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IP Compass is a quarterly newsletter intended to provide our readers with news and information on Intellectual Property & Technology law in Singapore and beyond. We hope to offer our clients and associates an insight into the trends and developments in the various fields of the IPR. In this first issue, we feature developments in both patents and trademark laws. Highlighting the IP aspects of the much publicized US-Singapore Free Trade Agreement (USSFTA), we provide an overview of the impending changes to the legislation as well as an in-depth analysis of one of the introductions of the USSFTA – the Protection of Plant Varieties.

We have enjoyed putting this publication together and we look forward to your feedback and comments.

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Editor
IP Compass

Current Topics

US-Singapore Free Trade Agreement (USSFTA): Changes On The Horizon

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Singapore and the United States signed the United States – Singapore Free Trade Agreement (USSFTA) on 6 May 2003. The USSFTA will bring changes to Singapore's IP laws and will improve the scope of protection of Intellectual Property Rights (IPR) in Singapore. The Intellectual Property Office of Singapore (IPOS) recently announced that it has initiated an extensive and comprehensive review of the Intellectual Property laws in Singapore in the light of significant changes under the USSFTA. The new Intellectual Property Chapter is scheduled to come into effect after March 2004 and will cover a wide scope of issues in the field of trademarks, patents, and copyright.

The USSFTA is the US's first Free Trade Agreement in East Asia and is meant to boost trade between the Republic and the US. The USSFTA impacts three major areas, namely, Trade in Goods, Trade in Services and Intellectual Property.

The Agreement is intended to give Singaporean IPR owners similar rights in the US as their US counterparts (and vice versa). The Agreement requires both countries to:

- Participate in the Trademark Law Treaty, which the US signed in August 2000 and Singapore has yet to sign; and
- Join the Madrid Protocol system, which Singapore joined in July 2001 and which the US will join in November 2003,

- Adopt Articles 1 to 6 of the 1999 Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks.

The USSFTA IP Chapter aims to enhance intellectual protection standards on a non-discriminatory basis. We provide you below with an overview of some of the changes to be implemented:

Trademarks

- Extended protection for geographical indications, collective and certification marks;
- The inclusion of non-visual marks such as scents and sounds as trademarks;
- Ensuring government participation in resolving disputes between trademarks and internet domain names.

Patents

- The USSFTA IP Chapter will provide stronger patent protection, particularly in the bio-inventions and pharmaceutical industry.
- Extension of the patent term in order to compensate for administrative delays in the grant of a patent or marketing approval.
- Fortification of protective clauses for bio-inventions.

Copyright

- Improved protection for performances, phonograms, copyrighted works including works in digital media. New laws will ensure that the only authors, composers and other copyright owners have the right to make their works available

on-line. Copyright owners may maintain rights to temporary copies of their works on computers, which is important for protecting music, videos, software, and text from widespread sharing via the Internet;

- Copyright works and phonograms will be protected for extended terms, consistent with US standards and international trends;
- Better protection for copyright owners through more stringent enforcement measures against copyright infringements;
- Clearer rules regarding Internet Service Provider (ISP) liability with regard to copyright infringements and defined limited liability for transmission of unauthorized content. The intention is to achieve a similar balance as that struck in the US Digital Millennium Copyright Act between legitimate ISP activity and the infringement of copyright;
- New anti-circumvention provisions will make it illegal for people to circumvent devices designed to protect digital works such as film, music, and software. This is intended to prohibit tampering with technologies (like embedded codes on discs) that are designed to prevent piracy and unauthorized distribution over the Internet;
- Protection for encrypted program-carrying satellite signals will extend to the signals themselves as well as the programming, thus preventing piracy of satellite television programming;
- Prohibition of the production of optical discs (CDs, DVDs or software) without a source identification code, unless authorized by the copyright holder in writing;
- Assurance that governments only use legitimate computer software, thus setting a positive example for private users.

E-commerce and digital products: The USSFTA also provides for provisions on e-commerce, reflecting the importance of this issue in global trade, and the commitment to lifting cross-border obstacles that impede the use of e-commerce.

In the forthcoming issues of IP COMPASS, we will provide you with the details of the new laws as they unfold.

References: www.ussfta.gov.sg;
www.surfip.gov.sg;
www.worldtrademarklawreport.com;
 APAA IP Digest June 2003

Ms. Sakolwan Bassi

Ms. Sakolwan Bassi manages the Trademark Department in Namazie & Co. Prior to joining Namazie & Co., Sakolwan worked for 4 years in a Swiss Intellectual Property firm in Zurich. She has extensive experience in international trademark practice and management, as well as in European Community IP Protection and Madrid Protocol applications. Sakolwan is fluent in three languages, namely English, Thai, and German. Before embarking on a career in Intellectual Property, Sakolwan worked as a translator, journalist and

publisher in Zurich and Berne. She was also a former columnist and news reporter for the foreign affairs section at Khaosod Newspaper, Bangkok.



Forthcoming issues of IP COMPASS will report full details of significant changes in the relevant legislation for protection for Trademark, Patent, and Copyright under the USSFTA Agreement.

Patents

Protecting Plant Varieties: An Introduction

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One of the introductions made by the USSFTA to the Singapore IP landscape is the protection of plant varieties. As part of its obligations under the USSFTA, Singapore will accede to the International Union for the Protection of New Varieties of Plants (UPOV). This article sets out the background of UPOV, what is protected under it and just how Singapore may benefit from protection of plant varieties.

The UPOV system of protection came into being on 02 December 1961 when plant breeder's rights were first recognized internationally. This UPOV convention came into force on 10 August 1968. Since then, it has undergone three revisions (specifically on November 10, 1972, October 23, 1978, and March 19, 1991) enabling it to keep pace with the technological developments in plant breeding and the experience gained through the application of these developments. The UPOV provides a *sui generis* (of its own kind) system for the protection of novel plant varieties. States willing to accede to the UPOV Convention are required to develop laws on plant variety protection in line with the 1991 Act of the Convention. The 1991 Act came into effect on 24 April 1998. As of now there are 53 member countries to the UPOV (UPOV, 2003). The statistics of varieties protected across the member states can be found on the UPOV website (Document C/36/7). According to Document C(Extr.)/19/2 Rev. (9 August 2002) since 1961 approximately 100,000 titles have been granted in UPOV member states. As of now approximately 7000 titles are granted every year.

Plant variety: A typical classification of a plant is as follows: Division, Class, Order, Family, Genera, Species, Varieties and Cultivar, etc. It is the varieties that are deemed to be protected under the UPOV system.



Fig. 1: Variation in two pearl millet hybrids: smooth leaf surface, (b) hairy leaf surface

A variety must be identifiable from the other existing varieties at least in respect of one character, and the character should

remain unaltered over the years of propagation. (Please refer www.upov.int for the exact definition of the term 'variety'.)

New plant varieties are obtained by pedigree selection, natural or artificial mutation, genetic transformations, and accidental cross-pollination. Plant varieties can also be produced by controlled (deliberate) cross-pollination of parental lines, and/or any combination of these.

Why do we need to protect varieties: There are four reasons to do so

1. Ever increasing population of the world needs improved, high yielding, and disease resistant crop varieties to meet the ever-increasing demand. Breeders are the key persons to breed new plant varieties, and therefore they must be provided with suitable incentives to sustain their efforts.

2. Breeding novel varieties need substantial investment in terms of skill, labor, physical resources, and finances. In the field of agriculture, such advancements afford major benefits to the seed industry. There are lucrative incentives to replicate new plant varieties. New varieties once released, can easily be multiplied by others and investments of the original breeder and/or rights holder may thus remain uncompensated if usurped by unauthorized persons. Protection under the UPOV provides the rights holder exclusive rights to produce and market the protected varieties. This encourages breeders to invest in plant breeding and contribute to the further development of agriculture, horticulture, and forestry, among others, and as with all patented inventions, legal protection creates a period of monopoly for the rights holder, and compensates them for their successful effort.

3. In turn, farmers receive improved varieties.

4. With the availability of options for protecting varieties, an actual increase in the number of breeders and varieties have been noted (Greengrass, 2000, UPOV), further, it introduces a fair competition mechanism in the seed industry.

Criteria for protection: In order to be protected the variety must fulfill the following three criteria:

1. **Distinctness:** The variety in suite must be distinct from the other existing varieties, including landraces and traditional, commercial, and protected varieties.

2. **Uniformity:** The variety should be uniform with respect to its characters.

3. **Stable:** The characteristics of the varieties must remain stable over the repeated cycles of propagation.

Of course, the variety must be of high germination rate, genetic purity that is 'true to type', and free from pathogen.

Further, the Plant breeder must provide an appropriate denomination (acceptable name) to all the members of the union.

General prosecution process: Plant breeders can file their applications in any of the member state. Priority can also be claimed from a previous application, if any. Subsequent

applications can be filed in other members states without waiting for the outcome of the first application. Protection is independent in each member state. Breeders can defer the examination for up to 2 years after the expiry of the priority date. Once protected, the duration for which protection is awarded is 20 years from the date of grant, and in the case of trees and vines, 25 years (1991 ACT).

Examination: Applications filed in the member states will be examined in accordance with the UPOV guidelines, based on the DUS criteria.

During the course of the examination, the authority may carry out tests or conduct grow out test. Each member state can adopt different procedures and tests for conducting the examination. General introduction to the procedures, design, and characteristics used in DUS testing are available on the UPOV website, publication no. TG/1/3.

Scope of the protection: Once the variety is protected, acts such as production or reproduction, conditioning for the purpose of production, offering for sale, selling, importing, exporting, stocking (under certain purposes) require express permission from the breeder. In some states, the scope of protection may extend protection to the products made directly from the harvested material. The precise scope of protection would depend on the national laws of the member state.

The scope of the PBRs also covers varieties that are (1) the derivative of the protected variety, (2) are not clearly distinguishable from the protected variety, and (3) whose production needs usage of the protected variety. The 1991 UPOV Convention is thus highly favorable to the Plant Breeders.

Breeder's obligations: The breeder must ensure that his protected variety is available for use as a starting material. The breeder of the new resultant variety must also be free (exceptions apply) to market their product. This is to ensure continuous development in the varieties. Further, if a breeder uses another breeder's protected variety, his own variety should be available without any prohibitions.

Breeder's exemptions: The breeder's rights, however, do not extend to acts done (1) privately and for non-commercial purposes, (2) for experimental proposes, (3) for breeding other varieties.

Farmer's privileges: The UPOV member states are free to balance PBR & Farmer's rights (1991 Act).

Restrictions and cancellation: Granted PBRs cease to exist if the variety is not novel, distinct, becomes unstable at the time of the grant of the rights, in cases where the rights were granted to a person who is not entitled to it, unless these are transferred, the breeder does not provide the necessary information, documents necessary for verifying maintenance of the variety, necessary fee, and appropriate denomination.

Recent developments: Recently the US Supreme court affirmed that plant varieties produced through sexual reproduction are patent eligible subject matter (JEM AG Supply, Inc. v. Pioneer Hi-Breed International, Inc (CASRIP

Newsletter, 2001). Prior to this, only asexually produced varieties were considered eligible for utility patents. Ever since the famous Chakrabarty case that is allowance of the life forms as patentable matter, the USPTO has granted approximately 1800 utility patents on plants. Protection through UPOV based Plant Variety Protection (PVP) Act and traditional 'patent' co-exist in the US.

Plant varieties in Singapore ?

The need for protection of plant varieties in Singapore may not seem obvious at first glance. The city-state with an entirely urban population is certainly not an agriculturally based economy. Singapore is however Asia's Garden City, and the government's active policy of tree-planting and keeping the city green and clean manifests itself in the numerous parks and horticultural institutes, where research and cultivation of varieties and hybrids is very active. The well-known Singapore Botanic Gardens is one example. Another, the National Orchid Garden, has approximately 400 species of orchids and about 2000 in-house bred hybrids. Some of these hybrids become famous when they were named after popular local public figures and visiting VIPs, such as the *Dendronium Margaret Thatcher*, the *Dendrobium Benazir Bhutto*, the *Dendrobium Memoria Princess Diana*, the *Dendrobium Sydney Brenner*, the *Phalaenopsis Barbara Bush*, the *Renanthera Akihito*. Names of these orchid hybrids are registered with the Kew Botanic Gardens in London.

Orchid cultivation is an important activity for the Singapore economy. Several institutes in Singapore are actively engaged in developing new plant varieties through genetic transformation. One such effort is led by Professor Chia Tet Fatt of the Department of Molecular and Cell Biology (now with the National Institute of Education, Singapore), known for his work in orchid breeding, including bioluminescent orchid that is capable of emitting green light from its roots, leaves, and petals. Such research efforts may potentially benefit from the new plant protection regime.

Another potential area for application of Plant Variety Protection is the traditional herbal industry. Traditional Chinese herbal as well as Asian traditional herbal therapies is big business in Singapore, and is widely used as a substitute for Western medication locally. Insofar as these herbs are grown for their known properties and uses and if knowledge about them is in the public domain, these substances would not be protectable under the UPOV Act 1991. However, compositions produced using these herbs are patentable under the traditional patent regime. Further, varieties derived from the wild types, for example a variety that has been genetically altered to produce high levels of a certain plant-derived active ingredient should be protectable.

The potential value of the new Plant Protection regime to these traditional sectors is therefore great, and should yield a new wave of protected plant varieties in Singapore, if only to ornamental and herbal species.

Dr. A. Sadasivam

Dr. Sadasivam is the firm's Patent Manager. Her doctoral thesis was on the identification of reliable, reproducible, and routine biochemical and molecular markers for distinguishing various crop varieties. She is a past recipient of the young

scientist award from the Indian Society of Plant Physiology in India and her project on maximization of yields potentials of Pearl millet hybrids won her Senior Research Fellowship from Council of Scientific and Industrial Research. She has published in the field of biotechnology and has presented several research papers at major conferences and seminars.



She was instrumental in establishment of Department of Biotechnology at Jai Research Foundation – a pesticide testing facility. At the Foundation, she edited the laboratory's in-house journal International Journal of Environmental Toxicology. Before starting her career in Intellectual Property Rights, Dr Sadasivam was Editor for World Scientific Publishing. Prior to joining Namazie & Co., Dr Sadasivam worked in the patent department of a leading Singapore law firm.

Trademarks

What's In A Name?

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Brand selection, development, and management are important aspects of nurturing a company's Intellectual Assets. Building a brand or identity for a product or a service is a major task. Equally important is the maintenance of the brand. Some of the better known brands in the market today go back centuries. The **KRAFT®** brand is one such.

KRAFT Foods is the largest branded food and beverage company in North America and the second largest in the world. This year KRAFT Foods celebrates its 100th anniversary. The company's astonishing passage began in 1903, when a native Ontario, Canada 29-year-old former clerk in a grocery store James Lewis (J.L. Kraft) moved to Chicago where he started selling cheese to grocers from a horse-drawn wagon.

J.L. Kraft's thorough understanding of a highly delicate cheese trade was the key to his success. In order to offer consistently fresh cheese, he ensured that his product was the first in a line each day at the South Water Street market in downtown Chicago.

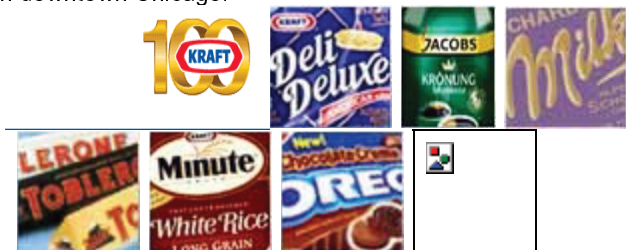


Fig. 1 : Some of the popular products and trademarks of Kraft Foods.

He delivered his cheese personally to grocers, who liked the service because of its convenience. In time his cheese

developed a strong reputation and Kraft began to package cheese under the **KRAFT®** name – becoming one of the first producers of cheese to market it under a brand. And there began a legendary trademark.

Through a successful history and tradition of effective brand management for more than a century, Kraft Foods markets its products in more than 150 countries, dominating the food and beverage brands in five product sectors; namely cheese, snacks, beverages, convenient meals, and groceries. Through effective trademark management, the **KRAFT®** brand has retained its distinctiveness and has not become generic over the years. The Kraft later diversified and acquired other brands and now has 35 other brands that are more than 100 years old in its portfolio, including Milka chocolates, Jacobs, and Maxwell House coffees, Oscar Mayer meats, and Jell-O, companies operating revenues of about US\$ 6.4 Billion in 2002 alone. So, what's in a name? A whole lot of value.

In each issue, IP Compass will feature trademarks with both historical and contemporary relevance, highlighting the importance of brand selection, development and maintenance.

Technology Transfer

Negotiating Technology Transfers & Licenses: Some Practical Tips for Those Involved in Technology Contracts

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Negotiations on technology contracts usually have the parties and their legal advisors grappling with ever evolving technical and commercial issues. Technology practitioners need to constantly self-educate to be able to deal with these issues. An even mildly discerning client will be able to detect a lawyer who is on unfamiliar ground in a technical discussion. A sound working knowledge of the technology is an essential pre-requisite to offering any advice on a technology contract. Familiarizing oneself with technical jargon can be a humbling task for a lawyer. Oftentimes, the detailed knowledge of the relevant technology needs to be learnt from the client. Yet a good grounding of the technological landscape, lingo and the commercial implications is essential to be an effective negotiator. Additionally, the lawyer should also be aware of the background and context of the transaction, of the parties on either side of the deal, the monetary value of the technology, industry concerns as well as the current market rates for licensing the technology. In short, the technology practitioner will need to equip himself with more than just the basic legal tools.

As in any technical or specialized area, there is a greater degree of mutual reliance between lawyer and client when negotiating or advising clients on their contracts. Client and lawyer must work hand in glove. This article outlines some tools and techniques, which could facilitate more effective negotiations, and better attorney–client communication, when dealing with technology contracts.

Preliminary discussions: Typically, issues and positions will become progressively apparent in the course of negotiations, and oftentimes, lawyers only discover the real

issues in technology transactions during negotiations. Ideally, your legal representative should be briefed at the start. To ensure this, clients should explain in detail the technology as well as provide their lawyers with a full understanding of the monetary value of the technology. The client's objectives must also be clearly stated to the lawyer. Basic, and sometimes difficult questions need to be asked and answered before you begin the negotiations. For instance, does the client wish to transfer rights in the technology outright, or does he wish to retain the rights to the technology and permit only a license? The terms and concepts should be explained to the client as the implications of these terms may not be apparent even to the sharpest of technologists.

Term sheet: Once a reasonably clear understanding of the overall objectives is achieved, the key points should be reduced to a term sheet. The practice of drafting a preliminary term sheet is useful. It is an exercise which forces both lawyer and client to identify and articulate basic premises, key terms, expectations and objectives. In short, it ought to list the fundamentals of a deal, even if in point form. Once the fundamentals are decided, the lawyer and client would have agreed views on what position is to be adopted and what is to be conveyed to the other side before negotiations begin. Working with the client, a “bottom-line” position should also be worked out in parallel, to enable the lawyer to know what concessions and compromises the client is prepared to make, if the other party is not receptive to the “first-cut” of terms. This is clearly the client's call and the lawyer must be careful not to make decisions which only the client should make. The temptation of an over-zealous practitioner to step into the client's commercial shoes is a temptation which must be avoided at every juncture. It is the client's call, not the lawyer's to concede on any issue.

Valuation of the technology: This is a crucial step which must be done long before discussions begin with a potential transferee or licensee. An evaluation of the technology is essential in order to be able to obtain the best price for the transfer or the optimal royalty rates for a license. It is dangerous to arbitrarily gauge the value of the technology. A flimsy assessment is as easy to debunk in negotiations as it is to state. Consider engaging a technology consultant who can render an objective and commercially realistic assessment of the market value of the technology. Often, licensors inflate the value of the technology through a subjective evaluation. The licensee will usually assess the technology and its commercial potential independently of the licensor. If there is a great disparity between the projected values of each side, the negotiations will be prolonged and could result in the licensor's credibility being undermined.

The value of the technology will, among other variables, depend on a clear assessment of the Intellectual Property rights inherent in the technology. The legal advisor will therefore need to conduct an audit of the existing Intellectual Property rights as well as potential rights of the technology. This is an area where the experience of an IP practitioner will benefit the client. The client may have identified only a fraction of the IPR potential or value of the technology. A thorough legal due diligence often unearths more IPR and may enhance the asset value of the technology. The scope of work involved will depend very much on the degree of awareness within the clients' organization. An organization familiar with the due diligence process is more likely to have

readily available records and data of its IPR components. An organization which is less familiar with the process will require the legal team to conduct investigations from ground zero, and lawyers may have to work with raw data, as opposed to neatly compiled and accessible records. Whichever model the lawyer embarks upon, the process is best initiated at the very beginning of the exercise, long before the parties approach the negotiating table. What begins as an afternoon's work, may evolve into months of grueling legal labor.

Maintaining confidentiality: It is good practice to sign a confidentiality agreement or a Non-Disclosure Agreement prior to commencing negotiations. Such an agreement should be signed by each party to whom the technology is disclosed so as to preserve the licensor's confidentiality. Failure to do so may preclude the possibility of filing a patent application in jurisdictions where absolute novelty is a prerequisite to a valid patent.

Form a team and appoint a team leader: Major transactions will involve more than a single individual as a negotiator. It is good practice to form a negotiating team in licensing negotiations. Decide amongst the team who should lead the discussion and negotiations. The ideal team should comprise a technical person, a commercial or managerial person and the lawyer. At certain points in the negotiations, the technology consultant can also be invited to join in the discussions. You should ensure that all members of the team are of sufficient seniority in your client's corporate hierarchy and have the authority to represent and communicate the company's position. Representations made by junior management can easily be subsequently overturned by senior management, resulting in delay in the negotiations. To avoid this, members of the negotiating team should be sufficiently senior or else be authorized to make representations and decision at the negotiating table.

Common strategy: It is important for the client and the lawyer to adopt a common and consistent approach during negotiations. A coherent strategy needs to be worked out consistent with the objectives. The agreed approach should be decided on and specific roles and functions should be assigned to each member of the negotiation party. Negotiation is like a team sport, with each member focusing on different aspects of the agreement. This is especially so in technology contracts where the technical, commercial and legal complexities each require correspondingly specialised handling.

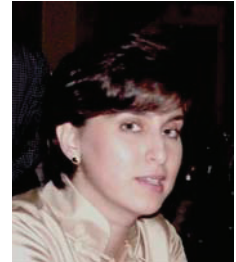
The age-old trick of assuming a "good-guy/bad-guy" position can be carried into negotiations. Although such role-playing works well in overcoming hiccups or deadlocks in the negotiations, it requires some skill and boardroom agility, and, as with any legal maneuver, should not be tried out unless there is some experience amongst team members.

Show stoppers and deal breakers: Particular problems may also occur where large corporations enter negotiations with smaller parties. One such problem is the complexity of the decision making mechanism in larger international corporations. Deals made by the local representatives of a foreign MNC may need to be rubber stamped by the overseas head office, with the latter coming in only at the eleventh hour and taking issue with terms and conditions

which both sides considered long settled. Such "show-stoppers" and "deal-breakers" can seriously jeopardise negotiations and should be resisted. If the fundamentals are made clear and agreed upon at the onset, there is less scope for show stoppers and deal breakers presenting themselves in negotiations.

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Farah graduated in law from Oxford University in 1987 and obtained her masters degree in Intellectual Property law from the University of London. Her practice has since been consistently in Intellectual Property law, focusing on IP Commercial transactional work. She is a Registered Patent Agent, and publishes and lectures internationally on IP & Technology law.



About Namazie & Co.

Namazie & Co. was established to offer our clients a firm with expertise and experience on Intellectual Property and Technology law. In a rapidly evolving commercial and technological world, a firm needs to have a concentration of relevant expertise in order to serve specialist clients. Realising that clients today, more than ever, need cost-effective and commercially practical solutions and guidance amidst a maze of IP & Technology law developments internationally, we aim not only to advise clients on specific issues on which we are consulted, but to assist clients in the realization of their IPR and structure, protect and enforce their intellectual capital.

Our international team comprises IP and technology professionals, with expertise and experience in a wide, but relevant, range of legal, commercial and technical issues. The internationally diverse training and backgrounds of the members of our firm offers a broader and more comprehensive set of skills to service our international clientele.

Contact Us



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Cindy maintains our database and mailing lists for this Newsletter, and the Editorial team wishes to acknowledge her excellent work and coordination in helping us get this publication to you. You can contact Cindy at general@namazie-law.com or call at 65-65389711.

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