Practical Considerations for Exercise 4, Role B

(to be distributed after the entire exercise has been completed)

After doing this exercise, participants will be able to explain the terms and conditions of the SMTA.

General issues

Each country is, to some degree, dependent on PGRFA from outside its territory for the development of new and improved varieties of agricultural crops and forages. This is particularly true where the country faces potential challenges from the effects of climate change. The multilateral system obviates the need for countries to negotiate terms and conditions of access on a bilateral basis for each acquisition.

1. Why should they accept using the SMTA when they have already negotiated a number of bilateral agreements with ... for access to genetic resources in the past?

The SMTA is a standard agreement agreed to by all the Contracting Parties to the Treaty to govern access and benefit sharing for PGRFA in the multilateral system. Since the terms are standard, there is no need to negotiate on a bilateral basis. This saves time and money. It also introduces an element of certainty into such transactions. There is no need to worry whether the terms and conditions are just or reasonable, because they have already been agreed upon on a multilateral basis. In becoming parties to the Treaty, both Venezuela and Tanzania have agreed that access to PGRFA in the multilateral system will be governed by the SMTA.

2. What obligations will the Research Unit be incurring if it signs the SMTA?

- The material transferred is to be used or conserved only for research, breeding and training for food and agriculture. This does not include chemical, pharmaceutical and other non-food/feed industrial uses.

- Intellectual property or other rights that limit facilitated access to the material (or its genetic parts and components) in the form received from the multilateral system must not be claimed.

- If the recipient conserves the material supplied, it must make the material and related non-confidential information available to the multilateral system, using the SMTA.

- If the recipient transfers the material to another person or entity, that transfer must also be subject to an SMTA, and the governing body must be notified of the transfer. Once the recipient has done that, it has no further obligations regarding the action of subsequent recipients.
Monetary benefit sharing

- If a new crop variety (a product\(^1\)) that incorporates material accessed from the multilateral system is commercialized and the availability of the product for further research or breeding is restricted, then the recipient is required to pay 1.1% of the sales of the product less 30% (i.e., 0.77%) to the benefit-sharing fund of the multilateral system. If availability is not restricted, then the payment is voluntary. This obligation must be passed on to third parties to whom intellectual property rights over products are assigned.

- The recipient may opt for an alternative payment scheme.

Non-monetary benefit sharing

- The recipient is required to make available to the multilateral system all non-confidential information resulting from research and development carried out on material accessed from the multilateral system.

- The recipient is encouraged to share non-monetary benefits resulting from research and development on the material, as identified in Article 13.2 of the Treaty (exchange of information, access to and transfer of technology, capacity building and sharing of monetary and other benefits of commercialization) through the multilateral system.

- After the expiration of the protection period of an intellectual property right on a product incorporating material accessed from the multilateral system, the recipient is encouraged to place a sample of the product into the multilateral system.

3. Will accepting the SMTA mean that the Research Unit cannot commercialize products developed from the material accessed from the multilateral system?

   No. The Research Unit is free to commercialize products it develops from material accessed from the multilateral system. It can also take out intellectual property rights over such products, subject, of course, to the benefit-sharing obligations, as appropriate.

4. Will the Research Unit have to pay into the multilateral system if they take out plant varietal protection over products developed from material accessed under the SMTA?

   In principle, UPOV-style plant breeders’ rights would not trigger mandatory benefit sharing, as long as the product will remain available for further research and breeding.

5. Will the Research Unit have to make payments if they take out patent protection over such products? For how long will they have to pay?

   This will depend on the type of patent protection that is taken out. Patent law is a complicated area. You will need to take professional advice on the implications of the type of patent protection you may wish to take out, and the extent to which the commercialization of patent-protected products would trigger mandatory payments.

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\(^1\) A product is defined as PGRFA that incorporate the material accessed from the multilateral system or any of its genetic parts or components that are ready for commercialization, not including commodities and other products used for food, feed and processing.
under the SMTA. The following information is necessarily incomplete and should be viewed as indicative only.

Patents are grants made by a government that confer upon the creator of an invention the sole right to make, use and sell that invention for a set period of time. In some cases, patent protection restricts availability for further research and breeding and will therefore trigger mandatory payments on sales. In other cases, it does not. For example:

- Utility patents in the USA generally restrict availability for further research and breeding, unless of course the patent-holder issues free licenses to whoever wishes to use the patented product for research or breeding.

- In Europe, patents generally do not restrict availability for research. France and Germany have new legislation that extends this exemption to breeding, although not to the commercialization of the products of breeding. Switzerland is considering adopting similar legislation. Dutch and UK patents do not have provisions yet for a breeding exemption.

The SMTA does not explicitly specify a time limit; however, it does so indirectly, by linking liability under the default scheme of payment to the availability of your product to others for further research and breeding. The liability for mandatory payments starts when the restrictions on availability start and stops when those restrictions finish. If the restriction on availability results from protection of your intellectual property on a variety, liability for payment will typically end after 20 years.

6. The Research Unit is planning to access materials from a number of sources to use in its breeding programme. All of these will be under the multilateral system, although not necessarily all from your genebank. They are worried that if they do this, they might have to pay royalties for each of the materials accessed if they commercialize a product developed from those materials.

In principle, the payments are not cumulative. In other words, if a recipient accesses three accessions from the multilateral system and crosses them to produce one new product, commercializes the product and restricts further availability to it, then the recipient will need to make only one payment per year. Of course, if it commercializes two products derived from those materials, then it will need to pay for both products. The Ad Hoc Advisory Technical Committee on the Standard Material Transfer Agreement and the Multilateral System of the Treaty discussed this question at its Second Meeting in August/September 2010 and recommended to the Governing Body that the SMTA be modified slightly to clarify this point.

7. Who will have to accept the SMTA on behalf of the Research Unit?

This is an internal matter for the Research Unit to decide. It should be someone who has the authority to legally bind the Research Unit.