



Markets for genetic resources

The object and purpose of the contract – the subject matter of the contract

THE **ABS**
CAPACITY
DEVELOPMENT
INITIATIVE



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Training on Mutually Agreed Terms: Contracts for making ABS functional

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OF THE ENVIRONMENT



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The variety of actors involved in ABS agreements:

- **Academics**
- **Master student and PhD**
- **Small scale company**
- **Public breeding companies**
- **Large commercial entities**
- **Multinational companies**
- **Traders**
- **Collections**



Their different approaches to ABS in practice:

- **Academics** ➤ Taxonomic, scientific, applied
- **Master student and PhD** ➤ A master/ PhD-thesis
- **Small scale company** ➤ Single product development
- **Public breeding companies** ➤ New varieties for farmers
- **Large commercial entities** ➤ Commercial large scale prod.
- **Multinational companies** ➤ Products for global markets
- **Traders** ➤ Provide others with GR / TK
- **Collections** ➤ Conserve, classify, make available



The demand for genetic resources (GR):

Basic learnings:

- Know the user
- Know the use
- Seek to get the institutional structure
- Grasping the more long term
 - Building scenarios for what could happen best/worse case
- Alternative sources

The need for one-time access vs. repeated access to the resource :

- **One-time access: Difficult to control => lead to a need for surveillance**
- **Repeated access: Trust, transparency and stability**
- **Business models of bio-trade as a part or outcome of ABS**
- **Unlike or different models for ABS**



How contracts can pave the way to increased valorisation of GR and TK:

- The idea is to turn genetic resources and traditional knowledge into subjects /res for property
- Property in a wide sense
- Rather an asset from which to draw benefits



Key element of the content of contracts:

- Parties – legal persons
- Subject of the contract – what is being transferred?
- Purpose
- Benefit sharing linked to specific utilisation or products (including IPR)
- Subsequent third party use
- Changes of intent
- Confidentiality
- Dispute settlement



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Personality on the user side:

- **Company – negotiating with the authorised persons?**
- **Company – in which branch does this company operate?**
- **A daughter company – will the mother become bound? What about the sister companies?**
- **Research institutions and middlemen**



Parties – things to keep in mind

2.3 Nestlé South Africa (Pty) Ltd a company incorporated under the laws of South Africa and operating in South Africa bearing registration number 1916/001498/07

- Which company:
 - Mother or daughter company?
 - Will be the one earning money? Will Nestle SA do any sales outside SA?
 - Will be the one which can be brought before a court?
 - Has any assets at all?



Parties

COUNCIL FOR SCIENTIFIC AND INDUSTRIAL RESEARCH (CSIR)

The Council for Scientific and Industrial Research (the CSIR) is a statutory South African research council established in accordance with Act no 46 of 1988, and operates inter alia as a “bioprospector” as defined in the Act.

- Why the SA body?
- Will this body include the Council in their contracts with thirdparties?
- Clearer regulation of the transfer situations.



Personality on the provider side:

- **An ABS framework?**
- **Owners of the resources**
- **Competent authority, to grant PIC**
- **With whom shall the contract be negotiated?**
 - Authority
 - Others
- **Clarity and being possible to manage**



Challenges for ABS Contracts I:

- Challenge of creating incentives for the user to share and thus contribute to conservation
- The time-gap challenge: access, utilisation and benefit sharing
- The cross-boarder challenge: sovereignty, jurisdiction, Parties and private parties
- The access-challenge/failure of ABS
- No background law on GR and TK contracts



Challenges for ABS Contracts II:

- Procedural contractual issues (how to negotiate)
- Substantive issues (what is the content in the text)

What is the idea of an ABS Contract?

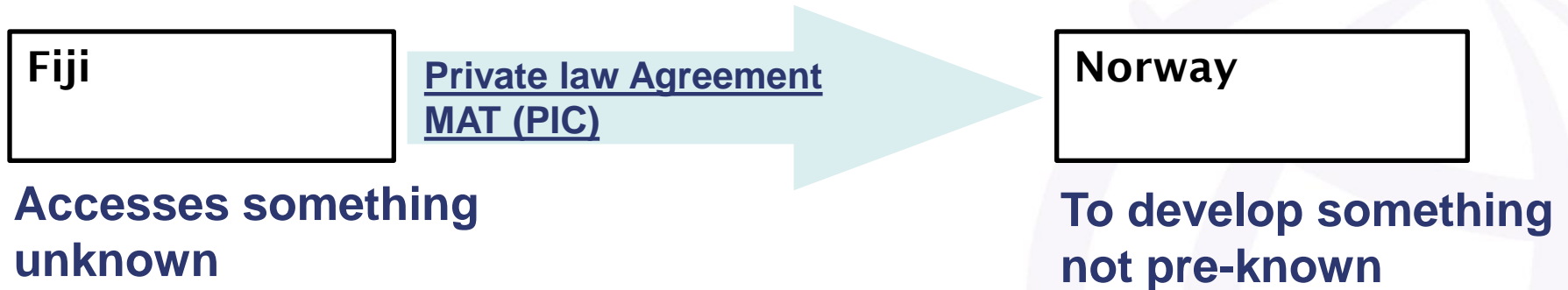
- Regulate the research and development
 - It is a utmost dynamic object in the contract
 - The raw material is unknown and the product is to be developed
- High degree of uncertainty – how to make good rules?
- How to construct mutual trust and collaboration?



Contract law

International law

How to regulate what is transferred?



The situation in GR Policy and Law

International law

- The principle of sovereignty
 - Sovereign rights over (natural resources)
- sovereignty to nat.

Hinder for cross-border enforcement of:

- law,
- policy,
- judgments and
- adm. decisions

Fiji

Mov
mate

Requirements to the contract

How will a contract interact with the IPR systems?

Norway

How will this contract be treated under the jurisdiction or legal situation?



The situation in GR Policy and Law

International law

- **Two or more worlds are meeting**
- - Indigenous leaders and representatives
 - Corporate lawyers/ companies
 - Human right law
 - International environmental lawyers
 - Biotechnologists/ scientists/ biologists

contract

be treated under the
jurisdiction or legal
situation?



The situation in GR Policy and Law

International law

- **Two or more worlds are meeting**
-

**The object must hold before a judge
in the user country – ultimate test**

S

Requirements to the
contract



How will this contract
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Subject of the contract

What is your contract about?

- What are you transferring to the company?
 - The object of the contract/ subject matter
 - +
 - The actions that the user are allowed to do (positively and negatively defined)
 - Purpose



Definition of 'Utilisation of GR'

ARTICLE 2: definitions

- (c) “Utilization of genetic resources” means to **conduct research and development** on the **genetic and/or biochemical composition** of genetic material, including through the application of biotechnology as defined in Article 2 of the Convention.
- (d) “Biotechnology” as defined in Article 2 of the Convention means **any technological application** that uses biological systems, living organisms, or derivatives thereof, to make or modify products or processes for specific use.
- (e) “Derivative” means a **naturally occurring biochemical compound** resulting **from the genetic expression** or **metabolism** of biological or genetic resources, even if it does not contain functional units of heredity.

Observations:

- A bit complex
- The interesting thing is to explore the ways in which it is used



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The variety of actors involved in ABS agreements:

Academia

Is it possible to specify what is the subject matter of the contract?

Collections



The variety of actors involved in ABS agreements:

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**What does
each of these
users want
from you?**

**What can you
provide?**



The great challenge:

How to turn this into a written language definition:

- **Clear**
- **Enforceable**
- **Understandable**

- **Collections**



A case study – the teff contract:

- Teff varieties sent from Ethiopia to the Netherlands
- The purpose/ rationale was twofold:
 - Making a new plant variety for being grown in Europe
 - Develop the market in Europe for Ethiopian grown teff
- Common ground of understanding
 - Make a long term relationship or get some quick benefits?



The subject in the teff case:

4 The scope of access

- 4.1 The **Provider** agrees that the **Company** accesses and uses the genetic resources of Teff specified in Annex 1 to this **agreement**.
- 4.2 Under this **agreement**, the **Company** is permitted to use the genetic resources of Teff only for the purpose of developing non-traditional Teff based food and beverage products that are listed in Annex 3 to this **agreement**.
- 4.3 The **Company** cannot use Teff for any other purposes (e.g. chemical, pharmaceutical etc.) whatsoever unless explicit written consent is given by the **Provider**.
- 4.4 The **Provider** shall not grant to other parties access to Teff genetic resources for the purpose of producing the products of the **Company** listed in Annex 3 of this **agreement** unless it secures the consent of the **Company**.
- 4.5 The **Company** is not permitted to access the traditional knowledge of Ethiopian communities on the conservation, cultivation and use of Teff. Therefore, the **Company** shall not claim any rights over, nor make commercial benefit out of, such traditional knowledge unless explicit written **agreement** is given to it by the **Provider**.
- 4.6 To avoid possible confusion between the traditional knowledge of Ethiopian local communities and inventions made by the **Company**, the **Provider** shall, upon submission by the **Company** of its research proposals, inform the **Company** of the

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Relationship to IPRs:

5 Intellectual property ownership

- 5.1 The **Company** shall neither claim nor obtain intellectual property rights over the genetic resources of Teff or over any component of the genetic resources. However, plant variety protection may be obtained over Teff varieties.
- 5.2 The plant variety protection rights over new Teff varieties the **Company** will develop shall be co-owned by the **Company** and **EARO**. Such varieties shall be used by **EARO** and the **Company** in such a way as not to damage the business interests of the **Company** in so far as the products listed in Annex 3 or the interests of **EARO** or the **Provider** are concerned.
- 5.3 The Teff varieties that are not developed by the **Company** shall be owned by the **Provider** on behalf of the Teff farming local communities of Ethiopia. If it is found to be in the interest of the **Provider** or the **Company**, such varieties may be registered in the name of **EARO**. The **Company** shall handle and cover the cost of such registration outside of Ethiopia, provided that it has the finances in the given budget year.



Relationship to IPRs:

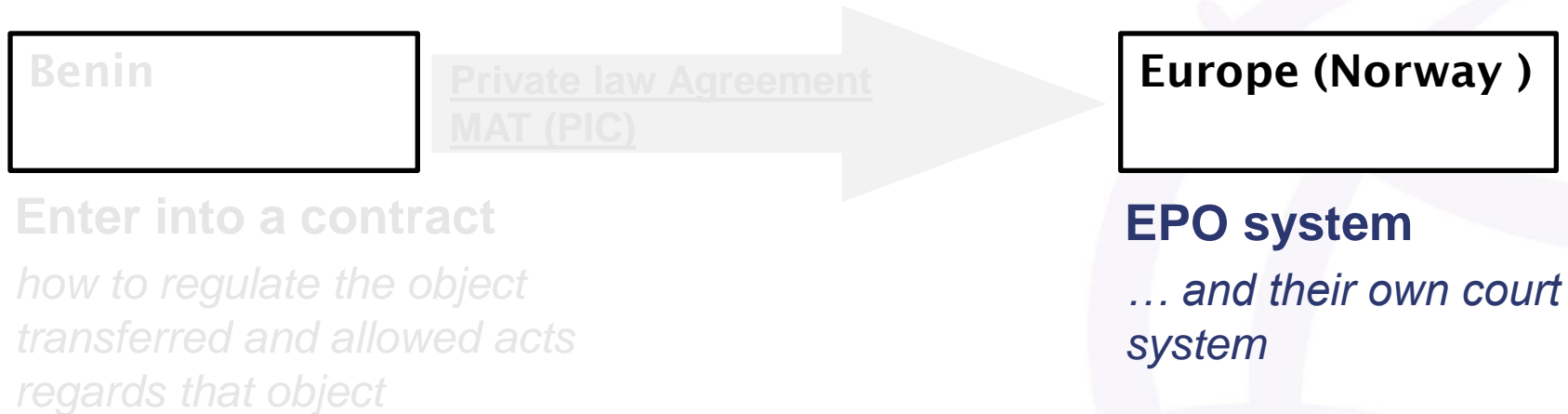
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Patent law

Autonomous international legal system - No links to ABS



The 'life span' of a patent

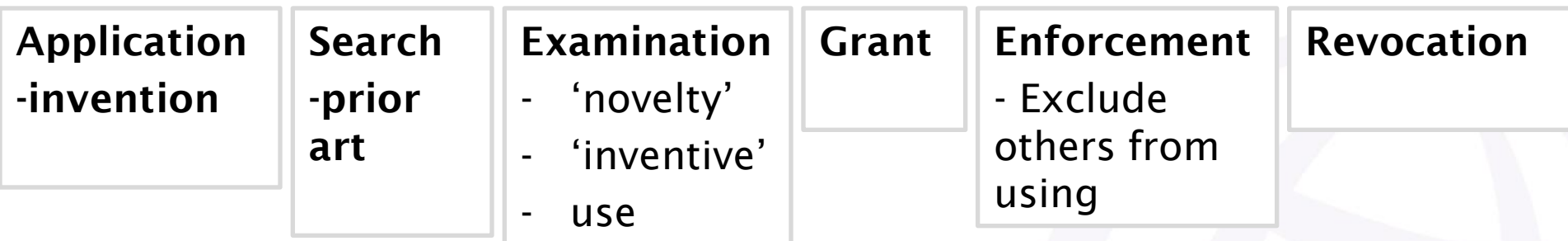
International law

WIPO, WTO, UPOV

Regional level

- Harmonisation: EU, AU
- Grant of patents: ARIPO, EPO,

National patent system:



Selection of claims in the teff patent

Claims

1. A flour of a grain belonging to the genus *Eragrostis*, preferably *Eragrostis tef*, **characterized in that** the falling number of the grain at the moment of grinding is at least 250, preferably at least 300, more preferably at least 340, most preferably at least 380.
2. A flour according to claim 1, **characterized in that** the grain has after-ripened.
3. A flour according to claim 2, **characterized in that** the falling number of the grain at the moment of grinding is at least 1.01 times higher than at the moment of harvesting the grain, preferably at least 1.05, more preferably at least 1.20 and still more preferably at least 1.30 times higher.



Selection of claims in the teff patent

Claims

- 4. A flour according to any one of the preceding claims, **characterized in that** the grain is gluten-free.
- 5. A flour according to any one of the preceding claims, wherein the grains has been ground at least 4, preferably least 6, more preferably at least 8 weeks after harvesting.
- 6. A flour according to any one of the preceding claims, wherein the falling number of the grain at the moment of grinding is substantially stable for at least 2-3 weeks.
- ...
- 16. A **dough or batter** comprising flour according to any one of claims 1-15.
- 17. A **gluten-free dough** or batter comprising flour according to any one of claims 1-14.
- 18. A **food product** comprising flour according to any one of claims 1-15.



Exercise:

How would you define the subject matter of the contract transferred from Ethiopia to the Dutch company?

How to capture the value in the European market in contract terms?



Basic terminology

- Genetic resources
 - “**genetic material**” means any material of animal, plant, microbial or other biological origin containing functional units of heredity;
 - “**genetic** includes-
 - (a) any genetic material; or
 - (b) the genetic potential or characteristics of any species
- Access
- Benefit sharing

Choosing wording for a contract

Contract	Patent
Genetic resources	A flour of a grain belonging to the genus
Derivatives	After-ripened grain
Non-traditional Teff based food and beverage	A flour ... gluten-free
Any component of the genetic resources	A gluten-free dough or batter
	A method for baking a product (19)
	A food product or luxury food product prepared ...
	A plant variety

A fundamental relationship:

- What you are giving access to?
- Process – utilisation
- Product outcome:
 - Which products?
- **How is the contract defining the link between GR/ TK and product?**



Subject

- Nestlé has developed a tea product for use in its division handling Machine Beverage Solutions namely Nestlé Professional, based upon Rooibos, and wishes to commence with a “**Project**” for inclusion of Rooibos tea as part of its Machine Beverage Solutions
- What is being transferred?
- Which rights are being assigned?
- Assigning a subject which is already their?



Subject – Buchu

1.4 'Exploitation' shall mean the commercial and/or industrial development of the plant known as Buchu herein. This exploitation constitutes the “commercialisation phase of bioprospecting” as defined in S 1 (1) of the Act.

3.2 The CSIR acknowledges that the San, as the earliest inhabitants of South Africa, and the Khoi who were part of and originated from the San peoples, shared medicinal knowledge. The San and Khoi, whose medicinal plant knowledge predated that of all subsequent inhabitants, are, (and are in addition recorded in the literature as,) as *traditional knowledge holders* related to Buchu. The CSIR accepts that the San and Khoi indigenous communities, as knowledge holders, are consequently legally entitled to a fair and equitable share in the benefits flowing from the commercial development of the plant variety Buchu.



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- What is being transferred?
- Which rights are being assigned?
- Confirming rights? Effects beyond this contract?



Three aspects to think about

Define the object	Acts allowed	What is not allowed
The patent applicant Patent claims	Defined in TRIPS art 30 + national law	Defined TRIPS art 28 + national law
CBD: 'genetic resources'	Undefined - utilisation	undefined
Contract: What are you giving a right to? Genetic resources Traditional knowledge Increase specificity	Which acts are allowed?	Negative delimitation of what can not be done



Nagoya takes us *back to access*

Why did the NP take us back to access

- User country: relax in their implementation
- Providing countries: afraid of loosing their sovereign rights (defensive strategy)

This shows the importance of your ABS policy and law

The Nagoya Protocol has rules to help



Changes:

- **New use of the biological material**
 - Not foreseen in the contract
 - Foreseen but depends on a new negotiation
- **Contract from one sector to a finding in another**
- **Academic a commercial**



Changes:

- This Agreement commences on the Effective Date, and endures indefinitely, subject to the review process set out in clause 3.2 below, or until it is terminated by agreement or by a material breach of one of the Parties.
- Signature by the Parties shall bind them towards each other, and signature by the Minister of the Department of Environment will pronounce the agreement as valid and enforceable on third Parties in terms of the Act



Changes Nestlé:

- This Agreement commences on the Effective Date, and endures indefinitely,

subject to the review process set out in clause 3.2 below,

or until it is terminated by agreement

or by a **material breach** of one of the Parties.

- Signature by the Parties shall bind them towards each other, and signature by the Minister of the Department of Environment will pronounce the agreement as valid and enforceable on third Parties in terms of the Act

Right ends but obligations are maintained in the situation of breach



Changes Buchu:

3.5 Commencement, Duration, and Extent

This agreement commences on the Effective Date, and endures indefinitely, **until either** the discovery results in the registration of a patent or other form of intellectual property rights, which will lead to review as set out below, or until the agreement is terminated by agreement or by a material breach of one of the parties. The date of signature of the Minister below shall provide the date on which the agreement is enforceable in public and in terms of the Act.

- Terminates – why?
- Obligations endure and rights end?



8. Term of the Agreement and Termination (Bhutan)

8.1 This Agreement, unless terminated as provided herein, shall remain in effect for a period of **five (5) years** from the date of signing of this Agreement by the Parties. However the obligations of USER with respect to the utilization of Bhutan's genetic resources and/or associated information under this Agreement will remain in perpetuity.

8.2 The AA may terminate the rights under this Agreement and revoke the Scoping Permit by a written notice if USER defaults in the performance of any obligations under this Agreement and the default has not been remedied within sixty (60) days after the date of notice in writing of such default by AA.



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Thank you for your attention

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