

FEB 13 2018

DOST Memorandum Circular No. 003
Series of 2018

Subject: **DIRECT LICENSING AND SPIN-OFF TERMS UNDER THE FOOD AND BEVERAGE INDUSTRY THAT WOULD BE CONSIDERED AS "FAIR" TO THE GOVERNMENT FUNDING AGENCY (GFA) AND/OR RESEARCH AND DEVELOPMENT INSTITUTE (RDI) FOR FAST TRACKED ISSUANCE OF FAIRNESS OPINION REPORT (FOR) UNDER REPUBLIC ACT NO. 10055, OTHERWISE KNOWN AS THE "PHILIPPINE TECHNOLOGY TRANSFER ACT OF 2009"**

ARTICLE I RATIONALE AND OBJECTIVE

Section 1. This Guideline setting up the Standardized Direct Licensing and Spin-off Terms are formulated pursuant to Articles II, III and IV of Memorandum Circular No. 007 series of 2016 dated 26 April 2016 and Memorandum Circular No. 003 series of 2015 dated 15 September 2015, per the recommendation of the Industry-based FOB duly constituted for the Food and Beverage Industry pursuant to DOST Special Order No. 175 s. 2016 dated 21 March 2016.

Section 2. The intention of this guideline is to fast track the release of a fairness opinion by the Department of Science and Technology (DOST) Secretary as regards the proposed transaction between the Government Funding Agency (GFA) or a Research and Development Institute (RDI) as the Licensor and the individual entity that has an interest to commercialize a technology as the Licensee.

ARTICLE II TERMS FOR DIRECT LICENSING

Section 1. Basic Requirements. The following requirements must be satisfied before the proposed transaction shall be assessed:

1.1 Cost of technology (Development/R&D Cost):

- Not exceeding P5,000,000 for licensing with Intellectual Property (IP);
- No limit for those without IP.

1.2 Types of IP: No IPs; UMs, ID, Know-Hows; in case of Patents, automatic referral for full-blown FOB evaluation

1.3 Eligibility of Licensee:

a. If Sole Proprietor:

- Registered at the Department of Trade and Industry (DTI)
- No citizenship requirement, provided that if the Licensee is a non-Filipino citizen, the licensed technology must first be worked out (manufactured, commercialized/sold) in the Philippines within five (5) years
- With existing facilities
- At least three (3) years of existence provided that the networth is at least equivalent to the cost of the technology but not below P500,000.00

CERTIFIED COPY

MR. JHOVEN G. LITANA
RECORDS OFFICER
DEPARTMENT OF SCIENCE AND TECHNOLOGY

- b. If a corporation/partnership:
 - Registered at the Securities and Exchange Commission (SEC)
 - No citizenship requirement provided that the constitution of the corporation/partnership conforms to the rules and regulations of SEC
 - Paid up capital twice the cost of the technology but not below P500,000.00 exclusive of the cost of plant facilities.
 - With existing facilities
 - At least three (3) years of existence provided that the networth is at least equivalent to the cost of the technology (exclusive of the cost of plant facilities) but not below P500,000.00

- c. If a cooperative:
 - Registered at the Cooperative Development Authority (CDA)
 - With existing facilities
 - At least three (3) years of existence provided that the networth is at least equivalent to the cost of the technology (exclusive of the cost of plant facilities) but not below P500,000.00

Section 2. Ideal terms in the proposed transaction. The following terms shall be the basis in the determination whether the proposed transaction is "Fair" to the GFA or to the RDI:

2.1 Financial terms:

a. Royalty rates:

Cost*	Types of IP	Minimum Royalty**
<P1,000,000	No IP	At least 0.5%
	Patent	N/A***
	Utility model (UM)	At least 1%
	Industrial Design (ID)	At least 1%
	Know-How/Trade Secret	At least 1%
P1,000,000 to P5,000,000	No IP	At least 0.5%
	Patent	N/A***
	UM	At least 1%
	ID	At least 1%
	Know-How/Trade Secret	At least 1%
> P5,000,000	No IP	At least 0.5%
	Patent	N/A***
	UM	N/A***
	ID	N/A***
	Know-How/Trade Secret	N/A***

* Refers to R&D or Development Cost
 ** Based on the Gross Sales
 *** Shall require a full-blown FOB evaluation

CERTIFIED COPY

J. J.
 MR. JHOVEN G. LITANA
 RECORDS OFFICER
 DEPARTMENT OF SCIENCE AND TECHNOLOGY

J. P. M. [Signature]

b. Licensing fee:

Cost*	Types of IP	Minimum Upfront Fees
<P1,000,000	No IP	No minimum
	Patent	N/A**
	Utility model (UM)	P10,000
	Industrial Design (ID)	P10,000
	Know-How/Trade Secret	P10,000
P1,000,000 to P5,000,000	No IP	No minimum
	Patent	N/A**
	UM	1% of R&D cost
	ID	1% of R&D cost
	Know-How/Trade Secret	1% of R&D cost
> P5,000,000	No IP	No minimum
	Patent	N/A**
	UM	N/A**
	ID	N/A**
	Know-How/Trade Secret	N/A**

* Refers to R&D or Development Cost

** Shall require a full-blown FOB evaluation

2.2 *Exclusivity:*

- a. Field of use: Non-exclusive
- b. Geographic territory: Non-exclusive

2.3 *Sub-licensing:* With consent or subject to the discretion of the Licensor

**ARTICLE III
TERMS FOR SPIN-OFFS**

Section 1. Basic Requirements. In the interest of encouraging the researchers or inventors to become directly involved in the commercialization of their technologies by creating their own companies, we shall recommend "Fair" opinion to said proposed spin-off activities prior to their incorporation as required by Law provided that the following requirements must be fully satisfied:

1.1 *Cost of technology (Development/R&D Cost):*

- Not exceeding P5,000,000.00 for technologies with IPs;
- No limit for those without IPs

1.2 *Types of IP:* No IPs; UMs, ID, Know-Hows

1.3 *Criteria:*

a. Who can spin-off

- Researcher or any member of the research team
- Employee / still in the service
- The RDI that developed the technology. Provided however, that the RDI has a corporate personality or it has fiscal autonomy.

b. Type of spin-off: Corporation, without government funding support

c. Capitalization equity: Spin-off corporation with RDI participation for both Private and Public RDI: submission of any of the following:

- c1. Copy of certificate(s) of deposit to a trust fund of at least 25% of the required initial capitalization, according to an attached business plan, contributed by private investor(s).

CERTIFIED COPY

MR. JHOVEN G. LITANA

RECORDS OFFICER

DEPARTMENT OF SCIENCE AND TECHNOLOGY

J. T. Litana

- c2. Sworn undertaking from private investor(s) to fund at least 25% of the required initial capitalization, according to an attached business plan.

Provided that, should the FOB and/or the FOB Secretariat find in the business plan inconsistencies, miscalculations, misrepresentations, and the like, intended to adjust the required capitalization for purposes of complying with this requirement, the entire matter shall be referred to a full-blown FOB.

For purposes of this paragraph, a private RDI contributing capitalization, other than the value of the IP/technology asset, shall be considered a private investor.

However, the above shall not be applicable in case of spin-off companies from technologies that are subject of Patents, wherein automatic referral for full-blown FOB evaluation is strongly recommended.

The above conditions for a fast-tracked issuance of Fairness Opinion Report for direct licensing and spin-off proposed transactions that shall merit our opinion as "Fair" shall be applicable to technologies that are categorized under International Patent Classification (IPC) Classes A21, A22, A23, and C12. We are not covering technologies related to equipment to manufacture food, packaging of food products, transport of food, and analysis of food.

d. FOR request should also contain secondment/leave form, and an indication from RDI that (researcher) its employee involved in the spin-off will be allowed to be on secondment or on leave. Said employee to present leave of absence and waiver by RDI of conflict of interest.

If the spinoff company is owned by the RDI, the researcher should not take a leave during the initial three (3) years of operation.

If the RDI employee is a mere stockholder of the spin-off entity without any management responsibilities, he or she shall submit a certificate of limited practice of profession in lieu of secondment/leave from the RDI issued by the DOST Secretary.


ARTICLE IV EFFECTIVITY/SEPARABILITY/AMENDMENT/REPEALING

Section 1. Effectivity. This Circular shall take effect immediately after its complete publication in the Official Gazette or newspaper of general circulation and upon filing at the UP Law Center in accordance with law.

Section 2. Separability. If any part of provision of this Memorandum Circular is held invalid or unconstitutional, the other provisions not affected thereby shall remain in force and in effect.

Section 3. Amendment/Repealing. All existing orders and guidelines inconsistent herewith are deemed repealed and provisions not affected thereby shall remain in force and in effect.

CERTIFIED COPY


MR. JHOVEN G. LITANA
RECORDS OFFICER
DEPARTMENT OF SCIENCE AND TECHNOLOGY


FORTUNATO T. DE LA PEÑA
Secretary