

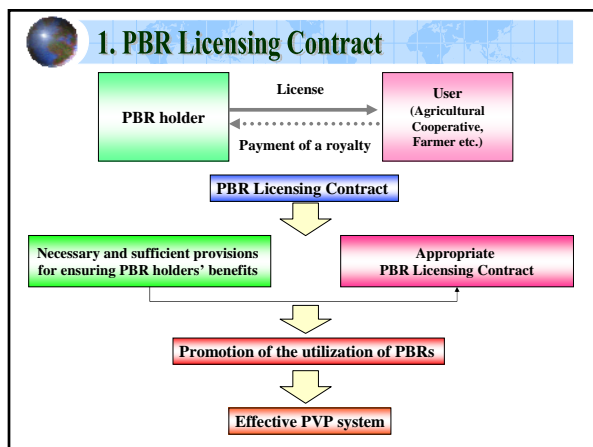
SYMPOSIUM ON CONTRACTS IN RELATION TO
PLANT BREEDERS' RIGHTS
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Japanese Legal System relating to Plant Breeders' Rights Licensing Contracts and its Current Situation

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Outline

1. PBR Licensing Contracts
2. Legal System relating to PBR Licensing Contracts
 - (1) Provisions of Plant Variety Protection and Seed Act relating to PBR Licensing Contracts
 - (2) Conditions and Limitations in Licensing Contracts
3. Current Situation of and Issues in the Contents of PBR Licensing Contracts
 - (1) The Contents of PBR Licensing Contracts
 - (2) Limitation on the Use of Registered Varieties
4. Current Situation of and Issues in the Effectiveness of PBR Licensing Contracts



2. Legal System relating to PBR Licensing Contracts ①

(1) Provisions of Plant Variety Protection and Seed Act relating to PBR Licensing Contract

Effects of Plant Breeder's Right (PBR)

Plant Variety Protection and Seed Act:

- PBR holders shall have an exclusive right to exploit, in the course of business, -the registered variety
- varieties which are not, on the basis of their characteristics, clearly distinguished from the registered variety
- in the form of propagating material, harvested material and processed products specified by Cabinet Order (Article 20 (1), Article 2 (5)).
- PBR holders for a registered variety shall also have an exclusive right in relation to the following varieties, the scope of which shall be the same as the right which the breeders of the said varieties would, if registered, be granted (Article 20 (2));
- essentially derived varieties
- varieties whose production requires the repeated use of the registered variety.

2. Legal System relating to PBR Licensing Contracts ②

I Authorization of PBRs

In relation to PBR licensing, the Act provides for two types of rights

Exclusive Exploitation Right

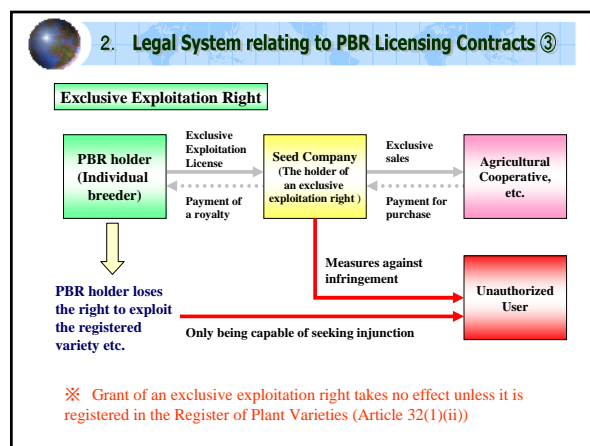
Article 25 (Exclusive Exploitation Right)

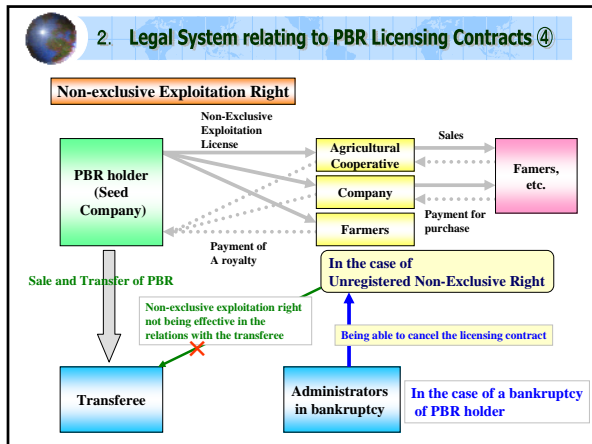
- (1) The holder of a breeder's right may grant an exclusive exploitation right on his/her breeder's right.
- (2) The holder of an exclusive exploitation right shall have an exclusive right to exploit the registered variety etc. in the course of business to the extent laid down in contract granting the right.
- [...]

Non-exclusive Exploitation Right

Article 26 (Non-exclusive Exploitation Right)

- (1) The holder of a breeder's right may grant a non-exclusive exploitation right on his/her breeder's right.
- (2) The holder of a non-exclusive exploitation right shall have the right to exploit the registered variety etc. in the course of business pursuant to the provision of this Act or to the extent laid down in the contract granting the right.





2. Legal System relating to PBR Licensing Contracts ⑤

II Contracts Restricting the Use of Farm-saved Seeds

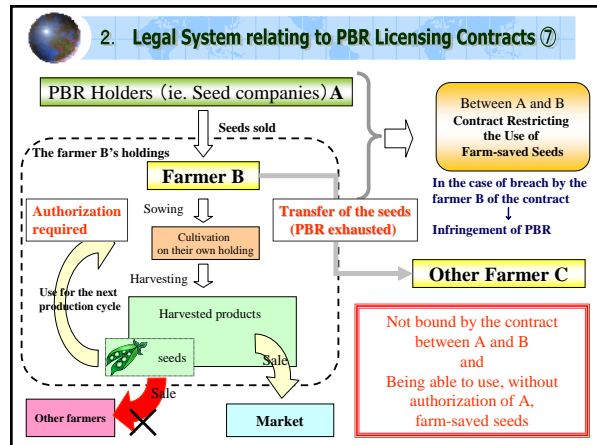
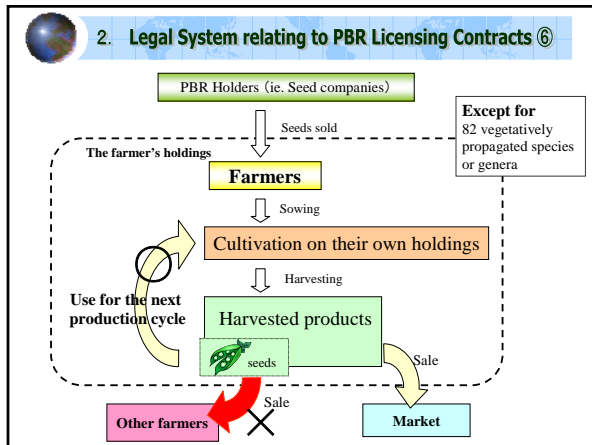
Plant Variety Protection and Seed Act

Article 21 (Limitation of the effects of the Breeder's Right)

[...]

(2) Where farmers as prescribed by the Cabinet Order obtain harvested material by using the propagating material of a registered variety, varieties which, on the basis of the characteristics, are not clearly distinguishable from the registered variety, or varieties listed in each item of paragraph (2) of Article 20 pertaining to the registered variety (hereinafter collectively referred to as "registered variety etc.") which have been transferred by the holder of the breeder's right, the holder of an exclusive exploitation right or the holder of a non-exclusive exploitation right, and further use, on their own holdings, the said harvested material as propagating material for the next production cycle, the effects of the breeder's right shall not extend to the said propagating material used for the next production cycle, the harvested material obtained through the use of it, and processed products pertaining to such harvested material, unless otherwise agreed upon by contract.

(3) The provision of paragraph (2) of this Article shall not apply where farmers use propagating material of varieties, which belong to any one of the genera or species designated by the Ordinance of the Ministry of Agriculture, Forestry and Fisheries as being propagated vegetatively.



2. Legal System relating to PBR Licensing Contracts ⑧

(2) Conditions and Limitations in Licensing Contracts

Validity of Conditions and Limitations

- The principal of the freedom of contract
 - Valid in the elementary sense
- Public order and morality (Civil law Article 90)
- The doctrine of good faith (Civil law Article 1(2))
- The limitation based on Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (The Antitrust Law)
 - Validity may be denied

2. Legal System relating to PBR Licensing Contracts ⑨

The Antitrust Law

Article 21

The provisions of this Act shall not apply to such acts recognizable as the exercise of rights under the Copyright Act, the Patent Act, the Utility Model Act, the Design Act or the Trademark Act

※ This provision, according to general interpretation, applies also to PBRs

Conditions and Limitations in Licensing Contracts

- Acts recognizable as the exercise of a PBR (e.g. temporal or geographic limitations)
 - The Antitrust Act does not apply
- Acts not recognizable as the exercise of a PBR
 - The Antitrust Act applies

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"Guideline for the Use of Intellectual Property Rights in the Context of Antitrust Law"
(Published by Japan Fair Trade Commission, on the September 28th 2007)

3. Current Situation of and Issues in the Contents of PBR Licensing Contracts ①

(1) The Contents of PBR Licensing Contracts

[Points of the contents]

I Defining the Variety for which the Authorization is Given

- ※ There was a dispute case as to if varieties not clearly distinguished from the registered variety concerned are covered by the contract.

II Defining the Scope of the Authorization

- acts to be permitted
- periods, place and maximum area for which the authorization is given
- ※ There was a dispute case in which the cultivation has been done in an area exceeding the maximum area.

III Provisions for Royalty (amount and payment methods)

IV Provisions for the Use of Farm-saved Seeds (prohibition or authorization)

V Provisions for the Obligation to Report Sales Amount or to Accept Inspections

VI Provisions for the Rules on the Use of Variety Denomination or Labeling

VII Provisions for Prohibiting the Further Transfer of Seeds

VIII Provisions for Claimable Amount and Jurisdiction

- ※ There was a case in which a high rate of claimable amount was given.

3. Current Situation of and Issues in the Contents of PBR Licensing Contracts ②

Examples for method of receiving royalty

Case 1 Fixed payment

Where use of farm-saved seeds is allowed

※ The amount of royalty is fixed regardless of how much propagating material has been produced (there are cases in which the amount of royalty is reduced as the contract is renewed).

Case 2 Payments based on the quantity of seeds sold

(fixed amount × quantity of seeds sold) No obligation to pay a royalty

3. Current Situation of and Issues in the Contents of PBR Licensing Contracts ③

Examples for method of receiving royalty

Case 3 Payment based on the quantity of products sold (running royalty)

fixed amount per unit of products sold (fixed amount × quantity of products sold)
(in cases where collecting royalty based on the number of patent labels)

※ It is critical to figure out the exact amounts of products sold or shipped
(The licensees would probably be obliged to report to the licensor such amounts).

3. Current Situation of and Issues in the Contents of PBR Licensing Contracts ④

Examples for method of receiving royalty

Case 4 Lump-sum payment + running royalty

fixed amount per unit of products sold (fixed amount × quantity of products sold)
(where collecting royalty based on the number of patent labels)

※ It is critical to figure out the exact amounts of products sold or shipped
(The licensees would probably be obliged to report to the licensor such amounts)

3. Current Situation of and Issues in the Contents of PBR Licensing Contracts ⑤

(2) Limitation on the Use of Registered Varieties

I Limitation on the Use of Registered Varieties for the Purpose of Breeding New Varieties

Provisions in the PBR licensing contracts for limiting the use of registered variety transferred to the licensee for the purpose of breeding new varieties

Are these provisions valid?

Plant Variety Protection and Seed Act
Article 21 (Limitation of the effects of the Breeder's Right)

(1) The effects of a breeder's right shall not extend to the following acts:
(i) exploitation of the variety for the purpose of breeding new varieties and for other experimental and research purposes;
[...]

In the light of Article 21(1)(i) of the Act (and the objectives of the Act), should these provisions be regarded as null and void?

3. Current Situation of and Issues in the Contents of PBR Licensing Contracts ⑥

“Guideline for the Use of Intellectual Property Rights in the Context of Antitrust Law ”

Part4 5(7) provides that restrictions relation to research and development activities by licensees in principal fall within the scope of unfair trade practices, since such acts may, in general, undermine competitions in future markets by affecting competitions in the field of research and development, and thus have anticompetitive effect.

Provisions in the PBR licensing contracts for limiting the use of registered variety transferred to the licensee for the purpose of breeding new varieties

Given Part4 5(7) of the Guideline, should these provisions be regarded as falling within the scope of “unfair trade practices”?

3. Current Situation of and Issues in the Contents of PBR Licensing Contracts ⑦

II Provisions for Cases where Mutants are Detected

Provisions in the PBR licensing contracts for having, where mutants such as bud mutation are detected in the population of registered variety, the ownership thereof or the title of applicant for variety registration transferred to the licensor, or for imposing the licensee an obligation to report to the licensor accordingly in the event of mutant detection

“Guideline for the Use of Intellectual Property Rights in the Context of Antitrust Law ”

Part4 5(8) provides that acts of a licensor to impose a licensee an obligation to have the rights in relation to improved technologies developed by the licensee transferred to him/her in general are regarded as with no good reason and fall within the scope of unfair trade practices, since such an obligation unfairly strengthens the status of the licensor in the market.

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Given Part4 5(8) of the Guideline, should these provisions be regarded as falling within the scope of “unfair trade practices”?

3. Current Situation of and Issues in the Contents of PBR Licensing Contracts ⑧

III Other Provisions

Provisions in contracts related to a variety on which a PBR has already terminated, for limiting the use of such varieties, or imposing the licensee an obligation to pay royalty for the use of such varieties.

→ Guideline for the Use of Intellectual Property Rights in the Context of Antitrust Law ” Part4 5(3)

Other provisions only favorable to the licensor sometimes are incorporated in the PBR licensing contracts, such as provisions for prohibiting the licensee from transferring propagating material even after the exhaustion of the PBR on it .

→ Guideline for the Use of Intellectual Property Rights in the Context of Antitrust Law ” Part4 4(2)

3. Current Situation of and Issues in the Contents of PBR Licensing Contracts ⑨

IV For Promotion of the utilization of PBRs

PBR Licensing Contract

- Necessary and sufficient provisions for ensuring PBR holders' benefits
- Appropriate PBR Licensing Contract

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Guidelines on PBR licensing Contract

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Promotion of the utilization of PBRs

4. Current Situation of and Issues in the Effectiveness of PBR Licensing Contracts ①

I Importance to safeguard the effectiveness of PBR licensing contracts

Necessary for ensuring that PBR holders are able to exercise their rights effectively against persons infringing their PBR.

[Special Provisions on Code of Civil Procedure]
(introduced by the amendment of Plant Variety Protection and Seed Act in 2007)

Facilitation of Damage Compensation through Civil Suit

- Additional Method for Presuming Amount of Damage
- Obligation on the Defendant to Clarify the “Specific Conditions” of his/her Acts
- Submission of Documents necessary for proving the act of infringement or for calculating the damages
- Expert Opinion for Calculation of Damages
- etc.

[Penalties on PBR Infringement]

Strengthened penalties on PBR Infringement by Amendment of Plant Variety Protection and Seed Act in 2007

4. Current Situation of and Issues in the Effectiveness of PBR Licensing Contracts ②

II Outsourcing of management work of PBRs

A burden on PBR holders to manage their PBRs by themselves.

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In order to promote the utilization of PBRs, it would also be necessary to give them an option to outsource those services.

[For Example New Business Scheme]

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    graph TD
      Settlor[Settlor-cum-Beneficiary (PBR holder)]
      Trustee[Trustee (Trust bank, etc.)]
      Farmer[Agricultural Cooperative, Farmer, etc.]
      PBR1[PBR]
      PBR2[PBR]
      Exp1[Exploitation Right]
      Exp2[Exploitation Right]

      Settlor -.->|Technical guidance, advice on cultivation (as necessary)| Trustee
      Settlor -->|Trust contract| Trustee
      Trustee -.->|Directions on the utilization of PBRs| Settlor
      Trustee -->|Payment of dividends| Settlor
      Trustee -->|License| Farmer
      Farmer -->|Payment of a royalty| Trustee
      Settlor -->|License (no royalty)| Farmer
      Settlor -->|Sale and Transfer of PBR| Farmer
      Farmer --> Exp1
      Farmer --> Exp2
  
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Thank you for your attention!

If you have any questions, please send me e-mails.
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