

DOST Memorandum Circular No. 0.0.1
Series of 2018

Subject: **DIRECT LICENSING AND SPIN-OFF TERMS UNDER THE AGRICULTURE 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 Agriculture Industry pursuant to DOST Special Order No. 176 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 *Fair Market Value/Cost of technology (R&D Cost):* Not exceeding P10,000,000
- 1.2 *Types of IP:* Patents, Utility Model (UMs), Industrial Design (IDs) and Trade Secrets
- 1.3 *Eligibility of Licensee:*
 - a. If Sole Proprietor:
 - a1. Registered at the Department of Trade and Industry (DTI)
 - a2. Filipino citizen
 - a3. With Audited Financial Statement for the past year.
 - a4. With existing facilities
 - a5. At least one (1) year of existence
 - b. If a corporation, partnership or cooperative:
 - b1. Registered at the Securities and Exchange Commission (SEC)
 - b2. Domestic
 - b3. With Audited Financial Statement for the past year.
 - b4. With existing facilities
 - b5. At least one (1) year of existence

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MR. JHOVEN G. LITANA

RECORDS OFFICER

DEPARTMENT OF SCIENCE AND TECHNOLOGY

Postal Address: P.O. Box 3596 Manila
Cable Address: Science Manila
Telex No. (75) 66819

Head Office: Bicutan, Taguig, Metro Manila
Telefax. Nos. 837-29-40; Trunkline: 837-2071
to 82 locals - 2530, 2030, 2032, 2016

Section 2. 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:* Royalty rates: At least 1% from the gross sales. If the agreement is exclusive, at least 5% from the gross sales. If the licensee financed the R&D, the grant should be credited as license fee and/or royalty. Royalty and/or license fee should be collectible only after at least three (3) years. The technology Licensing Agreement (TLA) should contain performance milestones.

2.2 *Exclusivity:* Both Exclusive and Non-Exclusive (with or without field of use or geographic limitation), subject to the above royalty rates. If the licensee financed the R&D, the licensee should be given priority for exclusive licensing, subject to the above royalty rates.

2.3 *Sub-licensing:* With written consent/upon the discretion of the Licensor

2.4 *Effectivity / Term:*

- a. For patents and trade secrets: At least five (5) years, renewable
- b. For UMs and IDs: At least three (3) years or the life of the UM or ID

ARTICLE III TERMS FOR SPIN-OFFS

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

1.1 *Fair Market Value of the technology/Cost of technology (R&D Cost):* Not exceeding P10,000,000.

1.2 *Types of IP:* Patents and UMs, Industrial Design, and Trade Secrets

1.3 *Eligibility:*

a. Who can spin-off?

- a1. Employee who is still in the service with the RDI, whether or not a member of the research team that developed the technology, during the license period; or
- a2. 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 or partnership, amount of capitalization should be based on Tech Transfer Protocol of RDI¹. If none is provided or RDI has no Tech Transfer Protocol, at least 25% of the subscribed share shall be paid by the RDI and/or RDI employee but not more than P3 Million so spin-off can qualify as micro enterprise². Draft SEC or DTI Registration Form should be attached together with proposed business plan.

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MR. JHOVEN G. LITANA

RECORDS OFFICER

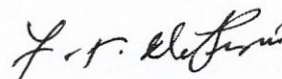
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c. FOR request should also contain secondment/leave form, and an indication from RDI that (researcher) its employee involved in the spin-

¹ See IRR, Rule 3, cc, iii, also IRR, Rule 16, Secs. 1 and 4

² see DTI's MSMED Plan 2011-2016

<https://drive.google.com/file/d/0B0iIL7KAK3i5MEozZWpHcHg2TIU/edit>, retrieved last 31 May 2017



off will be allowed to be on secondment or on leave. Said employee to present leave of absence³ and waiver by RDI of conflict of interest.⁴

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.

Section 2. 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: At least 1% from the gross sales. If the agreement is exclusive, at least 5% from the gross sales.
- b. Upfront fee: Non-required.

Royalty and/or license fee may be collectible only after at least three (3) years.

2.2 Exclusivity: Non-Exclusive (with or without field of use or geographic limitation)

If exclusive without field of use or geographic limitations, full scale FOB evaluation is required.

2.3 Effectivity / Term:

- a. For patents and trade secrets: At least five (5) years, renewable.
- b. For UMs and IDs: At least three (3) years or the life of the UM or ID.

**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.

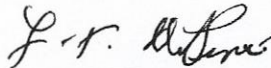
Section 3. Amendment/Repealing. All existing orders and guidelines inconsistent herewith are deemed repealed and provisions not affected thereby shall remain in force and in effect.

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MR. JHOVEN G. LITANA

RECORDS OFFICER

DEPARTMENT OF SCIENCE AND TECHNOLOGY


FORTUNATO T. DE LA PEÑA
Secretary

³ See RA 10055 IRR, Chap. VI, Rule 16

⁴ See RA 10055 IRR, Chap. VI, Rule 18