there is no consensus on the WIPO's Standing Committee on the Law of Patents (SCP) modalities and scope of work and critical substantive issues was a huge challenge to settle.

Another attempt was also taken by creating a group outside WIPO, the Group B+. Group B+ was formed to continue the discussion after the SPLT has stopped. It aimed to install negotiated trade-off rather than having to look into and adopting global best

²¹ Carlos Correa, *Paper prepared for the Bellagio Dialogue on "Intellectual Property and Sustainable Development: Revising the agenda in a new context"*, International Center for Trade and Sustainable Development (ICTSD), 24 – 28 September (2005), Bellagio, Italy. Available at http://www.wipo.int/export/sites/www/meetings/en/2006/scp_of_ge_06/presentations/scp_of_ge_06_correa.pdf

²² Draft Substantive Patent Law Treaty. Available at http://www.wipo.int/patent-law/en/draft_splt.htm.

practices. However, having varying interest and failure to agree, the group came into impasse in 2006 with its heightened disagreement on “reduced-packaged” of prior art.

C. Developed Countries Reforms

The developed countries were undeniably the ones giving much attention on the harmonization. This is evident as they were already part of the early efforts and joining forces towards harmonization. Responding to the perceived need of the present and future challenges on the interplay between trade and patent, the developed countries have been intervening to push through the desired change. Following are the attempts between and among developed countries:

Trilateral

Trilateral was established in 1983 between and among Japan, Europe (European Union countries), and North America (United States and Canada). This was primarily conceptualized by the US to foster closer cooperation among these core-industrialized countries. The main objective of the group was to improve the quality of examination processes, promoting harmonization of practices among the offices, and exploiting the full potential of work sharing to avoid duplication.²³ This was considered to enhance the procedural harmonization through a search sharing within the group. Hence, Patent Prosecution Highway

²³ Charles Berman, *A Global Patent Solution Comes Into View. Managing Intellectual Property*, (93), 70-76. (1999).

(PPH) and Triway were established as a form to share search and examination results and eventually reduce the work within the IP Offices. PPH was established in November 2009 by the Trilateral Office, and utilized PCT work products to determine if the application is suitable for and accelerated examination by the second office.²⁴

Triway is a United States Patent and Trademark Office (USPTO) proposal for search sharing. The proposal work as search examination results from each office will be shared among the offices.²⁵ This would greatly reduce the search and examination workload with a common search examination to be utilized by the Offices no matter which office from the three main Offices deliver the search results.

Recent developments for the Trilateral includes the Common Citation Document (CCD). CCD is a self-serving tool devised by the Trilateral office for a citation data from all the three Offices but having a single point of access.²⁶ The CCD using the EPO's global patent database family system is a consolidation of all the prior art cited by all participating offices thus enabling uniform search results as produced by several offices on the same invention and can be viewed on a single page.²⁷

²⁴ Press release: *The Trilateral Offices to Start PCT-PPH*. Available at <http://www.trilateral.net/news/Conference2009/pct-pph.pdf>

²⁵ *Triway*. Available at <http://www.trilateral.net/projects/worksharing/triway.html>

²⁶ *Common Citation Document (CCD)*. Available at <http://www.trilateral.net/citation.html>.

²⁷ *Ibid.*

IP5 Group

Subsequently, potential members had eventually joined with the Trilateral group. Apparently this past decade leverage on patent field has been shown by South Korea and China. Hence they were incorporated in the Trilateral Group and formed the IP5. The IP5 was formed in October 2008 and engaged in various collaborative projects.²⁸ With greater number to work on, the IP5 enhanced their prevailing projects to better harmonize their procedures and facilities. The Office had the very known “Common Access to Search and Examination Results (One Portal Dossier) and set-up working groups to work on different areas. One is working on the harmonizing the classification system, which drives changes from the current IPC system under WIPO framework.²⁹ Another committee is working on the Global Dossier and patent information that intends to simplify the searching and retrieval of patent information by having the entire family of application in one source.³⁰ This approach would allow a unified and subsequent filing of applications among the IP5.

Lastly, a separate committee is working on Work-sharing and quality of all the applications and prosecution among IP5. The IP5 agreed to share examination and work on high standard quality of work to reduce work duplication.³¹

²⁸ *About IP5 Co-operation. Available at <http://www.fiveipoffices.org/about.html>.*

²⁹ *IP5 Areas of Activity. Available at <http://www.fiveipoffices.org/activities.html>.*

³⁰ *Ibid.*

³¹ *Ibid.*

Tegernsee Group

Persistent effort on harmonization from the developed countries, heads of Offices and representatives from Denmark, France, Germany, UK, Japan, the USA gathered to discuss further patent law harmonization. This began upon the invitation of the EPO President for a meeting on July 5, 2011 and lead to the creation of the Tegernsee Group. The group aimed on providing substantial policy discussion on key harmonization issues such as; grace period, 18-month publication, treatment of conflicting applications and prior user reports.

The report for each issue will be consolidated and shared among the group and spread widely to encourage feedback from the users. There is hope within the group that this may bring genuine idea on how to come up with the substantive harmonization.

D. Outstanding Issues on Substantive Harmonization

The history of the development of patent law shows that international harmonization *per se* has never been the ultimate goal or an end in itself, rather a tool to respond to challenges that require international solutions.³² The goal of harmonization has significantly shifted. Among the noble objectives of harmonization, heading a right balance among the varying interest and diverse condition of nations is still a huge challenge. Considering that it would affect the sovereignty

³² See *Baechtold and Miyamoto, supra Note 7 at 183.*

of Member States, multilateral framework should be balanced and leave flexibility for national policy choice at the same.³³ It should reflect an international common understanding responding to the various current challenges and all Member States should share the benefits. Developing countries are also looking for some ways to adopt the international patent system to meet their needs in promoting greater socioeconomic development and to provide more opportunities for their citizens to share in the wealth of technological progress.³⁴ They are reconsidering whether their own patent system are suited to meet the challenges of new economy and if they are ready to bear the consequences that harmonization would cause.

America's adoption of the first-to-file through its America's Invents Act in 2011 is indeed a milestone for harmonization as this was a major setback for US not to compromise for harmonization. This may be a sign of further agreement on the international community as US change its rule which can serve as a grounding trade-off key for harmonization being sought for. However, number of outstanding issues are still awaiting consensus, which apparently requires greater international cooperation.

SPLT has resumed to tackle issues towards greater harmonization for which the following outstanding issues must be tackled. While the operating procedures and facilities are now in placed among the developed countries, substantive harmonization still

³³ *Philippe Baechtold and Tomoko Miyamoto, International Patent Law Harmonization – A Search for the Right Balance, Journal of Intellectual Property Rights: Volume 10: 177-187 (2005).*

³⁴ *Kappos, Supra note 2.*

remains elusive.

Grace Period

The definitive time frame for grace period or even its introduction is still not settled. Japan and other EPC member states are having six (6) months grace period. USA and most of the developing countries are having 12 months while others are imposing absolute novelty. A non-prejudicial disclosure is crucial as it governs the novelty and prior art used for examination. The publication of the applicant in any part of the world can negate its novelty of its own invention in the country where grace period is not recognized. Having a no definitive time frame for grace period can result for a non-grant of a patent which is definitely not a fair deal for countries offering grace period.

Meanwhile, TRIPS does not require member states to grant grace period whilst encourage diversity on a good allowances for every jurisdiction.³⁵ The introduction of international grace period was attempted through the draft Patent Harmonization Treaty but this critically cause its impasse in 1993.

Technical character of inventions

This is one of the major issues that the new proposed harmonization wants to resolve. The draft SPLT is presumptuous in

³⁵ *TRIPS, supra note 21.*

proposing substantive harmonization specifically dealing with the technical character of the invention. The developing countries opposing on the idea of that US, that an invention basically entails a technical character. Interestingly, a divergent answer from different domestic patent law system is expected depending on the protection it provides.

Patentable subject matter

It is not surprising that subject matter is also a highly debatable issue among the substantive aspect of patent law harmonization proposal, especially in the field of pharmaceuticals, biotechnology, software-related innovations, plants and animals. US have a broader coverage of what is patentable deviating from the bigger part of the world. Prior to TRIPS, most of developing countries excluded patentability to pharmaceutical inventions or limited patent protection to process inventions³⁶. The draft SPLT proposal also included this as a major issue to be resolved during its deliberation.

There are still other more issues, which was demands massive attention from the international community, not to just create harmony but to have more comprehensive and responsive patent law for the present day needs.

³⁶ *Getachew Mengistie, The Impact of the International Patent System on Developing Countries. A report submitted for the Assemblies of the Member States of WIPO, Thirty-Ninth Series of Meetings Geneva, September 22 to October 1, (2003).*

Now the developed countries are proposing a uniform patent system in response and immediate resolution to diversity. Having work-sharing which is already started by the Trilateral Group would basically responding to the need of reducing workload among the IP Offices. However, this proposal requires a careful attention and comprehensive study as to the effect of work-sharing especially on the quality of the patents to be granted.

Sovereignty and flexibility of domestic laws

Greater consideration on the economic trends becomes the pressing factor for the harmonization. The apparent demand for a shift of focus from procedural harmonization to a substantive-legislative standpoint comes from the developed countries, which are well advance in international trade. Substantive harmonization would tackle not just the operating procedures that would make the receiving office efficient but it intends for a deeper harmonization of the above-mentioned substantive issues.

Based on the proposal laid by the developed countries, changes as to adoption of more harmonized patent system demands not just an adoption of a new law but compromising the domestic law's sovereignty to be aligned to the international system. This spurs disputes among the member state. Divergent response from the developing countries is observed as this proposal suggests forgoing the interest of the rest of the developing countries.

While the LDC's and developing countries are still in its struggle to cope with the TRIPS implementation. Many authors contend that another substantive instrument such as the SPLT would shrink the remaining flexibilities of the developing countries to catch-up.³⁷ There is no readily available side payments or concessions on how the developing countries would cope-up with the new demands of the new instruments for the varying stages of technological advancement.³⁸ This can hinder the potential of the developing country of seeing its full capacity with IP system.

Furthermore, harmonization could serve as legal imperialism to the LDCs and developing countries, as they were forced to align their laws to the one that is internationally implemented.³⁹ TRIPS may be a dawn of this scenario requiring member states to abide with its regulations. Member states have to change their laws and IP system unless it would brave themselves facing sanctions if not properly implementing the rules of the treaty.

³⁷ Jerome H. Reichman and Rochelle Cooper Dreyfuss, *Harmonization Without Consensus: Critical Reflections On Drafting A Substantive Patent Law Treaty*, (2007).

³⁸ *Ibid.*

³⁹ Sean A. Pager, *Patents On A Shoestring: Making Patent Protection Work For Developing Countries*. 3 *Ga. St. U. L. Rev.* 755 (2006-2007).

III. DIVERGENCE BY THE DEVELOPING COUNTRIES

There are clear tensions between the developed and developing countries in harmonizing the patent law.⁴⁰ Developed countries are pushing harder for a greater harmonized patent law, to ultimately come up with a world patent system by having unitary system and unitary patents.⁴¹ The World Patent System as Mossinghoff⁴² perceived has the following characteristics of a unitary patent system. One that will follow the first-to-file system, will allow provisional applications, using English as the official language and will come-up with a World Patent Court.⁴³ On a quick look, this is beneficial for the developed countries as it already suits their power and authority on the prevailing laws on harmonization. They are equipped for the envisioned greater harmonization.

A divergent reaction from the developing countries is expected as such proposed substantive harmonization seems not responsive and may cause greater challenges for the member states. Unlike the developed countries, many of the developing countries are yet to adopt recent harmonization. An overview of the impact of harmonization to the developing countries and point of concerns including the above-mentioned outstanding issues why there is divergence towards harmonization are worth revisiting.

⁴⁰ Ivan B. Ahlert, *Overcoming Obstacles to Patent Harmonization, Managing Intellectual Property*, December 1, (2003).

⁴¹ Gerald J. Mossinghoff, *World Patent System Circa 20XX*, *Yale Journal of Technology* Vol. 1:1:3, January 1, (1999).

⁴² *Ibid.*

⁴³ *Ibid.*

A. Overview of the impact to developing countries

While the developed countries were leading the changes to expand industrialization and international trade through harmonizing patent law among themselves, the developing countries also desires to do necessary patent law reforms and to make parallel implementations in place. Many, if not all developing countries had embrace the changes brought by the harmonization and taken their course of action towards it. Many countries became very active in pushing towards harmonization, while some are still in its wakening stage. Some argue that the moving towards a globally harmonized patent system would be advantageous to the developing countries. Others remain skeptical and see harmonization would affect the interest of developing countries negatively.⁴⁴

Evidently, the harmonization has impacted the developing countries. But with the ongoing negotiations on procedure and substantive requirements, the developing countries may not partake and willingly maneuver the wheel to align its direction to where the substantive harmonization is heading.

Historically, many of the developing countries did not evolve their own patent system within the national context, but transplanted from abroad, which was used as guidelines and later modified according to the specific needs and conditions of the countries

⁴⁴ See *Mengistie, supra Note 36*.

concerned. When TRIPS was implemented, most of the patent laws of the developing countries were forced to change their laws whether due to the pressures from advanced countries or the necessity to comply with the requirements of the TRIPS agreement.⁴⁵ It was true to many developing countries, to put a complementary measure if not totally reforming its patent law. While loopholes and flexibilities are available under TRIPS agreement in designing patent system sanctions are also existent for each unfollowed rule.

Also, developing countries considered reform not only to be more aligned with the international patent system but with greater consideration on the economic effect as patent system should also backed up with complementary rules for wealth generation of a country. There are measures that have recently been taken by a number of ASEAN countries to complement the patent system through other policy to stimulate local inventive activity and to encourage the transfer of foreign technology have been found promising.⁴⁶ It is then noteworthy to identify how the developing countries are coming to realization by experiencing economic and technological impacts of the harmonization.

Economic and Technological consideration

In terms of patent protection, the tendency has increased not only domestically but also internationally. But domestic patents or

⁴⁵ *See Id.*

⁴⁶ *See Id.*

patent held and made by the residents from developing countries is much lower compared to the foreign residents. This is evidently shown by the data from Mexico and Brazil. In 1996, in Mexico, only 389 patent applications came from domestic residents against over 30,000 foreign applications. In the same year, Brazil's domestic applications accounted for 8% of total applications.⁴⁷ This may be indicative of what the developing countries are actually experiencing.

A remarkable growth of patent applications (PCT) made by applicants from developing countries is shown in Table 2 below.

Table 2: PCT Applications⁴⁸

Particulars	1998	1999	2000	2001	2002
From all contracting parties	67,007	74,023	90,948	103,947	114,048
From developing countries	1,197	1,745	3,152	5,379	5,359
Share of developing countries	1.79	2.36	3.47	5.17	4.7
No. of contracting states	100	106	109	115	118
of which developing countries	46	52	55	61	64
No. of developing countries from which at least one application was received	13	16	20	25	31

This data is based on the WIPO's publication, it may not provide a complete picture of the discrepancy within the developing

⁴⁷ *See Id.*

⁴⁸ *Mengistie, Supra note 42 at 20. As cited in WIPO, The Patent Cooperation Treaty and the Developing Countries in 2002; http://www.wipo.int/cfdpct/en/statistics/pdf/cfdpct_stats_02.pdf.*

countries, but this figures show that the PCT applications from developing countries are very few and has a very little share among all the contracting parties. The number of developing countries that filed at least one PCT application has also showed the intensity of growing by more than 50% (from 13 in 1998 to 31 in 2002).⁴⁹

This is supplemented by another data from WIPO Statistics Database, as of October 2014 as it shows how the economic bracket has to do with the number of patent applications worldwide.

Table 3. Application Per Income Level⁵⁰

	Number of Applications		Resident share (%)		Share of the World Total (%)		Average Growth (%)
	2003	2013	2003	2013	2003	2013	2003-13
World	1,490,300	2,567,900	62.5	66.5	100.0	100.0	5.6
High-income	1,276,800	1,548,900	66.1	61.0	85.7	60.3	2.0
Upper middle-income	177,700	933,900	40.3	79.0	11.9	36.4	18.0
Lower middle-income	28,600	74,500	29.0	23.2	1.9	2.9	10.0
Low-income	7,200	10,600	87.5	84.0	0.5	0.4	3.9

Table 3 shows figures of 139 offices, which includes the following number of office: high-income countries (52), upper middle-income (39), lower middle-income (31) and low-income (17). There is a big disparity of applications from the middle-income countries compared to that of the high-income countries. However, from 2003-2013 an increased share from the middle-income countries against the world total share and an enhance growth can also be observed.

⁴⁹ See *Id.*

⁵⁰ WIPO IP Statistics Database. Available at http://www.wipo.int/export/sites/www/ipstats/en/wipi/2014/pdf/wipi_2014_patents.pdf

To further elaborate on economical impact of harmonization to the developing country, the debate on the access of essential drugs and patents, especially the case of India is a notable example. India and most of the developing countries contended that patents inflate the price of drugs, prevent generic competition and limits availability and affordability of drugs. However, it has been argued that the transfer of technology and investment will be made possible only if there is patent protection since pharmaceuticals are sensitive to patent protection. However, it has to be recalled that few years ago, India, became an important global provider of cheap generic medicines to other developing nations, which led India to a booming industry in pharmaceutical products, but could be halted by the pressing rule of the harmonization.⁵¹

Legislative Impact

Many developing countries are apprehensive on fully committing to harmonization. They may be participating or just be a bystander of the trends that is happening with the international patent systems. However, reforms based solely at the national level may be insufficient and in some cases would be counter-productive, since harmonization would mean an international consensus for a strategy to be effective.⁵²

⁵¹ William New, *Bulletin of the World Health Organization. Volume 84: 337-424, May (2006)*. Retrieved from <http://www.who.int/bulletin/volumes/84/5/news20506/en/>.

⁵² Elizabeth Ng Siew Kuan, *The Impact of the International Patent System on Developing Countries. A report submitted for the Assemblies of the Member States of WIPO, Thirty-Ninth Series of Meetings Geneva, September 22 to October 1, (2003)*.

Compromises that a country has to take in involving for the harmonization is an ever-present ingredient as harmonization has not only its benefits but also its costs. In addition to the above, the implementation of the TRIPS Agreement, among others, involves the amendment of existing legislations, the adoption of new ones, the strengthening of IPR administration and building up of enforcement capacity. This would entail a huge financial cost on the developing countries to be able to align its patent law. Side payments would be earned at a later time but the country has to invest first. Joining regional patent systems and international patent agreements such as the PCT has also been indicated as an alternative means to cope-up with the administrative burden developing countries may face while trying to comply with the requirements of the TRIPS Agreement.⁵³

This trend in the developing countries may give justification and indicative of the Philippines situation, a developing country itself impacted and divergent by the harmonization.

Retrieved from www.wipo.int/edocs/mdocs/govbody/en/a_39/a_39_13_add_3.doc.

⁵³ *Mengistie, Supra note 36 at 6.*

B. Philippine Direction on Harmonization

Vast efforts had been exerted for the harmonization of patent law and have been impacted emerging economies. Philippines aimed to be at par with the changes that is happening in the world especially with the course of economic growth. Hence it is intently looking into harmonization as a ticket to economic progress. To ratify law beyond geographical boundaries could be a strategic move not only to protect its products and services or to transfer technology but also to take advantage of the global market and expand its economic prowess.

Philippines, like the rest of developing countries, has been experiencing the implications brought by harmonization. But the cost of further harmonization may be too much and too soon that it would take a developing country like the Philippines aback to adopt harmonization.

Legislative Reforms

The Philippine has a long history of protecting intellectual property rights. It has adopted its intellectual property law as an outcome of the colonization, which also true to other developing countries.⁵⁴ History reveals that during the Spanish colonization, patent law applies Spanish patent law in the Philippines. After the Spanish colonization, US took over which consequently made its law applied to

⁵⁴ *Peter Drahos, Developing Countries and International Intellectual Property Standard-setting. Cambridge University Press, (2000).*

the Philippines. Application for patent needs to be submitted to US Patent and Trademark Office for assessment. But, even when the country has already gained its independence from colonization, much of its law including patents still followed US law. This is evidently shown by its adherence to first-to-invent rule.

The colonization has a profound impact on patent laws in the country. However, the Philippines has become more aware on having reforms of the laws. Exercising its sovereignty, it gradually streamlines the patent system, making the services more efficient and effective not only to serve and be responsive to its local needs but also to be globally at tuned globally.

In 1997, the Philippines adopted the first-to-file system under the Republic Act 8293 also known as the Intellectual Property Code of the Philippines (IP Code) leaving United States alone in the first-to-invent system. Reforms on the domestic legal framework on IP happened not only in the Philippines, it is also happening in the neighboring countries. Many developing countries acceded to the international patent law treaties such as PCT, PLT and TRIPS with less consideration on its actual impact on its legal framework. TRIPS may have a room for the member states to tailor fit their laws to its rules based on their internal need and capacity. However, emerging economies like the Philippines was greatly challenge by the cost associated with having legislative reforms during its implementation⁵⁵. Another level of harmonization will make the country struggle more to

⁵⁵ *Reichman and Dreyfuss, supra Note 37 at 93.*

align. Hence, legislative reforms should be taken with a careful consideration to reach the concerted effort to achieve the desired economic growth, which would eventually redound to its society.

Following are the crucial provision of the IP Code of the Philippines and along with other jurisdiction substantiating the divergence of the in relation to the deep harmonization proposition.

a. Definition of Prior Art

One of the requirement for an invention to be patentable is its novelty and inventiveness. This two requirement involves prior art to prove its existence in a certain technology. Prior art constitutes all information that has been made available to the public in any form before a given date that might be relevant to a patent's claims of originality.

IP Code of the Philippines, Section 24 states that, a prior art shall consist of “everything which has been made available to the public anywhere in the world, before the filing date or the priority date of the application claiming the invention. On the other hand, the draft SPLT states that the prior art with respect to a claimed invention shall consist of all information, which has been made available to the public anywhere in the world in any form before the priority date of the claimed invention.⁵⁶

⁵⁶ See WIPO document SCP/10/4: Draft Substantive Patent Law Treaty. Available at www.wipo.int.

A disparity is obvious as to the definition of prior art since draft SPLT is covering a broader scope than that of the PCT which only includes written disclosure (including drawings and other illustrations) as prior art.⁵⁷ Aside from that, various national laws will add also to the divergence pertaining solely on the concept of prior art. As to the Philippine law, it covers written and non-written since it states “everything” that has made available. This could bring divergence, as some countries would argue that only written disclosure should be part of prior art.

Another contention relating to the prior art is the indigenous and traditional knowledge source of prior knowledge. This is undeniably a useful a source of information but oftentimes overlooked. A sample case of Indian Neem tree, which was patented on the technique to extract its anti-fungal property, was overturned in 2005. The medicinal value of Neem tree was long understood by the villagers hence, the presence of the anti-fungal property is obvious.⁵⁸ Within this issue, its publication is a good ground to say that it can serve as a prior art basis. In response to this and to prevent biopiracy, India is now translating and publishing traditional knowledge to protect its heritage and to serve the public in general. The same goes with the Philippines, as one of the richest countries in terms of cultural and

⁵⁷ See *Rules under Patent Cooperation Treaty* available at www.wipo.int

⁵⁸ Vicente B. Amador, *Development Under the TRIPS Agreement*, *Arellano Law and Policy Review* Vol. 8 No. 1, January (2007).

biodiversity, it now have the national electronic database to publish and a method to protect its cultural heritage.⁵⁹

The commercial use or offer to sale would serve as a prior art against the invention to be claimed is still another issue and whether foreign or domestic prior art should be given a greater notice as source of the prior art. Until this time, a variety of reaction would be extracted on dealing with the domestic and foreign prior art dichotomy.⁶⁰

Prior art may be define as broad as including everything available in any form anywhere it the world or can be limited only in the written publications to put certain bounds of what is a prior art. Divergence emerges from not having a uniform definition of prior art which would lead to not having a consensus on other issues. As prior art is attached to the other relevant issues such as novelty and inventive step, a crucial way to exact the novelty of a technology is of utmost importance.

b. Grace period allowance

The grace period really makes a lot of sense as it would be a defining point for the novelty of an invention. It is noted that grace period is not be functional in practice if not being implemented international. Grace period as an important inclusion in the patent system and has been diverse through out the IP law history. It has more

⁵⁹ See *Philippine Traditional Knowledge on Health* available at <http://www.tkdph.com>.

⁶⁰ See *Campbell*, *supra* note 10 at 621.

than seventy years of attempts to clarify and unify the provision of grace period. As old as the 1934 London PC Revision – Art. 4 to the 2004 WIPO Draft SPLT, the consensus on grace has not been achieved.⁶¹

The Philippine IP Code states that a non-prejudicial disclosure if the disclosure of information contained in the application during the twelve (12) months preceding the filing date or the priority date of the application shall not prejudice the applicant on the ground of lack of novelty if such disclosure was made by:

- a. The inventor;
- b. A patent office and the information was contained (a) in another application filed by the inventor and should not have been disclosed by the office, or (b) in an application filed without the knowledge or consent of the inventor by a third party which obtained the information directly or indirectly from the inventor; or
- c. A third party which obtained the information directly or indirectly from the inventor.

In Malaysia, Section 14 (3) of its Patent Act 1983 states the grace period provisions is in parallel to the TRIPS accession. It also provide for one year grace period preceding date of application.

⁶¹ *Joseph Straus, Grace Period – A Matter of Patent Law Harmonization and International Trade Distortion. JPO – AIPPI – FICPI "Tegernsee Symposium" focused on Grace Period. Organized by Japan Patent Office, Hotel Okura. Tokyo, July 10, (2014). Available at https://www.jpo.go.jp/torikumi_e/hiroba_e/patent_sympo260710/en/downloads/1-1.pdf*

However, ambiguity comes as to the definition of the ‘date of application’ as it was not defined in its Patent Law.⁶² This would be in conflict with the proposed harmonization to have a definite filing date dictating the grace period to be given to the inventor. To have a definite period requires Malaysia to repeal its grace period provision.

Various laws has their own version of grace period provision. Mostly having 12 months of grace period (US, Malaysia, Philippines, Brazil Canada) others having less to only 6 months (Japan, China, India) and the rest imposing for absolute novelty (Europe). This is a crucial issue especially to those countries having grace period, as this would cause non-grant of the patent in relation to its novelty in the jurisdiction having less or no provision of grace period.

The European patent system does not have a grace period of one year for the publication of invention. It is understood that the inventor’s publication prior to filing of patent application will negate the grant of a patent. This system is also very disadvantageous especially to the researcher and scientist in the university who take advantage of the privilege and incentive of publication, significant works or findings in their expertise. This would bar them from having a patent as their disclosure will serve as a prior art of their own invention thus making their technology not novel. Consequently, this will hinder University and R&D institutions from requesting funds since a leverage of having a patent on their discovery will be lost.

⁶² *Zaraihan Shaari, Malaysia: Patent Grace Period Provisions Should Be Reviewed. Managing Intellectual Property, Nov (2013).*

Consequently, additional budget for the furtherance of the project would may not be given, as there is no assurance if the patent will granted to the inventors/scientist.

The major concern is the automatic loss of any proprietary rights in disclosed information for the those who implements absolute novelty. The lack of grace period could lead to unnecessarily delayed dissemination of new knowledge which negatively affect the university-industry cooperation.⁶³ Aside from the negative effect on the dissimination of knowledge and proprietary claims, lack of grace period will adversely affect trade and free riding as consequence of the above concerns.⁶⁴

In the perceived World Patent System by Mossinghoff, the patent system should have one-year grace period. An inventor can publish or commercialize his or her invention and still have one year in which to file a patent without having the inventor's own work be used against him or her.⁶⁵

Grace period is a crucial standpoint for the countries providing it under their laws. Having change if not removal of the grace period in exchange of a more harmonize worldwide system will place the Philippine and other deveopling countries in the apprehensive place. There is no sign of them giving up this provision so far.

⁶³ *Ibid.*

⁶⁴ *Ibid.*

⁶⁵ *See Mossinghoff, supra note 40.*

c. Novelty and inventive-step

IP Code of the Philippines states that an invention is novel when it does not forms part of a prior art (Sec. 25) and having regard to prior art, it has inventive step, if it is not obvious to a person skilled in the art at the time of the filing date or priority date of the application claiming the invention (Sec. 26).

Countries have taken various approaches in defining novelty. While TRIPS gives flexibility on the definition of Novelty. Japan and EPC adopts the universal novelty standard, where as US, China and India adopt a blended or relative standard based on the definition of prior art.⁶⁶

In the Philippines, novelty is the first technical test for invention. An earlier patent application filing and published will negate the novelty of the same the later application. This issues is greatly influenced by the prior art definition. As long as there is divergence in the definition of prior art, issue on novelty and inventive step will also not reach consensus.

As to legislative framework of the country, Philippines, like the rest of developing countries believe that harmonization on the international level should not affect sovereignty especially in terms of the technical aspect of granting patents. There should be a striking

⁶⁶ *Nalini Kanta Mohanty, Final Report on The Advantage/Disadvantage Of The Harmonization Of The Patent System, Long-Term Research Fellowship sponsored by The Japan Patent Office. (2008).*

balance as to making decisions on granting and on validity.⁶⁷ Allowing each member states become sovereign in its decision will serve as a check and balance especially to the quality of patents to be granted. Instead of having a unitary office do the search and examinations as the deep harmonization suggests, the individual prosecution process would rather be useful in order to maintain a credible and effective patent system and instead countries should be free to choose their own policy measures.⁶⁸

Economic condition

Patent is an important economic tool and innovative activities are indicative of the economic growth of a country. Patent reforms may impact the economic growth a country, hence, the economic readiness of a country in supporting patent reforms must also be looked into. It is crucial for the Philippines as a developing country to identify if its innovative activity or patent system is supported by the economic capacity. Also, the country's competitive advantage to push harmonization leading to a more sustainable economic development should also be checked.

In terms of innovative activities, findings show that a large R&D gaps in terms of expenditure and budget leads are few among the many major factors that innovative and technological development

⁶⁷ See Baectold and Miyamoto, *supra* Note 7 at p. 184.

⁶⁸ *Ibid.*

leading to poor productivity performance.⁶⁹ While there is a great potential for R&D, nil budget suppresses undertaking hence there is low technological development in the country. This is supported by another study on the correlation of GDP and the number of patent filings. It shows that there is no direct relationship between the two as the Philippine is not a tech savvy nation.⁷⁰ Like other developing countries, GDP was directly affected by agriculture, services and assembling technology from outside. Unlike Singapore, Thailand, Japan and Vietnam which had innovation as the major factor for GDP growth.⁷¹

Philippines as an emerging country, the national government is playing a key role in allocating support for accelerating and facilitating the contribution of research and development to innovation thus developing the nation's economy. With the proper investment, Philippines will reap the economic and social benefits of setting up an appropriate patent system in place.⁷²

Established legislative framework and modernized patent system buffer the innovative activities and increase productivity. However, they are not enough themselves. The competitive nature of

⁶⁹ Caesar B. Caroratan, *Research and Development and Technology in the Philippines. A paper prepared for the PIDS Perspective Paper Symposium Series and presented on September 5, (2002) as part of the Institute's celebration of its silver founding anniversary.*

⁷⁰ A.K. Saini and Surabhi Jain, *The Impact of Patent Applications Filed on Sustainable Development of Selected Asian Countries. BIJIT - BVICAM's International Journal of Information Technology Bharati Vidyapeeth's Institute of Computer Applications and Management (BVICAM), New Delhi, July (2011).*

⁷¹ *Ibid.*

⁷² See WIPO Current Issues available at www.wipo.int.

the economy is one of the factors that would bring the country into an innovation active and technology advanced. This can only be done with the proper support financially and in placed policy by the government. Such policies include strengthening human capital and skill acquisition, promoting flexibility in enterprise organization, ensuring a strong degree of competition on domestic markets, and developing a transparent, non-discriminatory, and effective competition regime.⁷³

Technological Capacity

In the pursuit of strengthening the backbone of the intellectual property system in the country, Philippines has acceded to number of international treaties. However, a slow moving trend on its technological development is observed. To show the impact though it may not be the best way to assess, the figures and data gathered may help to show if the accession to the international treaties did help the country. The following table indicates the number of patent filings in the Philippines. Invention and utility model are both protected in the country but invention has a higher protection.

⁷³ Keith E. Maskus, *Intellectual Property Rights And Economic Development*. Prepared for the series "Beyond the Treaties: A Symposium on Compliance with International Intellectual Property Law", organized by Fredrick K. Cox International Law Center at Case Western Reserve University, February 06, (2000).

Table 4. Invention and Utility Model Filings⁷⁴

Year	Invention			Utility Model		
	Non-resident	Resident	Total	Non-resident	Resident	Total
2005	2,731	210	2,941	30	527	557
2006	3,036	227	3,263	20	527	547
2007	3,282	193	3,475	26	400	426
2008	3,099	210	3,309	30	527	557
2009	2,724	175	2,899	15	512	527
2010	3,224	167	3,391	32	594	626
2011	2,969	190	3,159	38	649	687
2012	2,803	180	2,983	29	692	721
2013	2,885	205	3,090	32	651	683
2014	3,024	263	3,287	19	758	777
2015	2,650	226	2,876	38	602	640

Like the case of Mexico and Brazil as mentioned earlier, Philippines has a bigger number of filings from the non-resident for invention patent. The reasons for the low level of patenting in developing countries is also true in the case of the Philippines. One reason would be due to patent system support. Less government support affects the enthusiasm from scientists and researchers in generating technologies. Another reason is non-use of the system by universities and local research institutions also add.⁷⁵ It has been found out that many inventions from developing countries, particularly in state-funded universities, have not been recognized as patentable. Thus, “the potential technological advances often never get to see the light of day”.⁷⁶

⁷⁴ *IP Statistics. October 2015.*

<http://www.ipophil.gov.ph/index.php/transparency/statistics>.

⁷⁵ *See Mengistie, Supra note 36 as cited from Institute of Economic Research Seoul National University, Industrial Property Rights and Technological Development in the Republic of Korea, submitted to The Korean Intellectual Property Office and the World Intellectual Property Organization, (2000).*

⁷⁶ *Kamil Idris, Intellectual Property: A Power Tool for Economic Growth, (2002). Available at*

On the other hand, utility model data is an exact contrast of the patent invention. Residents has a higher number of filing compared to the non-residents. Utility model has become an alternative protection in the Philippines as it has advantages over invention patent. Utility model registration is less expensive and less stringent. The application will not undergo a substantive examination to grant a registration. However, it has a lesser term of only seven (7) years of protection. Many prefer to proceed with less stringent and less expensive protection than proceeding through the traditional patent route. However, in both cases a only slight increase in number of filing each year is observed.

It has to be recalled that as early as 2001 the Philippines has ratified PCT and implemented it towards the end of that year. The following table shows the applications received by IPOPHIL before and after joining the PCT.

Table 6. Table of Applications Received by IPOPHIL before and after joining the PCT⁷⁷

Year	PCT Application	Direct Route (Invention)	Total
1998	not yet a member	3,448	3,448
1999	not yet a member	3,362	3,362
2000	not yet a member	3,644	3,644
2001	0	2,613	2,613
2002	64	865	929
2003	1,368	598	1,966
2004	2,121	580	2,701

http://www.wipo.int/edocs/pubdocs/en/intproperty/888/wipo_pub_888_1.pdf □

⁷⁷ WIPO IP Statistics Data Center (November 2015). Available at <http://ipstats.wipo.int/ipstatv2/editSearchForm.htm?tab=pct>

2005	2,349	629	2,978
2006	2,666	595	3,261
2007	2,958	514	3,472
2008	2,848	464	3,312
2009	2,506	397	2,903
2010	2,974	418	3,392
2011	2,715	442	3,157

Note: Transition period upon joining PCT is between Year 2001 and 2003

PCT applications started with a very small number during its transition period but big leap happened in the following years. The country has been working its way towards harmonization, but the big disparity between resident and non-resident filings has something to say. This may indicate an unbalanced policy and instrumentality among government and private technology generators and inventors. One factor that can lead to a leap on patents filings and the PCT application is the confidence that the government can give. A well-designed patent system together with the commitment of the government will pave a way to effective technology transfer and facilitative in the growth of the country.

Another factor would be the prevailing culture of the technology generators. Universities, research institutes and many inventors alike are still very conservative in adopting new culture when it comes to intellectual property. The lack of enthusiasm within the technology generators can also be a factor that a notable increase of patent filings is not happening. National and international patent laws will only fulfill its purpose when the culture within the technology generators and the government support changes.

There are assistances for the development of invention for private inventors, universities and institutions, to protect their inventions, but a comprehensive policy and mechanisms to facilitate transfer and effective use of the technology is yet to be implemented. The country does have an established licensing policy, and government assistance for this particular area, which can serve as a bridge towards technology transfer and commercialization, actualizing the value of the invention.

This may also contribute by the more stringent Patent law due to its adherence to the international law. Only recently that the Republic Act 10055 also known as Technology transfer Act of the Philippines was enacted. A new law, RA 10055, an Act providing the framework and support system for the ownership, management, use and commercialization of intellectual property generated from research and development funded by government and for other purpose. This serve as the backbone for all government funded projects to encourage technology transfer.

It took a while for the Philippines to come-up a policy on technology transfer. While the policy is already in place the number of invention generated was not showing a positive response to the new law. It is obvious that substantive harmonization would create a welfare loss if the local innovative capacity is weak as it does not compensate the implementation of the international treaty.⁷⁸ In the case of the Philippines, the technology generators and RDIs are struggling

⁷⁸ See *Chun, supra note 3 at p.7*

to cope-up with the alignment to the international treaties, as the internal capacity and innovative environment is be to equipped for the changes that the recent accession is requiring with. This scenario of country is a profound statement on its divergence with the deep harmonization propositions.

Public Interest

Another set of issues that has be traversed on the harmonization proposals are the measures to protect public health and nutrition, and to promote the public interest. Access to medicine has been a primary concern of the developing countries, that there should be disseminating useful drugs as widely and cheaply as possible. Along with the technological development, the importance of the socio-economic growth must always be part of the harmonization process, which can be done through a better access of cheaper medicines.

TRIPS member states may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.⁷⁹ Interestingly, this provision in TRIPS has received criticisms on its potential impact on health. To elaborate this provision, TRIPS is requiring developing countries to provide patents on pharmaceuticals which has the potential to limit the access to medicine

⁷⁹ See Article 8, TRIPS. Available at www.wto.org.

of those countries who are not capable having less expensive medicine with generic version.⁸⁰ The WTO Ministerial conference in Doha in 2001, the Declaration on the TRIPS Agreement and Public Health addressed this issue among developing countries. It is said then that globalization of new international trade and harmonization of requirements would hinder the ability of the countries, especially the developing and least developing countries to implement drug policies that would safeguard the access to medicines for all.⁸¹ There has been a reproach especially coming from the pharmaceutical sectors of India and the most visible conflict has been over AIDS drugs in Africa. There was an insufficient assurance to prevent increases in the prices of medicines thus making it inaccessible to many countries.⁸²

Since the Philippines has acceded to TRIPS, it is then provided in its law the recognition of the exclusive rights of the importation of patent holders. Section 71 and 72 relates to the rights conferred by the patents and limitation of patent rights which suggest the adoption of international exhaustion so that selling and trading of the patented products may be lawfully done in the Philippines. Compulsory licensing may pave a way for the manufacturing of the medicines to countries having the capacity of manufacture and indirectly impacted

⁸⁰ Amy Kapczynski, *Harmonization And Its Discontents: A Case Study Of TRIPS Implementation In India's Pharmaceutical Sector*. *California Law Review*, Inc. (2009).

⁸¹ Ellen 't Hoen, *The Revised Drug Strategy: Access to Essential Medicines, Intellectual Property and the World Health Organization*, in *Access To Knowledge In The Age Of Intellectual Property* as cited in Kapczynski, *supra* note 80.

⁸² Robert Weissman, *Long, Strange Trips: The Pharmaceutical Industry Drive to Harmonize Global Intellectual Property Rules, and the Remaining WTO Legal Alternatives Available to Third World Countries*. 17 *J. Int'l L.* 1069 (1996).

those that are wanting to imports because of lacking of manufacturing capacity.⁸³ However, proposed substantive harmonization must look into the common good of the public and providing reforms recognizing the need of the various states especially those that are in least developed countries.

Harmonization has a long history also the history of the Philippines towards it. The Philippines has been exerting efforts to align and be at par with the changes that the internalization of patent system. Ratifying laws and international treaties could be a strategic move for an emerging country like the Philippines. This is to protect its product and services beyond its geographical boundaries and also to take advantage of the global wealth of products and services.

Among the developing countries, Philippines has an early accession to the international treaties showing its active participation to changes. However, a careful attention must be given as to its internal capacity and readiness to adopt such changes. More often than not, compromises happen which is also needed to reach the desired outcome of joining international system.

⁸³ See *Amador, supra note 59 at 24.*

CONCLUSION

Globalization is said to be like a double-edged sword for innovation.⁸⁴ It paves opportunities for the countries' innovations to go beyond its national boundaries but can also jeopardize innovation without proper protection. Protection is just one point that the harmonization has to look into and a lot more remaining issues has to be addressed. Efforts toward deep harmonization are arduous, expensive and time-consuming however, shrinking the gap between countries' patent law is rather significant.

Interestingly, the goal of proposed harmonization has no standard and universal rule. It depends on the period of the conceptualization considering the pressing needs hence, the goals changed. Early harmonization was initially responding only to the need of the international community to secure intellectual property for the fear of theft of their ideas. Now, the level and order of the harmonization to take place still remains a huge challenge. The international communities and countries have to work out actively and cooperatively in order to fulfill the noble objective of patent system. Outstanding issues such as the definition of prior art, allowance of grace period, technical character is among the many issues that is yet to be reconciled. Striking the balance between patent protection and the interest of the public at large is also of greater challenge.

⁸⁴ See *Chun*, *supra* note 1 at 47.

Harmonization has definitely impacted the developing countries. Reforms based solely at the national level may be insufficient and in some cases would be counter-productive, since harmonization would mean an international consensus for a strategy to be effective. Greater consideration on the economic trends becomes the pressing factor for the harmonization. However, there are clear tensions between the developed and developing countries in harmonizing the patent law harmonization. Developed countries are pushing harder for a greater harmonized patent law, to ultimately come up with a world patent system by having unitary system and unitary patents.

A divergent reaction from the developing countries is not surprising as such proposed substantive harmonization seems not responsive and caused greater challenges for the member states. While the LDC's and developing countries are still in its struggle to cope with the recent implementation, another substantive instrument such as the SPLT would shrink the remaining flexibilities of the developing countries to catch-up. There is no readily available side payments or concessions on how the developing countries would cope-up with the new demands of the new instruments for the varying stages of technological advancement. Furthermore, harmonization could serve as legal imperialism to the LDCs and developing countries, as they were forced to align their laws to the one that is internationally implemented.

Among the developing countries, Philippines has an early accession to the international treaties showing its active participation to

changes. It has been consistently moving towards the direction of global patent law harmonization as it has already been started. As a matter of fact it has ratified most if not all the international changes and laws to be aligned with the trends. However, Philippines necessitate having a clear and comprehensive approach in acceding to international harmonization. A careful attention must be given as to its internal capacity and readiness to adopt such changes. More often than not, compromises happen to reach the desired outcome of joining international system.

In its current condition, the Philippines still has a long way to go through to elevate the value of its technology to be globally attuned. In acceding to international harmonization to better promote and transfer its technology, and more active innovation system, it must give a careful look in sealing the loopholes within its own policy and instrumentalities, creating its patent system a better platform to fully take advantage of the international laws it has ratified. This can lead the country in realizing its full capacity with IP system.

RECOMMENDATIONS

Harmonization has taking its track in parallel to the growing trade and economic relationship. It is envisioned to provide facilitation to negotiations and commercialization of every potential invention. This will also serve as a catapult even to a least developing country if proper system is supportive of its condition. However, this would surely require compromises for each country, which is divergent to the call of harmonization.

Philippines as a developing country may consider following:

1. To identify its readiness in adopting harmonization by having a better understanding of its internal capabilities that would cater the need of its society and the world.
2. Have a careful look on the impact of the harmonization to the general public especially creating policies for adopting proposed harmonization .
3. The government should improve its level of support and facilities for research and development to that of the developed countries as to the level harmonization requires.
4. Be more visible and active in participating harmonization discussion as to creating a stronger position of the developing countries especially in resolving outstanding issues.

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Appendix

Intellectual Property Code of the Philippines

LAWS ON PATENTS

Chapter I

GENERAL PROVISIONS

Sec. 20. Definition of Terms Used in Part II, The Law on Patents. -- As used in Part II, the following terms shall have the following meanings:

20.1. "Bureau" means the Bureau of Patents;

20.2. "Director" means the Director of Patents;

20.3. "Regulations" means the Rules of Practice in Patent Cases formulated by the Director of Patents and promulgated by the Director General;

20.4. "Examiner" means the patent examiner;

20.5. "Patent application" or "application" means an application for a patent for an invention except in Chapters XII and XIII, where application means an application for a utility model and an industrial design, respectively; and

20.6. "Priority date" means the date of filing of the foreign application for the same invention referred to in Section 31 of this Act.
(n)

Chapter II

PATENTABILITY

Sec. 21. Patentable Inventions

Any technical solution of a problem in any field of human activity which is new, involves an inventive step and is industrially applicable shall be patentable. It may be, or may relate to, a product, or process, or an improvement of any of the foregoing. (Sec. 7, R.A. No.165a)

Sec. 22. Non-Patentable Inventions

The following shall be excluded from patent protection:

22.1. Discoveries, scientific theories and mathematical methods;

22.2. Schemes, rules and methods of performing mental acts, playing games or doing business, and programs for computers;

22.3 Methods for treatment of the human or animal body by surgery or therapy and diagnostic methods practiced on the human or animal body. This provision shall not apply to products and composition for use in any of these methods;

22.4. Plant varieties or animal breeds or essentially biological process for the production of plants or animals. This provision shall not apply to micro-organisms and non-biological and microbiological processes.

Provisions under this subsection shall not preclude Congress to consider the enactment of a law providing sui generis protection of plant varieties and animal breeds and a system of community intellectual rights protection:

22.5. Aesthetic creations; and

22.6. Anything which is contrary to public order or morality. (Sec. 8, R.A. No. 165a)

Sec. 23. Novelty

An invention shall not be considered new if it forms part of a prior art. (Sec. 9, R.A. No. 165a)

Sec. 24. Prior Art

Prior art shall consist of:

24.1. Everything which has been made available to the public anywhere in the world, before the filing date or the priority date of the application claiming the invention; and

24.2. The whole contents of an application for a patent, utility model, or industrial design registration, published in accordance with this Act, filed or effective in the Philippines, with a filing or priority date that is earlier than the filing or priority date of the application: Provided, That the application which has validly claimed the filing

date of an earlier application under Section 31 of this Act, shall be prior art with effect as of the filing date of such earlier application: Provided further, That the applicant or the inventor identified in both applications are not one and the same. (Sec. 9, R.A. No. 165a)

Sec. 25. Non-Prejudicial Disclosure

25.1. The disclosure of information contained in the application during the twelve (12) months preceding the filing date or the priority date of the application shall not prejudice the applicant on the ground of lack of novelty if such disclosure was made by:

(a) The inventor;

(b) A patent office and the information was contained (a) in another application filed by the inventor and should not have been disclosed by the office, or (b) in an application filed without the knowledge or consent of the inventor by a third party which obtained the information directly or indirectly from the inventor; or

(c) A third party which obtained the information directly or indirectly from the inventor.

25.2. For the purposes of Subsection 25.1, "inventor" also means any person who, at the filing date of application, had the right to the patent. (n)

Sec. 26. Inventive Step

An invention involves an inventive step if, having regard to prior art, it is not obvious to a person skilled in the art at the time of the filing date or priority date of the application claiming the invention. (n)

Sec. 27. Industrial Applicability

An invention that can be produced and used in any industry shall be industrially applicable. (n)

Chapter III

RIGHT TO A PATENT

Sec. 28. Right to a Patent

The right to a patent belongs to the inventor, his heirs, or assigns. When two (2) or more persons have jointly made an invention, the right to a patent shall belong to them jointly. (Sec. 10, R.A. No. 165a)

Sec. 29. First to File Rule

If two (2) or more persons have made the invention separately and independently of each other, the right to the patent shall belong to the person who filed an application for such invention, or where two or more applications are filed for the same invention, to the applicant who has the earliest filing date or, the earliest priority date. (3rd sentence, Sec. 10, R.A. No. 165a.)

Sec. 30. Inventions Created Pursuant to a Commission

30.1. The person who commissions the work shall own the patent, unless otherwise provided in the contract.

30.2. In case the employee made the invention in the course of his employment contract, the patent shall belong to:

- (a) The employee, if the inventive activity is not a part of his regular duties even if the employee uses the time, facilities and materials of the employer.
- (b) The employer, if the invention is the result of the performance of his regularly-assigned duties, unless there is an agreement, express or implied, to the contrary. (n)

Sec. 31. Right of Priority

An application for patent filed by any person who has previously applied for the same invention in another country which by treaty, convention, or law affords similar privileges to Filipino citizens, shall be considered as filed as of the date of filing the foreign application: Provided, That: (a) the local application expressly claims priority; (b) it is filed within twelve (12) months from the date the earliest foreign application was filed; and (c) a certified copy of the foreign application

together with an English translation is filed within six (6) months from the date of filing in the Philippines. (Sec. 15, R.A. No. 165a)

Chapter IV

PATENT APPLICATION

Sec. 32. The Application

32.1. The patent application shall be in Filipino or English and shall contain the following:

- (a) A request for the grant of a patent;
- (b) A description of the invention;
- (c) Drawings necessary for the understanding of the invention;
- (d) One or more claims; and
- (e) An abstract.

32.2. No patent may be granted unless the application identifies the inventor. If the applicant is not the inventor, the Office may require him to submit said authority. (Sec. 13, R.A. No. 165a)

Sec. 33. Appointment of Agent or Representative

An applicant who is not a resident of the Philippines must appoint and maintain a resident agent or representative in the Philippines upon whom notice or process for judicial or administrative procedure relating to the application for patent or the patent may be served. (Sec. 11, R.A. No. 165a)

Sec. 34. The Request

The request shall contain a petition for the grant of the patent, the name and other data of the applicant, the inventor and the agent and the title of the invention. (n)

Sec. 35. Disclosure and Description of the Invention

35.1. Disclosure. - The application shall disclose the invention in a manner sufficiently clear and complete for it to be carried out by a

person skilled in the art. Where the application concerns a microbiological process or the product thereof and involves the use of a micro-organism which cannot be sufficiently disclosed in the application in such a way as to enable the invention to be carried out by a person skilled in the art, and such material is not available to the public, the application shall be supplemented by a deposit of such material with an international depository institution.

35.2. Description. - The Regulations shall prescribe the contents of the description and the order of presentation. (Sec. 14, R.A. No. 165a)

SEC. 36. The Claims

36.1. The application shall contain one (1) or more claims which shall define the matter for which protection is sought. Each claim shall be clear and concise, and shall be supported by the description.

36.2. The Regulations shall prescribe the manner of the presentation of claims. (n)

Sec. 37. The Abstract

The abstract shall consist of a concise summary of the disclosure of the invention as contained in the description, claims and drawings in preferably not more than one hundred fifty (150) words. It must be drafted in a way which allows the clear understanding of the technical problem, the gist of the solution of that problem through the invention, and the principal use or uses of the invention. The abstract shall merely serve for technical information. (n)

Sec. 38. Unity of Invention

38.1. The application shall relate to one invention only or to a group of inventions forming a single general inventive concept.

38.2. If several independent inventions which do not form a single general inventive concept are claimed in one application, the Director may require that the application be restricted to a single invention. A later application filed for an invention divided out shall be considered as having been filed on the same day as the first application: Provided, That the later application is filed within four (4) months after the requirement to divide becomes final, or within such additional time, not exceeding four (4) months, as may be granted: Provided further,

That each divisional application shall not go beyond the disclosure in the initial application.

38.3. The fact that a patent has been granted on an application that did not comply with the requirement of unity of invention shall not be a ground to cancel the patent. (Sec. 17, R.A. No. 165a)

Sec. 39. Information Concerning Corresponding Foreign Application for Patents

The applicant shall, at the request of the Director, furnish him with the date and number of any application for a patent filed by him abroad, hereafter referred to as the "foreign application," relating to the same or essentially the same invention as that claimed in the application filed with the Office and other documents relating to the foreign application. (n)

Chapter V

PROCEDURE FOR GRANT OF PATENT

Sec. 40. Filing Date Requirements

40.1. The filing date of a patent application shall be the date of receipt by the Office of at least the following elements:

- (a) An express or implicit indication that a Philippine patent is sought;
- (b) Information identifying the applicant; and
- (c) Description of the invention and one (1) or more claims in Filipino or English.

40.2. If any of these elements is not submitted within the period set by the Regulations, the application shall be considered withdrawn. (n)

Sec. 41. According a Filing Date

The Office shall examine whether the patent application satisfies the requirements for the grant of date of filing as provided in Section 40 hereof. If the date of filing cannot be accorded, the applicant shall

be given an opportunity to correct the deficiencies in accordance with the implementing Regulations. If the application does not contain all the elements indicated in Section 40, the filing date should be that date when all the elements are received. If the deficiencies are not remedied within the prescribed time limit, the application shall be considered withdrawn. (n)

Sec. 42. Formality Examination

42.1. After the patent application has been accorded a filing date and the required fees have been paid on time in accordance with the Regulations, the applicant shall comply with the formal requirements specified by Section 32 and the Regulations within the prescribed period, otherwise the application shall be considered withdrawn.

42.2. The Regulations shall determine the procedure for the re-examination and revival of an application as well as the appeal to the Director of Patents from any final action by the examiner. (Sec. 16, R.A. No. 165a)

Sec. 43. Classification and Search

An application that has complied with the formal requirement shall be classified and a search conducted to determine the prior art. (n)

Sec. 44. Publication of Patent Application

44.1. The patent application shall be published in the IPO Gazette together with a search document established by or on behalf of the Office citing any documents that reflect prior art, after the expiration of eighteen (18) months from the filing date or priority date.

44.2. After publication of a patent application, any interested party may inspect the application documents filed with the Office.

44.3. The Director General, subject to the approval of the Secretary of Trade and Industry, may prohibit or restrict the publication of an application, if in his opinion, to do so would be prejudicial to the national security and interests of the Republic of the Philippines. (n)

Sec. 45. Confidentiality Before Publication

A patent application, which has not yet been published, and all related documents, shall not be made available for inspection without the consent of the applicant. (n)

Sec. 46. Rights Conferred by a Patent Application After Publication

The applicant shall have all the rights of a patentee under Section 76 against any person who, without his authorization, exercised any of the rights conferred under Section 71 of this Act in relation to the invention claimed in the published patent application, as if a patent had been granted for that invention: Provided, That the said person had:

46.1. Actual knowledge that the invention that he was using was the subject matter of a published application; or

46.2. Received written notice that the invention that he was using was the subject matter of a published application being identified in the said notice by its serial number: Provided, That the action may not be filed until after the grant of a patent on the published application and within four (4) years from the commission of the acts complained of. (n)

Sec. 47. Observation by Third Parties

Following the publication of the patent application, any person may present observations in writing concerning the patentability of the invention. Such observations shall be communicated to the applicant who may comment on them. The Office shall acknowledge and put such observations and comment in the file of the application to which it relates. (n)

Sec. 48. Request for Substantive Examination

48.1. The application shall be deemed withdrawn unless within six (6) months from the date of publication under Section 41, a written request to determine whether a patent application meets the

requirements of Sections 21 to 27 and Sections 32 to 39 and the fees have been paid on time.

48.2. Withdrawal of the request for examination shall be irrevocable and shall not authorize the refund of any fee. (n)

Sec. 49. Amendment of Application

An applicant may amend the patent application during examination: Provided, That such amendment shall not include new matter outside the scope of the disclosure contained in the application as filed. (n)

Sec. 50. Grant of Patent

50.1. If the application meets the requirements of this Act, the Office shall grant the patent: Provided, That all the fees are paid on time.

50.2. If the required fees for grant and printing are not paid in due time, the application shall be deemed to be withdrawn.

50.3. A patent shall take effect on the date of the publication of the grant of the patent in the IPO Gazette. (Sec. 18, R.A. No. 165a)

Sec. 51. Refusal of the Application

51.1. The final order of refusal of the examiner to grant the patent shall be appealable to the Director in accordance with this Act.

51.2. The Regulations shall provide for the procedure by which an appeal from the order of refusal from the Director shall be undertaken. (n)

Sec. 52. Publication Upon Grant of Patent

52.1. The grant of the patent together with other related information shall be published in the IPO Gazette within the time prescribed by the Regulations.

52.2. Any interested party may inspect the complete description, claims, and drawings of the patent on file with the Office. (Sec. 18, R.A. No. 165a)

Sec. 53. Contents of Patent

The patent shall be issued in the name of the Republic of the Philippines under the seal of the Office and shall be signed by the Director, and registered together with the description, claims, and drawings, if any, in books and records of the Office. (Secs. 19 and 20, R.A. No. 165a)

Sec. 54. Term of Patent

The term of a patent shall be twenty (20) years from the filing date of the application. (Sec. 21, R.A. No. 165a)

Sec. 55. Annual Fees

55.1. To maintain the patent application or patent, an annual fee shall be paid upon the expiration of four (4) years from the date the application was published pursuant to Section 44 hereof, and on each subsequent anniversary of such date. Payment may be made within three (3) months before the due date. The obligation to pay the annual fees shall terminate should the application be withdrawn, refused, or cancelled.

55.2. If the annual fee is not paid, the patent application shall be deemed withdrawn or the patent considered as lapsed from the day following the expiration of the period within which the annual fees were due. A notice that the application is deemed withdrawn or the lapse of a patent for non-payment of any annual fee shall be published in the IPO Gazette and the lapse shall be recorded in the Register of the Office.

55.3. A grace period of six (6) months shall be granted for the payment of the annual fee, upon payment of the prescribed surcharge for delayed payment. (Sec. 22, R.A. No. 165a)

Sec. 56. Surrender of Patent

56.1. The owner of the patent, with the consent of all persons having grants or licenses or other right, title or interest in and to the patent and the invention covered thereby, which have been recorded in the Office, may surrender his patent or any claim or claims forming part thereof to the Office for cancellation.

56.2 A person may give notice to the Office of his opposition to the surrender of a patent under this section, and if he does so, the Bureau shall notify the proprietor of the patent and determine the question.

56.3. If the Office is satisfied that the patent may properly be surrendered, he may accept the offer and, as from the day when notice of his acceptance is published in the IPO Gazette, the patent shall cease to have effect, but no action for infringement shall lie and no right compensation shall accrue for any use of the patented invention before that day for the services of the government. (Sec. 24, R.A. No. 165a)

Sec. 57. Correction of Mistakes of the Office

The Director shall have the power to correct, without fee, any mistake in a patent incurred through the fault of the Office when clearly disclosed in the records thereof, to make the patent conform to the records. (Sec. 25, R.A. No. 165)

Sec. 58. Correction of Mistake in the Application

On request of any interested person and payment of the prescribed fee, the Director is authorized to correct any mistake in a patent of a formal and clerical nature, not incurred through the fault of the Office. (Sec. 26, R.A. No. 165a)

Sec. 59. Changes in Patents

59.1. The owner of a patent shall have the right to request the Bureau to make the changes in the patent in order to:

- (a) Limit the extent of the protection conferred by it;
- (b) Correct obvious mistakes or to correct clerical errors; and
- (c) Correct mistakes or errors, other than those referred to in letter (b), made in good faith: Provided, That where the change would result in a broadening of the extent of

protection conferred by the patent, no request may be made after the expiration of two (2) years from the grant of a patent and the change shall not affect the rights of any third party which has relied on the patent, as published.

59.2. No change in the patent shall be permitted under this section, where the change would result in the disclosure contained in the patent going beyond the disclosure contained in the application filed.

59.3. If, and to the extent to which the Office changes the patent according to this section, it shall publish the same. (n)

Sec. 60. Form and Publication of Amendment

An amendment or correction of a patent shall be accomplished by a certificate of such amendment or correction, authenticated by the seal of the Office and signed by the Director, which certificate shall be attached to the patent. Notice of such amendment or correction shall be published in the IPO Gazette and copies of the patent kept or furnished by the Office shall include a copy of the certificate of amendment or correction. (Sec. 27, R.A. No. 165)

Chapter VI

CANCELLATION OF PATENTS AND SUBSTITUTION OF PATENTEE

Sec. 61. Cancellation of Patents

61.1. Any interested person may, upon payment of the required fee, petition to cancel the patent or any claim thereof, or parts of the claim, on any of the following grounds:

- (a) That what is claimed as the invention is not new or patentable;
- (b) That the patent does not disclose the invention in a manner sufficiently clear and complete for it to be carried out by any person skilled in the art; or
- (c) That the patent is contrary to public order or morality.

61.2. Where the grounds for cancellation relate to some of the claims or parts of the claim, cancellation may be effected to such extent only. (Secs. 28 and 29, R.A. No. 165a)

Sec. 62. Requirement of the Petition

The petition for cancellation shall be in writing, verified by the petitioner or by any person in his behalf who knows the facts, specify the grounds upon which it is based, include a statement of the facts to be relied upon, and filed with the Office. Copies of printed publications or of patents of other countries, and other supporting documents mentioned in the petition shall be attached thereto, together with the translation thereof in English, if not in English language. (Sec. 30, R.A. No. 165)

Sec. 63. Notice of Hearing

Upon filing of a petition for cancellation, the Director of Legal Affairs shall forthwith serve notice of the filing thereof upon the patentee and all persons having grants or licenses, or any other right, title or interest in and to the patent and the invention covered thereby, as appears of record in the Office, and of notice of the date of hearing thereon on such persons and the petitioner. Notice of the filing of the petition shall be published in the IPO Gazette. (Sec. 31, R.A. No. 165a)

Sec. 64. Committee of Three

In cases involving highly technical issues, on motion of any party, the Director of Legal Affairs may order that the petition be heard and decided by a committee composed of the Director of Legal Affairs as chairman and two (2) members who have the experience or expertise in the field of technology to which the patent sought to be cancelled relates. The decision of the committee shall be appealable to the Director General. (n)

Sec. 65. Cancellation of the Patent

65.1. If the Committee finds that a case for cancellation has been proved, it shall order the patent or any specified claim or claims thereof cancelled.

65.2. If the Committee finds that, taking into consideration the amendment made by the patentee during the cancellation proceedings, the patent and the invention to which it relates meet the requirement of this Act, it may decide to maintain the patent as amended: Provided, That the fee for printing of a new patent is paid within the time limit prescribed in the Regulations.

65.3. If the fee for the printing of a new patent is not paid in due time, the patent should be revoked.

65.4. If the patent is amended under Subsection 65.2 hereof, the Bureau shall, at the same time as it publishes the mention of the cancellation decision, publish the abstract, representative claims and drawings indicating clearly what the amendments consist of. (n)

Sec. 66. Effect of Cancellation of Patent or Claim

The rights conferred by the patent or any specified claim or claims cancelled shall terminate. Notice of the cancellation shall be published in the IPO Gazette. Unless restrained by the Director General, the decision or order to cancel by Director of Legal Affairs shall be immediately executory even pending appeal. (Sec. 32, R.A. No. 165a)

Chapter VII

REMEDIES OF A PERSON WITH A RIGHT TO A PATENT

Sec. 67. Patent Application by Persons Not Having the Right to a Patent

67.1. If a person referred to in Section 29 other than the applicant, is declared by final court order or decision as having the right to the patent, such person may, within three (3) months after the decision has become final:

- (a) Prosecute the application as his own application in place of the applicant;
- (b) File a new patent application in respect of the same invention;
- (c) (Request that the application be refused; or

(d) Seek cancellation of the patent, if one has already been issued.

67.2. The provisions of Subsection 38.2 shall apply mutatis mutandis to a new application filed under Subsection 67.1(b). (n)

Sec. 68. Remedies of the True and Actual Inventor

If a person, who was deprived of the patent without his consent or through fraud is declared by final court order or decision to be the true and actual inventor, the court shall order for his substitution as patentee, or at the option of the true inventor, cancel the patent, and award actual and other damages in his favor if warranted by the circumstances. (Sec. 33, R.A. No. 165a)

Sec. 69. Publication of the Court Order

The court shall furnish the Office a copy of the order or decision referred to in Sections 67 and 68, which shall be published in the IPO Gazette within three (3) months from the date such order or decision became final and executory, and shall be recorded in the register of the Office. (n)

Sec. 70. Time to File Action in Court

The actions indicated in Sections 67 and 68 shall be filed within one (1) year from the date of publication made in accordance with Sections 44 and 51, respectively. (n)

Chapter VIII

RIGHTS OF PATENTEES AND INFRINGEMENT OF PATENTS

Sec. 71. Rights Conferred by Patent

71.1. A patent shall confer on its owner the following exclusive rights:

(a) Where the subject matter of a patent is a product, to restrain, prohibit and prevent any unauthorized person or entity from making, using, offering for sale, selling or importing that product;

(b) Where the subject matter of a patent is a process, to restrain, prevent or prohibit any unauthorized person or entity from using the process, and from manufacturing, dealing in, using, selling or offering for sale, or importing any product obtained directly or indirectly from such process.

71.2. Patent owners shall also have the right to assign, or transfer by succession the patent, and to conclude licensing contracts for the same. (Sec. 37, R.A. No. 165a)

Sec. 72. Limitations of Patent Rights

The owner of a patent has no right to prevent third parties from performing, without his authorization, the acts referred to in Section 71 hereof in the following circumstances:

72.1 Using a patented product which has been put on the market in the Philippines by the owner of the product, or with his express consent, insofar as such use is performed after that product has been so put on the said market;

72.2. Where the act is done privately and on a non-commercial scale or for a non-commercial purpose: Provided, That it does not significantly prejudice the economic interests of the owner of the patent;

72.3. Where the act consists of making or using exclusively for the purpose of experiments that relate to the subject matter of the patented invention;

72.4. Where the act consists of the preparation for individual cases, in a pharmacy or by a medical professional, of a medicine in accordance with a medical prescription or acts concerning the medicine so prepared;

72.5. Where the invention is used in any ship, vessel, aircraft, or land vehicle of any other country entering the territory of the Philippines temporarily or accidentally: Provided, That such invention is used exclusively for the needs of the ship, vessel, aircraft, or land

vehicle and not used for the manufacturing of anything to be sold within the Philippines. (Secs. 38 and 39, R.A. No. 165a)

Sec. 73. Prior User

73.1. Notwithstanding Section 72 hereof, any prior user, who, in good faith was using the invention or has undertaken serious preparations to use the invention in his enterprise or business, before the filing date or priority date of the application on which a patent is granted, shall have the right to continue the use thereof as envisaged in such preparations within the territory where the patent produces its effect.

73.2. The right of the prior user may only be transferred or assigned together with his enterprise or business, or with that part of his enterprise or business in which the use or preparations for use have been made. (Sec. 40, R.A. No. 165a)

Sec. 74. Use of Invention by Government

74.1. A Government agency or third person authorized by the Government may exploit the invention even without agreement of the patent owner where:

- (a) the public interest, in particular, national security, nutrition, health or the development of other sectors, as determined by the appropriate agency of the government, so requires; or
- (b) A judicial or administrative body has determined that the manner of exploitation, by the owner of the patent or his licensee, is anti-competitive.

74.2. The use by the Government, or third person authorized by the Government shall be subject, *mutatis mutandis*, to the conditions set forth in Sections 95 to 97 and 100 to 102. (Sec. 41, R.A. No. 165a)

Sec. 75. Extent of Protection and Interpretation of Claims

75.1. The extent of protection conferred by the patent shall be determined by the claims, which are to be interpreted in the light of the description and drawings.

75.2. For the purpose of determining the extent of protection conferred by the patent, due account shall be taken of elements which are equivalent to the elements expressed in the claims, so that a claim shall be considered to cover not only all the elements as expressed therein, but also equivalents. (n)

Sec. 76. Civil Action for Infringement

76.1. The making, using, offering for sale, selling, or importing a patented product or a product obtained directly or indirectly from a patented process, or the use of a patented process without the authorization of the patentee constitutes patent infringement.

76.2. Any patentee, or anyone possessing any right, title or interest in and to the patented invention, whose rights have been infringed, may bring a civil action before a court of competent jurisdiction, to recover from the infringer such damages sustained thereby, plus attorney's fees and other expenses of litigation, and to secure an injunction for the protection of his rights.

76.3. If the damages are inadequate or cannot be readily ascertained with reasonable certainty, the court may award by way of damages a sum equivalent to reasonable royalty.

76.4. The court may, according to the circumstances of the case, award damages in a sum above the amount found as actual damages sustained: Provided, That the award does not exceed three (3) times the amount of such actual damages.

76.5. The court may, in its discretion, order that the infringing goods, materials and implements predominantly used in the infringement be disposed of outside the channels of commerce or destroyed, without compensation.

76.6. Anyone who actively induces the infringement of a patent or provides the infringer with a component of a patented product or of a product produced because of a patented process knowing it to be especially adopted for infringing the patented invention and not suitable for substantial non-infringing use shall be liable as a contributory infringer and shall be jointly and severally liable with the infringer. (Sec. 42, R.A. No. 165a)

Sec. 77. Infringement Action by a Foreign National

Any foreign national or juridical entity who meets the requirements of Section 3 and not engaged in business in the Philippines, to which a patent has been granted or assigned under this Act, may bring an action for infringement of patent, whether or not it is licensed to do business in the Philippines under existing law. (Sec. 41-A, R.A. No. 165a)

Sec. 78. Process Patents; Burden of Proof

If the subject matter of a patent is a process for obtaining a product, any identical product shall be presumed to have been obtained through the use of the patented process if the product is new or there is substantial likelihood that the identical product was made by the process and the owner of the patent has been unable despite reasonable efforts, to determine the process actually used. In ordering the defendant to prove that the process to obtain the identical product is different from the patented process, the court shall adopt measures to protect, as far as practicable, his manufacturing and business secrets. (n)

Sec. 79. Limitation of Action for Damages

No damages can be recovered for acts of infringement committed more than four (4) years before the institution of the action for infringement. (Sec. 43, R.A. No. 165)

Sec. 80. Damages; Requirement of Notice

Damages cannot be recovered for acts of infringement committed before the infringer had known; or had reasonable grounds to know of the patent. It is presumed that the infringer had known of the patent if on the patented product, or on the container or package in which the article is supplied to the public, or on the advertising material relating to the patented product or process, are placed the words "Philippine Patent" with the number of the patent. (Sec. 44, R.A. No. 165a)

Sec. 81. Defenses in Action for Infringement

In an action for infringement, the defendant, in addition to other defenses available to him, may show the invalidity of the patent, or any claim thereof, on any of the grounds on which a petition of cancellation can be brought under Section 61 hereof. (Sec. 45, R.A. No. 165)

Sec. 82. Patent Found Invalid May be Cancelled

In an action for infringement, if the court shall find the patent or any claim to be invalid, it shall cancel the same, and the Director of Legal Affairs upon receipt of the final judgment of cancellation by the court, shall record that fact in the register of the Office and shall publish a notice to that effect in the IPO Gazette. (Sec. 46, R.A. No. 165a)

Sec. 83. Assessor in Infringement Action

83.1. Two (2) or more assessors may be appointed by the court. The assessors shall be possessed of the necessary scientific and technical knowledge required by the subject matter in litigation. Either party may challenge the fitness of any assessor proposed for appointment.

83.2. Each assessor shall receive a compensation in an amount to be fixed by the court and advanced by the complaining party, which shall be awarded as part of his costs should he prevail in the action. (Sec. 47, R.A. No. 165a)

Sec. 84. Criminal Action for Repetition of Infringement

If infringement is repeated by the infringer or by anyone in connivance with him after finality of the judgment of the court against the infringer, the offenders shall, without prejudice to the institution of a civil action for damages, be criminally liable therefor and, upon conviction, shall suffer imprisonment for the period of not less than six (6) months but not more than three (3) years and/or a fine of not less than One hundred thousand pesos (PhP 100,000) but not more than Three hundred thousand pesos (PhP 300,000), at the discretion of the court. The criminal action herein provided shall prescribed in three (3) years from date of the commission of the crime. (Sec. 48, R.A. No. 165a)

Chapter IX

VOLUNTARY LICENSING

Sec. 85. Voluntary License Contract

To encourage the transfer and dissemination 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, all technology transfer arrangements shall comply with the provisions of this Chapter. (n)

Sec. 86. Jurisdiction to Settle Disputes on Royalties

The Director of the Documentation, Information and Technology Transfer Bureau shall exercise quasi-judicial jurisdiction in the settlement of disputes between parties to a technology transfer arrangement arising from technology transfer payments, including the fixing of appropriate amount or rate of royalty. (n)

Sec. 87. Prohibited Clauses

Except in cases under Section 91, the following provisions shall be deemed prima facie to have an adverse on competition and trade:

87.1. 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;

87.2. 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;

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

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

87.5. Those that establish a full or partial purchase option in favor of the licensor;

87.6. 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;

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

87.8. 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;

87.9. 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;

87.10. Those which require payments for patents and other industrial property rights after their expiration, termination arrangement;

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

87.12. 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;

87.13. 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;

87.14. Those which exempt the licensor for liability for non-fulfillment 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

87.15. Other clauses with equivalent effects. (Sec. 33-C(2), RA 165a)

Sec. 88. Mandatory Provisions

The following provisions shall be included in voluntary license contracts:

88.1. 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;

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

88.3. 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; and

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

SEC. 89. 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 person nor from exploiting the subject matter of the technology transfer arrangement himself. (Sec. 33-B, R.A. 165a)

SEC. 90. 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. (Sec. 33-C (1), R.A. 165a)

SEC. 91. Exceptional Cases

In exceptional or meritorious cases where substantial benefits will accrue to the economy, such as high technology content, increase in foreign exchange earnings, employment generation, regional dispersal of industries and/or substitution with or use of local raw materials, or in the case of Board of Investments, registered companies with pioneer status, exemption from any of the above requirements may be allowed by the Documentation, Information and Technology Transfer Bureau after evaluation thereof on a case by case basis. (n)

SEC. 92. Non-Registration with the Documentation, Information and Technology Transfer Bureau

Technology transfer arrangements that conform with the provisions of Sections 86 and 87 need not be registered with the Documentation, Information and Technology Transfer Bureau. Non-conformance with any of the provisions of Sections 87 and 88, however, shall automatically render the technology transfer arrangement unenforceable, unless said technology transfer arrangement is approved and registered with the Documentation, Information and Technology Transfer Bureau under the provisions of Section 91 on exceptional cases. (n)

Chapter X

COMPULSORY LICENSING

SEC. 93. Grounds for Compulsory Licensing

The Director of Legal Affairs may grant a license to exploit a patented invention, even without the agreement of the patent owner, in favor of any person who has shown his capability to exploit the invention, under any of the following circumstances:

93.1. National emergency or other circumstances of extreme urgency;

93.2. Where the public interest, in particular, national security, nutrition, health or the development of other vital sectors of the national economy as determined by the appropriate agency of the Government, so requires; or

93.3. Where a judicial or administrative body has determined that the manner of exploitation by the owner of the patent or his licensee is anti-competitive; or

93.4. In case of public non-commercial use of the patent by the patentee, without satisfactory reason;

93.5. If the patented invention is not being worked in the Philippines on a commercial scale, although capable of being worked, without satisfactory reason: Provided, That the importation of the patented article shall constitute working or using the patent. (Secs. 34, 34-A, 34-B, R.A. No. 165a)

SEC. 94. Period for Filing a Petition for a Compulsory License

94.1. A compulsory license may not be applied for on the ground stated in Subsection 93.5 before the expiration of a period of four (4) years from the date of filing of the application or three (3) years from the date of the patent whichever period expires last.

94.2. A compulsory license which is applied for on any of the grounds stated in Subsections 93.2, 93.3, and 93.4 and Section 97 may be applied for at any time after the grant of the patent. (Sec. 34(1), R.A. No. 165)

SEC. 95. Requirement to Obtain a License on Reasonable Commercial Terms

95.1. The license will only be granted after the petitioner has made efforts to obtain authorization from the patent owner on reasonable commercial terms and conditions but such efforts have not been successful within a reasonable period of time.

95.2. The requirement under Subsection 95.1 shall not apply in the following cases:

- (a) Where the petition for compulsory license seeks to remedy a practice determined after judicial or administrative process to be anti-competitive;
- (b) In situations of national emergency or other circumstances of extreme urgency;
- (c) In cases of public non-commercial use.

95.3. In situations of national emergency or other circumstances of extreme urgency, the right holder shall be notified as soon as reasonably practicable.

95.4. In the case of public non-commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly.
(n)

SEC. 96. Compulsory Licensing of Patents Involving Semi-Conductor Technology

In the case of compulsory licensing of patents involving semi-conductor technology, the license may only be granted in case of public non-commercial use or to remedy a practice determined after judicial or administrative process to be anti-competitive. (n)

SEC. 97. Compulsory License Based on Interdependence of Patents

If the invention protected by a patent, hereafter referred to as the "second patent," within the country cannot be worked without infringing another patent, hereafter referred to as the "first patent," granted on a prior application or benefiting from an earlier priority, a compulsory license may be granted to the owner of the second patent to the extent necessary for the working of his invention, subject to the following conditions:

97.1. The invention claimed in the second patent involves an important technical advance of considerable economic significance in relation to the first patent;

97.2. The owner of the first patent shall be entitled to a cross-license on reasonable terms to use the invention claimed in the second patent;

97.3. The use authorized in respect of the first patent shall be non-assignable except with the assignment of the second patent; and

97.4. The terms and conditions of Sections 95, 96 and 98 to 100 of this Act. (Sec. 34-C, R.A. No. 165a)

SEC. 98. Form and Contents of Petition

The petition for compulsory licensing must be in writing, verified by the petitioner and accompanied by payment of the required filing fee. It shall contain the name and address of the petitioner as well as those of the respondents, the number and date of issue of the patent in connection with which compulsory license is sought, the name of the patentee, the title of the invention, the statutory grounds upon which compulsory license is sought, the ultimate facts constituting the petitioner's cause of action, and the relief prayed for. (Sec. 34-D, R.A. No. 165)

SEC. 99. Notice of Hearing

99.1. Upon filing of a petition, the Director of Legal Affairs shall forthwith serve notice of the filing thereof upon the patent owner and all persons having grants or licenses, or any other right, title or interest in and to the patent and invention covered thereby as appears of record in the Office, and of notice of the date of hearing thereon, on such persons and petitioner. The resident agent or representative appointed in accordance with Section 33 hereof, shall be bound to accept service of notice of the filing of the petition within the meaning of this Section.

99.2. In every case, the notice shall be published by the said Office in a newspaper of general circulation, once a week for three (3) consecutive weeks and once in the IPO Gazette at applicant's expense. (Sec. 34-E, R.A. No. 165)

SEC. 100. Terms and Conditions of Compulsory License

The basic terms and conditions including the rate of royalties of a compulsory license shall be fixed by the Director of Legal Affairs subject to the following conditions:

100.1. The scope and duration of such license shall be limited to the purpose for which it was authorized;

100.2. The license shall be non-exclusive;

100.3. The license shall be non-assignable, except with that part of the enterprise or business with which the invention is being exploited;

100.4. Use of the subject matter of the license shall be devoted predominantly for the supply of the Philippine market: Provided, That this limitation shall not apply where the grant of the license is based on the ground that the patentee's manner of exploiting the patent is determined by judicial or administrative process, to be anti-competitive.

100.5. The license may be terminated upon proper showing that circumstances which led to its grant have ceased to exist and are unlikely to recur: Provided, That adequate protection shall be afforded to the legitimate interest of the licensee; and

100.6. The patentee shall be paid adequate remuneration taking into account the economic value of the grant or authorization, except that in cases where the license was granted to remedy a practice which was determined after judicial or administrative process, to be anti-competitive, the need to correct the anti-competitive practice may be taken into account in fixing the amount of remuneration. (Sec. 35-B, R.A. No. 165a)

SEC. 101. Amendment, Cancellation, Surrender of Compulsory License

101.1. Upon the request of the patentee or the licensee, the Director of Legal Affairs may amend the decision granting the compulsory license, upon proper showing of new facts or circumstances justifying such amendment.

101.2. Upon the request of the patentee, the said Director may cancel the compulsory license:

- (a) If the ground for the grant of the compulsory license no longer exists and is unlikely to recur;
- (b) if the licensee has neither begun to supply the domestic market nor made serious preparation therefor;
- (c) if the licensee has not complied with the prescribed terms of the license;

101.3. The licensee may surrender the license by a written declaration submitted to the Office.

101.4. The said Director shall cause the amendment, surrender, or cancellation in the Register, notify the patentee, and/or the licensee,

and cause notice thereof to be published in the IPO Gazette. (Sec. 35-D, R.A. No. 165a)

SEC. 102. Licensee's Exemption from Liability

Any person who works a patented product, substance and/or process under a license granted under this Chapter, shall be free from any liability for infringement: Provided however, That in the case of voluntary licensing, no collusion with the licensor is proven. This is without prejudice to the right of the rightful owner of the patent to recover from the licensor whatever he may have received as royalties under the license. (Sec. 35-E, R.A. No. 165a)

Chapter XI

ASSIGNMENT AND TRANSMISSION OF RIGHTS

SEC. 103. Transmission of Rights

103.1 Patents or applications for patents and invention to which they relate, shall be protected in the same way as the rights of other property under the Civil Code.

103.2. Inventions and any right, title or interest in and to patents and inventions covered thereby, may be assigned or transmitted by inheritance or bequest or may be the subject of a license contract. (Sec. 50, R.A. No. 165a)

Sec. 104. Assignment of Inventions

An assignment may be of the entire right, title or interest in and to the patent and the invention covered thereby, or of an undivided share of the entire patent and invention, in which event the parties become joint owners thereof. An assignment may be limited to a specified territory. (Sec. 51, R.A. No. 165)

Sec. 105. Form of Assignment

The assignment must be in writing, acknowledged before a notary public or other officer authorized to administer oath or perform notarial acts, and certified under the hand and official seal of the notary or such other officer. (Sec. 52, R.A. No. 165)

Sec. 106. Recording

106.1. The Office shall record assignments, licenses and other instruments relating to the transmission of any right, title or interest in and to inventions, and patents or application for patents or inventions to which they relate, which are presented in due form to the Office for registration, in books and records kept for the purpose. The original documents together with a signed duplicate thereof shall be filed, and the contents thereof should be kept confidential. If the original is not available, an authenticated copy thereof in duplicate may be filed. Upon recording, the Office shall retain the duplicate, return the original or the authenticated copy to the party who filed the same and notice of the recording shall be published in the IPO Gazette.

106.2. Such instruments shall be void as against any subsequent purchaser or mortgagee for valuable consideration and without notice, unless, it is so recorded in the Office, within three (3) months from the date of said instrument, or prior to the subsequent purchase or mortgage. (Sec. 53, R.A. No. 165a)

Sec. 107. Rights of Joint Owners

If two (2) or more persons jointly own a patent and the invention covered thereby, either by the issuance of the patent in their joint favor or by reason of the assignment of an undivided share in the patent and invention or by reason of the succession in title to such share, each of the joint owners shall be entitled to personally make, use, sell, or import the invention for his own profit: Provided, however, That neither of the joint owners shall be entitled to grant licenses or to assign his right, title or interest or part thereof without the consent of the other owner or owners, or without proportionally dividing the proceeds with such other owner or owners. (Sec. 54, R.A. No. 165)

Chapter XII

REGISTRATION OF UTILITY MODELS

Sec. 108. Applicability of Provisions Relating to Patents

108.1. Subject to Section 109, the provisions governing patents shall apply, mutatis mutandis, to the registration of utility models.

108.2. Where the right to a patent conflicts with the right to a utility model registration in the case referred to in Section 29, the said provision shall apply as if the word "patent" were replaced by the words "patent or utility model registration." (Sec. 55, R.A. No. 165a)

Sec. 109. Special Provisions Relating to Utility Models

109.1 (a) An invention qualifies for registration as a utility model if it is new and industrially applicable.

(b) Section 21, "Patentable Inventions", shall apply except the reference to inventive step as a condition of protection.

109.2. Sections 43 to 49 shall not apply in the case of applications for registration of a utility model.

109.3. A utility model registration shall expire, without any possibility of renewal, at the end of the seventh year after the date of the filing of the application.

109.4. In proceedings under Sections 61 to 64, the utility model registration shall be canceled on the following grounds:

- (a) That the claimed invention does not qualify for registration as a utility model and does not meet the requirements of registrability, in particular having regard to Subsection 109.1 and Sections 22, 23, 24 and 27;
- (b) That the description and the claims do not comply with the prescribed requirements;
- (c) That any drawing which is necessary for the understanding of the invention has not been furnished;
- (d) That the owner of the utility model registration is not the inventor or his successor in title. (Secs. 55, 56, and 57, R.A. No. 165a)

SEC. 110. Conversion of Patent Applications or Applications for Utility Model Registration

110.1. At any time before the grant or refusal of a patent, an applicant for a patent may, upon payment of the prescribed fee, convert his application into an application for registration of a utility model, which shall be accorded the filing date of the initial application. An application may be converted only once.

110.2. At any time before the grant or refusal of a utility model registration, an applicant for a utility model registration may, upon payment of the prescribed fee, convert his application into a patent application, which shall be accorded the filing date of the initial application. (Sec. 58, R.A. No. 165a)

SEC. 111. Prohibition against Filing of Parallel Applications

An applicant may not file two (2) applications for the same subject, one for utility model registration and the other for the grant of a patent whether simultaneously or consecutively. (Sec. 59, R.A. No. 165a)

Chapter XIII

INDUSTRIAL DESIGN

SEC. 112. Definition of Industrial Design

An industrial design is 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. (Sec. 55, R.A. No. 165a)

Sec. 113. Substantive Conditions for Protection

113.1. Only industrial designs that are new or original shall benefit from protection under this Act.

113.2. Industrial designs dictated essentially by technical or functional considerations to obtain a technical result or those that are contrary to public order, health or morals shall not be protected.

SEC. 114. Contents of the Application

114.1. Every application for registration of an industrial design shall contain:

- (a) A request for registration of the industrial design;
- (b) Information identifying the applicant;
- (c) An indication of the kind of article of manufacture or handicraft to which the design shall be applied;
- (d) A representation of the article of manufacture or handicraft by way of drawings, photographs or other adequate graphic representation of the design as applied to the article of manufacture or handicraft which clearly and fully discloses those features for which design protection is claimed; and
- (e) The name and address of the creator, or where the applicant is not the creator, a statement indicating the origin of the right to the industrial design registration.

114.2. The application may be accompanied by a specimen of the article embodying the industrial design and shall be subject to the payment of the prescribed fee.

SEC. 115. Several Industrial Designs in One Application

Two (2) or more industrial designs may be the subject of the same application: Provided, That they relate to the same sub-class of the International Classification or to the same set or composition of articles.

SEC. 116. Examination

116.1. The Office shall accord as the filing date the date of receipt of the application containing indications allowing the identity of the applicant to be established and a representation of the article embodying the industrial design or a pictorial representation thereof.

116.2. If the application does not meet these requirements the filing date should be that date when all the elements specified in

Section 105 are filed or the mistakes corrected. Otherwise if the requirements are not complied within the prescribed period, the application shall be considered withdrawn.

116.3. After the application has been accorded a filing date and the required fees paid on time, the applicant shall comply with the requirements of Section 114 within the prescribed period, otherwise the application shall be considered withdrawn.

116.4. The Office shall examine whether the industrial design complies with requirements of Section 112 and Subsections 113.2 and 113.3.

SEC. 117. Registration

117.1. Where the Office finds that the conditions referred to in Section 113 are fulfilled, it shall order that registration be effected in the industrial design register and cause the issuance of an industrial design certificate of registration; otherwise, it shall refuse the application.

117.2. The form and contents of an industrial design certificate shall be established by the Regulations: Provided, That the name and address of the creator shall be mentioned in every case.

117.3. Registration shall be published in the form and within the period fixed by the Regulations.

117.4. The Office shall record in the register any change in the identity of the proprietor of the industrial design or his representative, if proof thereof is furnished to it. A fee shall be paid, with the request to record the change in the identity of the proprietor. If the fee is not paid, the request shall be deemed not to have been filed. In such case, the former proprietor and the former representative shall remain subject to the rights and obligations as provided in this Act.

117.5. Anyone may inspect the Register and the files of registered industrial designs including the files of cancellation proceedings.

SEC. 118. The Term of Industrial Design Registration

118.1. The registration of an industrial design shall be for a period of five (5) years from the filing date of the application.

118.2. The registration of an industrial design may be renewed for not more than two (2) consecutive periods of five (5) years each, by paying the renewal fee.

118.3. The renewal fee shall be paid within twelve (12) months preceding the expiration of the period of registration. However, a grace period of six (6) months shall be granted for payment of the fees after such expiration, upon payment of a surcharge.

118.4. The Regulations shall fix the amount of renewal fee, the surcharge and other requirements regarding the recording of renewals of registration.

SEC. 119. Application of Other Sections and Chapters

119.1. The following provisions relating to patents shall apply mutatis mutandis to an industrial design registration:

- Section 21 - Novelty;
- Section 24 - Prior art; Provided, That the disclosure is contained in printed documents or in any tangible form;
- Section 25 - Non-prejudicial Disclosure;
- Section 27 - Inventions Created Pursuant to a Commission;
- Section 28 - Right to a Patent;
- Section 29 - First to File Rule;
- Section 31 - Right of Priority: Provided, That the application for industrial design shall be filed within six (6) months from the earliest filing date of the corresponding foreign application;
- Section 33 - Appointment of Agent or Representative;
- Section 51 - Refusal of the Application;
- Sections 56 to 60 - Surrender, Correction of and Changes in Patent;
- Chapter VII - Remedies of a Person with a Right to Patent;
- Chapter VIII - Rights of Patentees and Infringement of Patents; and
- Chapter XI - Assignment and Transmission of Rights.

119.2. If the essential elements of an industrial design which is the subject of an application have been obtained from the creation of

another person without his consent, protection under this Chapter cannot be invoked against the injured party.

SEC. 120. Cancellation of Design Registration

120.1. At any time during the term of the industrial design registration, any person upon payment of the required fee, may petition the Director of Legal Affairs to cancel the industrial design on any of the following grounds:

- (a) If the subject matter of the industrial design is not registrable within the terms of Sections 112 and 113;
- (b) If the subject matter is not new; or
- (c) If the subject matter of the industrial design extends beyond the content of the application as originally filed.

120.2. Where the grounds for cancellation relate to a part of the industrial design, cancellation may be effected to such extent only. The restriction may be effected in the form of an alteration of the effected features of the design.

국문 초록

발명에 관한 협상과 사업화를 용이하게 하기 위하여 특허법의 세계적인 통합이 현실화되고 있다. 특허법의 통합은 참여자들에게 단일 플랫폼을 제공하고 산업화와 국제무역의 확대에 발맞추어 개발에 대한 필요를 충족시킬 수 있다. 세계는 자유무역의 강화와 국가 간의 연합에 동의하고 있지만, 역설적으로 개별 국가들은 독립성과 주권, 특수성을 주장하고 있는 상황이다. 개별 국가의 법이 갖는 특수성은 각 국의 정체성과 주권에 관한 중요한 지표이고, 기본적으로 사회의 특수한 요구에 대하여 반응하고 있다. 각 재판관할의 특수성은 너무도 중요하기 때문에 타협하기 어려운 요소이고, 이는 각국의 법체계의 통합에 대한 대비책이며 많은 국가들 간의 차이점에 대한 주된 이유이다.

특허법의 통합을 향한 고된 길의 도상에서 이 연구는 세계적인 특허법의 통합, 중요성, 통합을 위한 기존 노력을 개관한다. 선진국들은 통합의 제안자로 여겨지고 있으며, 이들이 제안한 개혁안과 해결방안에는 관심이 기울여졌다.

이 연구는 세계적인 특허법의 통합 과정에서의 각국 간의 차이점을 고찰해본다. 통합에 관한 다양한 노력에도 불구하고 국가 간의 차이를 메우기 위해서는 아직도 해결되지 않은 쟁점이 적지 않다. 새롭게 제안된 통합-실질적인 통합은 각국 간의 주도권 다툼 때문에 더디게 진행되고 있다. 통합은 개발도상국들에 경제적으로, 기술적으로, 그리고 입법적으로 영향을 미치고 있다.

후진국과 개발도상국이 TRIPs 협정에 협력하기 위하여 여전히 노력을 기울이고 있는 동안에, 또다른 실질적인 통합수단이 등장하고 있다. 특허실체법조약(SPLT)과 같은 통합은 개발도상국이 선진국을 따라잡기 위한 유연성을 축소시킬 것이다. 이것은 IP체계로부터 가능성을 기대하는 개발도상국의 잠재력을 방해하게 된다. 게다가 통합은 후진국과 개발도상국에 대한 법적인 제국주의로서의 역할을

하게 될 수도 있다. 이러한 통합은 후진국과 개발도상국의 법체계를 국제적으로 실행되는 법에 일치시키기를 요구하기 때문에 그들의 주권을 억압하게 된다.

개발도상국으로서, 필리핀은 통합에 대한 반동과 저항을 공유하고 있다. 필리핀은 국제적으로 통합된 특허법 체계를 원하는 반면에, 그에 따른 비용이 너무 높기 때문에 통합된 특허법 체계의 도입에 대한 중요성이 낮아졌다. 특허법 통합에 따른 경제적 지속성과 기술적인 능력에 대한 참여국들의 요구와 더불어 의약품에 대한 접근과 공중 보건에 초점을 맞춘 정책에 대한 특허법 통합의 영향에 대한 우려도 있다.

개발도상국의 세심한 주의를 요구하는 이러한 우려들은 제안된 통합에 대한 차이를 정당화해준다. 개발도상국으로서 통합을 향한 길은 여전히 불안정하고 타협이 필요한 상황이다.

마지막으로 본 연구는 후속연구자들이 더욱 연구할 수 있는 개발도상국들의 특허 통합에 관한 좀 더 나은 관점과 기초적인 이론을 제공하고자 한다.