

Plant Breeders' Rights and Trademarks®

Jørgen H. Selchau

GPL International A/S, Lavsenvænget 18, Postboks 29, Odense V, DK-5200 Denmark

The conference organisers have outlined some headings, which I will try to follow in my presentation:

Question: Why and How a Breeder Would Obtain Plant Breeders Rights.

Briefly, what is a plant novelty? It should be:

- ***Distinct:*** In at least one essential characteristic differ from any known variety of the same species;
- ***Uniform:*** Homogenous within the specific generation;
- ***Stable:*** The variety should — by continued propagation — maintain the characteristics claimed for this variety, when propagated in accordance with the methods prescribed by the variety owner, and naturally,
- ***New:*** At the date of application, variety constituents or harvested material of the variety have not been sold or otherwise disposed of to others within the Territory, by or with the consent of the breeder earlier than 1 year before the above mentioned date or 4 years outside the Territory. For trees and vines, however, this “period of grace” is 6 years. At present, special “rules” have been introduced in the United States Plant Patent system.

The new variety is compared to the most similar existing varieties in a DUS-testing. The majority of these trials are performed at centralised testing stations, but due to the fact, that within the implementation of the new UPOV-1991-based national legislations, any plant species can be protected, the need for extended testing facilities have arisen, and it is foreseen to include contractual testing facilities, which even may be at the breeder's own facilities.

Question: How the Breeder Would Go About Getting the Widest Protection Internationally.

The UPOV convention, which I consider familiar to South African propagators and producers, is the forming basis for the national legislation in all “member” countries. In fact, the legal acts in the majority of countries, producing or consuming plant varieties, have for many years been in accordance with the recommended UPOV stipulations, just the list of protectable species have been limited in certain countries. The breeder, domiciled in or represented by a national of the specific country, would file an application in **each** country, which he considered appropriate.

However, as from 27 April 1995, any breeder, being citizen of or domiciled in any member state of the European Community or in a UPOV member state, can file an application for his plant variety directly with the European Community Variety Office, which is now domiciled in Angers, France.

It should, however, be noted, that filing of applications for national protection in one or more single European countries is still possible.

Question: What Is Actually Protected and What Are the Variety Owner's Rights.

Based on the UPOV Convention, national legislation and the EU Directive prescribes that it is necessary to obtain the approval of the variety owner (the breeder) in order to perform:

- 1) Production or reproduction (by multiplication)
- 2) Conditioning for the purpose of propagation
- 3) Offering for sale
- 4) Selling or other marketing
- 5) Exporting from the Territory (Community)
- 6) Importing to the Territory (Community)
- 7) Stocking for any of the purposes mentioned in (1) to (6), above

In addition to the stipulations of the UPOV Convention, the EU Directive further entitles the variety owner the right to prescribe conditions and limitations to his authorisation.

Both the UPOV 1991 and the Community Directive as well as various national legislations, include the Plant Breeders' Rights Act of South Africa, authorises the variety owner to collect appropriate royalties on the "... harvested material only if this has been obtained through unauthorised use of the variety constituents of the protected variety, and unless the holder has had reasonable opportunity to exercise his right in relation to the said variety constituents." In other words, should the variety owner not be able to exercise his rights at the time and place of propagation, he might implement his Breeders' Rights through collection of royalties on the tomato juice.

The legislation also includes stipulations for the initial breeder's influence on essential derived varieties as well as the concept of farm saved seed, which is of the utmost interest to breeders and producers of agricultural crops.

The protection is valid for 25 years, however for grape and tree varieties, the period is 30 years.

As a prerequisite to commercial ending of a protected plant variety, the variety has to be assigned a name, approved, and registered by the appropriate plant novelty authority. And the variety should be designated by this approved variety name, even beyond the expiration of the protection period.

The "farm-saved seed" regulation enables farmers to sow —on their own holdings — seed derived from the harvested crop of a protected variety, which has been grown on their own holdings. However, this regulation applies only to certain specified agricultural crops.

Furthermore, the legislation lists some categories of acts, which do not fall within the scope of the protection, such as:

- a) Acts done privately and for noncommercial purposes.
- b) Acts done for experimental purposes.
- c) Acts done for the purpose of breeding, or discovering, and developing other varieties.

Question: Why Are Royalties Charged, How Is the Collection of Royalties Controlled, Who Sets Their Price, Can License Holders Increase Royalties to Cover Their Own Costs?

Breeding is important in order to respond to both the challenge of society and of the market: Society demands sustainable cultivation and cultivation that causes less environmental impact, the market requires new colours and shapes. However, improving plant varieties involves a long process. Having crossbred or selected the available plant material, it will often take a breeder 5 to 10 years or even more, before a new variety is ready to enter the market.

The mere mentioning of the word **royalty** raises the blood pressure of many flower growers around the world — why is it necessary to pay extra for a plant with a fancy name? The subject is often avoided, because it raises controversy, but try to consider the idea that you are paying a rental fee to the variety owner for using his invention. In other words: ***You do not buy the variety; you only rent the right to use it.***

If I develop a new plant with characteristics you want to produce and sell, why not rent my technology? And why complain about the rent? Aren't you using my inventiveness for your own gain?

The question of how much rent or royalty is a different issue. ***If you think the rent is too high, you do not have to rent my technology.*** But just because you think, it is too high, does not give you the right to use my technology ***without paying the rent.***

The royalty payment is not just an add-on cost for the propagator. A royalty payment is to pay the inventor for his inventiveness and the development cost of a new cultivar. One new plant cultivar that is truly superior must support development costs for itself, as well for all the sisters and brothers, that didn't quite make it.

Royalty payment for using superior plant cultivars is very necessary in our industry;

- New plant development depends on it;
- Honesty demands it;
- And if you do not support the concept of royalty, development of new cultivar development will suffer a very serious set-back.

If you think the royalty is too high, grow a different cultivar. But if you choose to grow a cultivar with a royalty, ***figure the cultivar rent as a necessary cost.***

Question: How Would the Plant Variety Be Distributed, Grown, and Marketed "Internationally"?

The constant demand for new and exiting commodities is not only prevailing for the consumers' basic supplies, such as food, housing, etc., but indeed also for fulfilling the same consumers' need of social status in the society. Consequently, exchange and exhaustion of new plant varieties of exotic origin has grown considerably during the past decades and various regulations have been introduced to protect wild species as well as organised breeding programmes.

Since the introduction of the UPOV Convention in 1961, most major production centres of agricultural and horticultural products have adopted the regulations of Plant Variety Rights, but certainly at varying speeds. Today, 50 countries worldwide adopt the UPOV Convention.

There is no "easy" way to protect a new invention. The inventor has to file individual — costly — applications in all applicable territories. So far, only the Community Plant Variety Rights system, which covers the present 15 member states in the EU, simplifies the application procedure.

Within the foreseeable future, an enlargement of the Community is expected, adding 12 Eastern and South Eastern European countries, and appropriate preparations have been taken to extend the scope of protection to cover these territories as well.

Question: What Is the Function of a License Holder, Sub-License Holder, or Agent?

Pending the actual circumstances, the holder of rights may choose different ways of cooperation in various territories. Normally an agent will act as the “local” representative of the holder of rights, handling all administrative and monitoring aspects, including the control and collection of royalties in the territory, as well as distribution of plant material. An agent usually also participates in the application costs and benefits from the royalty income. An agent will hold the right to issue sub-licenses in the territory.

In practise the role of a licence holder is not much different from that of an agent, however he is normally not contributing to the application costs, etc. The sub-licensee is entitled to propagate (if so licensed), to produce and sell the applicable plant varieties.

Question: What Types of Agreements Are Usually in Place Between Breeder and License Holder?

Generally, most breeders feel that Plant Variety Protection is satisfactory. The major problem is to enforce these rights in practise. Finding the information needed to challenge those who may be infringing the rights is extremely difficult. However, the establishment of specific Licence Agreement systems might be helpful, and I would now like to explain the Standardised Licence Agreement system, developed by the Ornamental Plants Section of the Danish Association of Plant Breeders, and upon thorough discussions adopted by the Danish Association of Horticultural Producers in 1995. We are also very pleased that the international association of Horticultural Producers, AIPH, during their Annual General Meeting in 1999, approved the system and are now recommending their individual member organisations to seek implementation of the system or a system alike.

The actual system is a “revised” version, which has not yet formally been adopted, but obviously only minor changes will be necessary, since the revision in principle is only of “practical” nature.

The contractual system consists of **Standard Licence Stipulations** —similar to the overall rules and regulations of an insurance policy — outlining the rights and obligations of licensor as well as licensee. In addition, the licensee — being he propagator, grower, or dealer — will have to sign a **Licence Agreement** for the specific use of certain varieties, and valid for a specified period. The Licence Agreement may also include further restrictions or conditions, i.e., territory of exhaustion, limitation of production quantities, compulsory use of trademarks or labels, etc.

The Licence Agreement entitles the Licensee:

- *Either* propagation and sale of propagation material;
- *Or* propagation and sale of the finished product;
- *Or* production of finished plants only;
- *Or* production of cut flowers.

Special Licence Agreement arrangements with trade organisations and distributors as well as Non-Propagation and Trial Agreements are also available. A set of the contracts will be available in the handouts.

Let Us Take a Short Look at Some Details of the Agreements. The agreement is entered between the variety owner (the holder of rights) or his representative and the applicable propagating nursery.

The “Young Plant Propagation Agreement” entitles the licensee — at his own or designated premises — to propagate the variety(ies), comprised by the agreement and to sell the propagation material to third party nurseries, provided such third party nurseries have signed or will sign an appropriate Licence Agreement, providing their intended use of the plant material. The Licensee is also entitled — at his own or designated premises — to produce and sell finished plants of the variety(ies) for final consumption.

The “Propagation Agreement” entitles the licensee — at his own or designated premises — to propagate the variety(ies), comprised by the agreement for his own use and to produce and sell finished plants of the variety(ies) for final consumption.

The two types of “Propagation Agreements” are clearly indicating the specific amount of royalties, which are due by propagation of the variety(ies) in question and the agreed method for calculating and reporting the number of propagated plants. The reporting periods and deadlines for handing-in of such reports as well the applicable dates of payment are also stipulated in the Licence Agreement.

The “Production Agreement” entitles the Licensee at his own or designated premises — to grow and sell the variety(ies) in question for final consumption.

Question: What Does a Company Like Yours Do?

By establishing the Licence Agreement, both parties accepts certain obligations and commitments, including the necessary control of nonviolation of the terms and stipulations of the legislation on Plant Variety Rights and the Licence Agreement as such. The variety owner is entitled – at due notice – to perform control visits to the Licensee’s premises in order to verify the quantities of propagation and/or production.

However, most variety owners are performing this control through the service of nonprofit royalty collection bureaus, in order not to mingle commercial interests and the “police”-work of controlling their customers.

GPL International A/S is an independent royalty administration, advisory, and collection bureau, representing and acting on behalf of holders of Plant Breeders’ Rights and Trade Marks Rights in Denmark, the European Community, and throughout the World.

GPL International A/S is representing and advising a range of worldwide highly reputable breeders, both private and semi-official enterprises, assisting in regulatory matters, evaluation and drafting of contracts.

Question: How and Why Are Trade Marks Used?

The use of trademarks is literally speaking “restricted”, when dealing with new varieties, protected by Plant Variety Rights in the sense, that you cannot use a trademark as a variety denomination. However, you will often find trademarks used in connection with registered denominations of protected varieties in order to establish recognition by the consumers.

The distributor of plants — being it the holder of rights, an agent, a licensee or a sub-licensee — can introduce a specific mark, either by registration or by extensive, continued use.

A Trade Mark ® or a “House Mark”™ are both “defendable”, however the holder of a registered mark has a certificate of registration, whereas the House Mark should be proved eligible.

Question: What Would the Consequences for the South African Nursery Industry Be, Should PBRs and TMs Be Mismanaged or not Honoured?

To a holder of plant variety or trademark rights, a protection is only as useful as it is enforceable.

The regulations of the various PVR legislations deal with civil law claims, infringements, and jurisdiction.

In most legislation, the acts and omissions, which constitute infringement of a PVR are described. It may provide the holder of a PVR the right to bring an action for an injunction or compensation or both, against any person who, without being entitled to do so, effects one of the acts set out in relation to the protected variety. The entitlement to effect the acts may derive from the authorisation of the holder, from the farm-saved seed derogation or from one of the limitations on the scope of right or from a compulsory exploitation right granted by the applicable Plant Variety Office.

The holder of a PVR may bring an action for an injunction or compensation, or both, against any person, who omits the correct usage of a variety denomination. Any person who for commercial purposes, offers or disposes of variety constituents of a protected variety or a variety covered by the “extended” provisions, must use the variety denomination designated for the variety. The variety denomination shall be readily distinguishable and clearly legible and if a trade mark, trade name or similar indication is associated with the variety denomination; the denomination must be clearly recognisable as such.

The conclusion is, that it is in the best interest of every grower to have the opportunity to grow good varieties, although the grower has to pay compensation in the form of a royalty to the breeder. If new varieties allow the grower to have higher harvest or better products with higher profits, it is worth paying the royalty to the breeder. After all, we need new products to meet stricter demands from the public, from our customers, therefore:

Remember, some day, we will all have to account for our excesses; it is just a deferred settlement.....!