The Nadorcott case
C-176/18

CJEU’s decision. Consequences for legal practice and challenges

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Main facts of the Nadorcott case.

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Consolidated Spanish *case-law* (so far!) on the interpretation of article 13.2/3 of Regulation 2100/94.

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MAIN FACTS OF THE NADORCOTT CASE
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1. **Key milestones on Nadorcott’s protection**
   - **August, 22nd 1995**: Nadorcott variety submitted for plant variety protection before the Community Plant Variety Office (CPVO). The application was published on **February, 26th 1996**.
   - **February, 15th 2006**: The CPVO definitively granted a Community plant variety right in respect of the mandarin tree variety Nadorcott, following an appeal with suspensive effect that was brought against the first decision on its grant (decision which took place on October, 4th 2004 and was published on December, 15th 2004).

2. **Acts undertaken by the defendant**
   - **2005**: The defendant (allegedly) acquired plants of the Nadorcott variety from a nursery (provisional protection period).
   - **2005 and 2006**: Some of the referred plants were (allegedly) planted in the spring of 2005 (provisional protection period) and others in the spring of 2006 (definitive protection period) and in subsequent years.

3. **Claim brought by CVVP**
   - CVVP brought different legal actions against the defendant in respect of the acts undertaken by him (tree planting, conditioning for production, harvesting and fruit marketing) **prior to the granting of the Nadorcott variety protection** (art. 95 of Regulation 2100/94) **and after that date** (art. 94 of Regulation 2100/94):
     - Cessation of all those acts, including marketing of the fruit obtained from the trees of that variety, and compensation for the damage suffered as a result of the acts undertaken by the defendant **both during and after the provisional protection period** (depending on the different rights attached to each period).
Main facts of the Nadorcott case

Timeline

**Acts undertaken by the defendant**

2005: Tree exploitation
Nadorcott trees were planted by the defendant with a commercial purpose (no consent from breeder).

2006: Tree exploitation
Nadorcott trees were kept in production & planted with a commercial purpose (no consent from breeder).

Tree planting, conditioning for production, harvesting and fruit marketing

1995: Filing
CPVR application for the variety Nadorcott was filed.

1996: Publication
CPVR application for the variety Nadorcott was published.

2006: Granting
CPVR application for the variety Nadorcott was granted.

Provisional protection period

Definitive protection period

Key milestones on Nadorcott’s protection
“Chaotic” Situation during the Provisional Protection Period
“CHAOTIC” SITUATION DURING THE PROVISIONAL PROTECTION PERIOD

- **Massive exploitation of the Nadorcott variety on a non-consensual basis:** During the provisional protection period, that lasted 10 years (since February, 26\textsuperscript{th} 1996 until February, 15\textsuperscript{th} 2006), there were a very large number of growers (an estimation over 30 nurseries and 700 growers) who exploited the said variety without any sort of consent or agreement with the applicant.
  - Non consented sales from plant-nurseries; non consented grafting from other exploitations; non consented fruit marketing, etc. Devaluation of licenses entered into with other growers.

- This situation led to an enormous number of legal proceedings (extra-judicial and judicial) initiated against infringers once the protection was granted:
  - About **200 out-of-court settlements** following the sending of cease-and-desist letters.
  - Nearly **100 legal proceedings** against those who kept exploiting, on a non-consensual basis, the Nadorcott variety after the granting of the Community plant variety right (tree planting, conditioning for production, harvesting and fruit marketing).

- **Claimant applied the following strategy:**
  i. The acts of tree planting, conditioning for production and harvesting of its fruits for commercial purposes, should be qualified as “operation[s] of production or reproduction (multiplication)” of components of the variety, within the meaning of Article 13.2 of Regulation 2100/94; and
  ii. In cases where the plants from which the harvested material was obtained were kept in production during the so-called provisional protection period, Article 13.3 of Regulation 2100/94 should also be applied.
CONSOLIDATED SPANISH CASE-LAW (SO FAR!)
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- Thesis sustained by Spanish Courts for more than a decade on the application of Articles 13.2 and 3 of Regulation 2100/94: where the plants from which the harvested material was obtained were kept in production after the publication of the application for its protection (provisional protection period), but prior to the grant of the legal protection, and after that moment:
  - Exercise of the corresponding rights concerning harvested material in both provisional or definitive period of protection, during which the components of the variety were commercially exploited without consent/knowledge.
  - The concept of 'production' necessarily covers acts related to planting and harvesting of fruit with a commercial purpose (art. 13.2 Regulation 2100/94).
  - Therefore, keeping the plants in production constitutes an infringement (when planted before the PVR granting without consent).

- E.g. Judgment No. 394/2012 of June, 7th 2012 issued by the Murcia Provincial Court, Fourth Section:

  "The protection of the holder of the exploitation right also extends to the product of the harvest or harvested material, albeit in a subsidiary manner, as it only allows it if it has not been possible to exercise his rights against the reproduction or multiplication material. (...) The production and marketing of the fruit of the protected variety "Nadorcott", carried out by the defendant since 15 February 2006, date of effectiveness of the ownership of such plant variety, constitutes a prohibited act included in the aforementioned article 13.2 of the Regulation, and generating the legal consequences foreseen in article 94 of the Regulation. And, as we have stated above, the fact that the grafting of the 2,807 trees with the "Nadorcott" variety in June 2005 (this is, prior to the granting; 15 February 2006), does not impede the exercise of the actions brought in this respect by the plaintiff, as the appellant claims."
CONSOLIDATED SPANISH CASE-LAW (SO FAR!)

Positive impact

- The issuance of more than 20 judgments of four different Spanish Courts (Section 3 of the Provincial Court of Granada, Section 4 of the Provincial Court of Murcia, Section 5 of the Provincial Court of Zaragoza and Section 9 of the Provincial Court of Valencia) which upheld the aforementioned thesis meant that:
  
  i. **Non-authorized growers CEASED to carry out acts of reproduction of the Nadorcott variety** (tree planting, conditioning for production, harvesting and fruit marketing) during both provisional and definitive period of protection.

  ii. **Potential growers who intended to carry out the said exploitative acts were RESTRAINED** due to the legal consequences established by the Spanish Courts.

- Following the consolidation of this case law:
  - Cooling down of the “chaotic” situation that arose during the provisional protection period.
  - Balance of the legal-economic system.
  - Stability of the agricultural sector; full legal certainty for all stake-holders.
  - Growers cannot evade legal responsibilities by just planting during the provisional protection period.
CJEU’s decision: Restatement of infringements and its consequences
CJEU’s decision: Restatement of Infringements and Consequences

According to the Court:

• The words ‘production’ and ‘reproduction’ used in Article 13.2 a) of Regulation 2100/94 refer to acts by which new variety constituents or harvested material are generated. [Para. 26 CJEU ≠ Para. 31, 31 AGO].

• Harvested material might only operate under art. 13.2.a) of the Regulation if it is liable to be used as propagating material for plants of that variety [Para. 28 CJEU]. (N.B.: “…likely…” in the Court’s conclusion + element not considered throughout the judicial stages, nor in the question submitted for preliminary ruling).

• The planting of Nadorcott variety and the harvesting of the fruits from plants of that variety may not be regarded as an ‘act of production or reproduction (multiplication)’ of variety constituents within the meaning of Article 13.2 a) of Regulation No 2100/94. [Para. 29 CJEU]. It would be subject to art. 13.3 of Regulation.

• Fruit obtained from plants propagated and sold during the provisional protection period, may not be regarded as obtained through unauthorized use under art. 13.3 of Regulation, since no ius prohibendi existed [Para 44-46 CJEU].

The CJEU now limits the list of infringements that Spanish case-law so far admitted in relation to plant breeders' rights.

In particular, the thesis sustained by Spanish Courts for more than a decade does not longer apply; therefore, “keeping the Nadorcott plants in production” (when they were planted before the protection granting and kept in production after such granting) is no longer an infringement.
CJEU’s decision: Restatement of Infringements and Consequences

- **Consequences!!**:  
  1. Breeders will have to seriously reconsider whether to bring a variety on the market before its granting, since it could be very small incentives for them to commercialize it during the provisional protection period—it may be counterproductive; and such period might be really long--; and  
  2. In case they do so, licensed growers are unlikely to get a real advantage if the market is flooded with fruit obtained from non-licensed growers.

- This might be particularly relevant in plant varieties like fruit trees analogous to Nadorcott since the reproduction material usually has a really long life (the trees keep producing harvested material for decades) and the harvested material (the fruit itself) concentrates the added value.

- The impact that the consolidation of such an interpretation might be highly counterproductive to the legal-economic system and will materially inhibit the early introduction of this sort of new and improved varieties - the development of which requires a great deal of effort, investment and years of testing- on the market, to the detriment of all those who participate in and benefit from the agricultural production chain.

- Not only the plant breeder’s ordinary expectations may disappear (those based on a solid IP Law right), but also the economic interests of producers, traders and consumers may be seriously undermined.
### Acts undertaken before the granting (provisional protection period)

**a) Multiplication by the nursery; planting, harvesting and fruit marketing by the grower:**

- Impossibility to act against grower, not even reasonable compensation.
- CVVP can never act against the trees or the fruit.
- It can only be claimed reasonable compensation from the nursery (50% royalty in Spanish case-law) but, in practice, it is very difficult to find out which nursery carried out multiplication acts.

**b) Grafting (multiplication), harvesting and fruit marketing by the grower:**

- It can only be claimed reasonable compensation from the grower (50% royalty)
- CVVP can never act against the trees or the fruit.

### Acts undertaken after the granting (definitive protection period)

**a) Multiplication by the nursery; planting, harvesting and fruit marketing by the grower:**

- Impossibility to claim compensation from the grower by CVVP.
- CVVP will not be able to act against the trees, but will be able to act against the fruit if he/she can prove that:
  - The trees have been multiplied after the PVR grant without his consent.
  - He has had no reasonable opportunity to act against the trees.
- Bringing actions concerning the fruit in each campaign??

**b) Grafting (multiplication), harvesting and fruit marketing by the grower:**

- The only scenario in which *Ius Prohibendi* can be fully exercised: Compensation against the grower and action against the trees.
- Legal actions against the fruit?