

Final Report UPOV Expert Group

on articles 14 (1) (2) & 16 UPOV 1991

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Terms of Reference, Annex to document CAJ/81/5 Add

- 1) Analysis of the intentions of the drafters of the 1991 Act of the UPOV Convention in relation to the “Scope of the Breeder’s Right” in Article 14(1) and (2) of the 1991 Act, including the notions of “unauthorized use” and “reasonable opportunity” and the relationship with the “Exhaustion of the Breeder’s Right” in Article 16 of the 1991 Act; and
- 2) Summaries of relevant court cases from UPOV members bound by the 1991 Act.

List of documents used

- UPOV 1978
- CAJ VIII/5, October 1981
- CAJ/VIII/6, November 1986
- CAJ/XIX/11, 1 April 1987 Report – start of the revision
- CAJ/XXII/2, of April 18-21 1988 Revision of the Convention
- IOM IV/2. October 9-10 1989 fourth meeting with the International Organizations
- CAJ/XXV/2, ANNEX II October 11-13 1989 Proposal of the “cascade”
- CAJ XXV/2, 11-13 October 1989 Report of the meetings
- CAJ 27/8, June 25-29 1990 Report of the meetings
- IOM/V/2, October 10-11 1990 fifth meeting with the International Organizations
- CAJ 28/6, October 12-16 1990 Report of the meetings
- Records of the Diplomatic Conference 1991

Introduction

- The Expert Group analyzed the history of the 1978 and 1991 UPOV Conventions and the intentions of the drafters, for the concepts of article 14(2) of UPOV 1991, viz. “unauthorized use”, “reasonable opportunity”, “propagating material” and “harvested material”, by studying the preparatory papers and the records of the diplomatic conferences, together with the relevant jurisprudence.
- The study on the concepts of “propagating material” and “harvested material” are not used in the final report.
- On the basis of these extensive studies, the Group arrived at the following conclusions:

Unauthorised use

- Any use specified in Article 14 (1) (a) UPOV 1991, including any use conditioned under Article 14 (1) (b), of propagating material of a protected variety, requires authorisation of the owner of the breeder's right related to that variety. It is otherwise an unauthorised use.
- The notion “unauthorised” in Article 14 (2) UPOV 1991 relates to the authorisation of the holder of the breeder's right at issue and not to the legal status of the propagating material used for obtaining the harvested material.
- It is irrelevant whether the use of the propagating material outside the territory where the respective breeder's right is granted, valid and enforced, is covered by any proprietary right or not, i.e. legally or illegally used.

Unauthorised use

- The authorisation of the breeder's right holder is required for all acts specified in Article 14 (1) (i)-(vii) UPOV 1991, also related to the harvested material so obtained outside the validity of the respective breeder's right, when that harvested material enters into and is distributed in the territory where the respective breeder's right is valid.
- As the harvested material then fulfills the cumulative requirements “unauthorised use” and “no reasonable opportunity to exercise his right”.
- Any other exercising of that right, e.g. by claiming royalties, at the same time constitutes “exercising of the breeder's right at the earliest possible stage” within the cascade.
- Summary: “*Unauthorised use*”: the use of propagating material of a protected variety, without the authorisation of the holder, for the production of the resulting harvested material within or outside the territory where the variety is protected and, in the latter case, where the possibly imported harvested material falls under the protection of article 14(2) UPOV 1991.

Unauthorised use

For example the Melanie case

- The harvested material was obtained in France, where the variety was not protected.
- The holder could exercise his German PVR on the imported harvested material in Germany, as the propagating material, with regard to his PVR in Germany, was used unauthorised in France.
- And he had no reasonable opportunity to exercise his German right in France.

Reasonable opportunity

- The “*reasonable opportunity*” clause was introduced during the 1991 Diplomatic Conference as a flexible alternative to stricter proposals (“no legal possibility” / “in spite of all due care”) and it had not appeared in the 1978 Act or earlier texts.
- Its primary function is to ensure proportionality: downstream enforcement over harvested material is permitted only when breeders lacked a realistic chance to exercise rights earlier at the propagation stage.
- The distinction drawn at the Conference between “exercise” of rights (e.g., licensing or royalty collection) and “enforcement” (legal remedies) confirmed that “*reasonable opportunity*” pertains primarily to the former: whether the breeder had a commercially meaningful chance to intervene upstream.
- The clause is territorial and fact-based, assessed according to the specific circumstances of each case.
- Summarised: “*reasonable opportunity*”: has emerged as the decisive threshold for applying the cascade principle and prevents retroactive or opportunistic claims while ensuring breeders are not deprived of protection when upstream exercise is legally or practically impossible.

The relationship between Article 14 and Article 16 UPOV 1991:

- Where, according to Article 16, the breeder's right is exhausted, article 14 can no longer be invoked by the breeder with regard to the respective material.
- In case of further propagation of the material that has been put on the market, the breeder's right "revives."
- The further use of harvested material, wherefore the breeder's right has been exhausted - like rose bushes or tulip bulbs - for the production of flowers, can be controlled by the provision under Article 14(1)(b): "The breeder may make his authorization subject to conditions and limitations".
- So, for the rose bushes / tulip bulbs, produced by propagating material like cuttings, the breeder's right on this harvested material is exhausted. The holder may at the moment of exercising his right on the propagating material, conclude a license contract in which the conditions are stipulated for the use of the harvested material (bushes /bulbs) to produce flowers therefrom.

The relationship between Article 14 and Article 16 UPOV 1991

- If propagating material, or material that can be used as propagating material, of a protected variety is sold to a party that exports this material to a territory where there is no breeder's right available for the species to which this variety belongs, the breeder's right is not exhausted.
- That means that the holder can exercise his right on the imported harvested material produced from this propagating material, as the harvested material has been produced unauthorized in relation to the non-exhausted breeder's right and the holder had no reasonable opportunity to exercise his right in that other territory.

PART TWO – CASE LAW

Melanie No reasonable opportunity to exercise the right in the exporting country where the variety was not protected

Amethyst The protected exported harvested material, was to be regarded as propagating material

Erntegut The Holder had no knowledge of the use of his variety so he had no reasonable opportunity to exercise his right

Cilena Table potatoes were used as propagating material so the right was not exhausted

Goldfinger The Court held that the defendant infringed the plaintiff's plant variety rights by selling propagating material

Amaryllis Bulbs fall under the definition of propagating material since they are intended to serve for the cultivation of plants

Franklin Farmer's Privilege: Holder could have imposed a royalty on the farmers at the point of first allocation and distribution

Shitake Infringement based on morphological and genetic similarity between the infringing mushrooms and the registered variety

Nardocott Propagation during provisional protection it is not considered unauthorized (see also IFG Vine)

Kanzi Any person acquiring the plant material further downstream cannot rely on the doctrine of exhaustion

IFG Vine Fruits obtained from trees planted during the provisional protection period, cannot be considered as obtained through unauthorized use even if they were harvested after the grant of the Community plant variety right

Sun World A contractual clause conferring on the holder the power to determine the persons who alone will be entitled to distribute the fruits obtained by the producer, is null and void as contrary to public order

Questions

Japan and USA:

Is the term “primary/primarily” necessary here, as there is no flexible application intended?

Report: conclusions, page 40, paragraph 9, :

- Its *primary* function is to ensure proportionality: downstream enforcement over harvested material is permitted only when breeders lacked a realistic chance to exercise rights earlier at the propagation stage.
- The distinction drawn at the Conference between “exercise” of rights (e.g., licensing or royalty collection) and “enforcement” (legal remedies) confirmed that *reasonable opportunity* pertains *primarily* to the former: whether the breeder had a commercially meaningful chance to intervene upstream.

Questions USA:

Throughout: In the document, the phrase “earliest possible stage” appears in several places (for example in 9.5.2). How do the authors view this as being interpreted in practice? Does this refer strictly to a commercial stage, or could it be read as reaching back into a research or pre-commercial phase? Some additional clarity on how this wording is understood could be helpful in future discussions.

Scope of protection: The report mainly addresses scenarios in which harvested material comes back into a country in which the variety is covered by protection. It seems less explicit on situations where unauthorized propagation takes place entirely within the territory of protection (i.e., the material never leaves the country). Did the authors consider purely domestic scenarios?

Questions Japan:

In para 20 (page 37) “20. The use of harvested material like plants or bulbs for the production of derived material like flowers, does not fall under the exhausted breeder’s right, where paragraph 14(1)(b) can be used to exercise the right on that material.”

We would like clarification on this para whether it means that UPOV 1991 Convention Article 14(1)b (conditions and limitations) exercised in relation to Article 14(1) a, is the basis for authorization on the use of harvested material, and any breach of such conditions or limitations will not be exhausted?

Question | Suggestion AIPH

AIPH considers that the expert group which did not analyse the current case law based on their findings, as a missed opportunity.

Because the expert group is independent and not politically or commercially bound, AIPH suggests that the group is best suited to test the results of its analysis of the presented cases against existing jurisprudence and draw conclusions.

This further study would benefit not only a well-functioning horticultural industry, but also the UPOV system itself.

Thank you

Any more questions?