Japanese Legal System relating to Plant Breeders’ Rights Licensing Contracts and its Current Situation

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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

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Outline

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1. PBR Licensing Contract

PBR holder → License → User (Agricultural Cooperative, Farmer etc.) → Payment of a royalty

Necessary and sufficient provisions for ensuring PBR holders’ benefits → Appropriate PBR Licensing Contract → Promotion of the utilization of PBRs → Effective PVP system

2. Legal System relating to PBR Licensing Contracts

1. Authorization of PBRs

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

   1. 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.

   2. 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 the Act or to the extent laid down in the contract granting the right.

   ※ Grant of an exclusive exploitation right takes no effect unless it is registered in the Register of Plant Varieties (Article 32(1)(ii))
### 2. Legal System relating to PBR Licensing Contracts

#### (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

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#### 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.

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**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

“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) The Contents of PBR Licensing Contracts

<table>
<thead>
<tr>
<th>Points of the contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Defining the Variety for which the Authorization is Given</td>
</tr>
<tr>
<td>II. Defining the Scope of the Authorization - acts to be permitted - periods, place and maximum area for which the authorization is given</td>
</tr>
<tr>
<td>III. Provisions for Royalty (amount and payment methods)</td>
</tr>
<tr>
<td>IV. Provisions for the Use of Farm-saved Seeds (prohibition or authorization)</td>
</tr>
<tr>
<td>V. Provisions for the Obligation to Report Sales Amount or to Accept Inspections</td>
</tr>
<tr>
<td>VI. Provisions for the Rules on the Use of Variety Denomination or Labeling</td>
</tr>
<tr>
<td>VII. Provisions for the Further Transfer of Seeds</td>
</tr>
<tr>
<td>VIII. Provisions for Claimable Amount and Jurisdiction</td>
</tr>
</tbody>
</table>

There was a dispute case in which the cultivation has been done in an area exceeding the maximum area.

It is critical to figure out the exact amounts of products sold or shipped. There was a case in which a high rate of claimable amount was given.

There was a case where 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

Case 4 Lump-sum payment + running royalty

Examples for method of receiving royalty

Case 1 Fixed payment

Case 2 Payments based on the quantity of products sold (running royalty)

Case 4 Lump-sum payment + running royalty

(2) Limitation on the Use of Registered Varieties

Limitation on the Use of Registered Varieties 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:
   (a) exploitation of the variety for the purpose of breeding new varieties and for other experimental and research purposes;
   (b)...

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

“Guideline for the Use of Intellectual Property Rights in the Context of Antitrust Law” Part 4 5(7) provides that restrictions relating to research and development activities by licensees in principal fall within the scope of unfair trade practices, since such acts may, in general, undermine competitiveness 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 Part 4 5(7) of the Guideline, should these provisions be regarded as falling within the scope of “unfair trade practices”?
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”

Part 4 §(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.

Given Part 4 §(8) of the Guideline, should these provisions be regarded as falling within the scope of “unfair trade practices”?

For Promotion of the utilization of PBRs

- Necessary and sufficient provisions for ensuring PBR holders’ benefits
- Appropriate PBR Licensing Contract
- Guidelines on PBR licensing Contract
- Promotion of the utilization of PBRs

Outsourcing of management work of PBRs

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

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

Thank you for your attention!

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

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