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In which cases does planting trees and harvesting their fruit infringe a plant variety right?

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The content and consequences of the Judgment of the Court of Justice of the European Union (CJEU) of 19 December 2019, Club de Variedades Vegetales Protegidas, C-176/18, EU:C:2019:1131 are analysed

1. Preamble

The CJEU has just given an important judgment, dated 19 December 2019, in case C-176/18, in which it addresses some central problems on the scope of protection of intellectual property rights conferred by a plant variety right.

The judgment is given in response to the questions referred by the Spanish Supreme Court in a dispute in which the holder of a Community plant variety right in respect of a mandarin tree variety sued a farmer who, in the time between publication of the application for a Community plant variety right and grant thereof, had purchased plants belonging to the variety from a nursery that was open to the public and planted them. In such circumstances, the main problem lies in determining whether the act of planting the trees and putting them into production violates the breeder's right.

2. Cumulative protection of the breeder's right

The International Convention for the Protection of New Varieties of Plants (Art. 14 of the Act of 1991) and - based thereon – Council Regulation (EC) No 2100/94 on Community plant variety rights (Art. 13) and the Plant Variety Rights (Legal Regime) Act 3/2000[1] (Art. 12), structure the protection of plant varieties in three levels. Thus, they establish a first level of protection, granting the exclusive right to carry out a series of actions in respect of the propagating material of the protected variety (production or reproduction – multiplication -, conditioning for the purposes of propagation, offering for sale, selling or other marketing, exporting, importing, or stocking for the foregoing purposes).

Alongside this first level, and in the alternative (Art. 13(3) of the EU Regulation and Art. 13(1) of the Spanish Act), the holder of the plant variety right is entitled to take action against acts, not in respect of the propagating material of the variety, but in respect of the product of the harvest if it has been obtained through the unauthorised use of variety constituents of the protected variety, provided that the holder has not had reasonable opportunity to exercise his or her right in relation to the said variety constituents.

Finally, the said Convention entitles breeders to prohibit, in the alternative, acts performed in respect of products made directly from harvested material of the protected variety, through the unauthorised use of the said harvested material, provided that the breeder has not had reasonable opportunity to exercise his or her right in relation to the said harvested material. However, and despite the fact that Regulation (EC) No 2100/94 allows the implementing rules of the regulation to make use of this option, this possibility has not materialised in the implementing rules. And in Spain, although this option was incorporated in Royal Decree 1261/2005 approving the Plant Variety Rights Regulations (Art. 7(1)), this provision was quashed by the Judgment of the Supreme Court (Judicial Review Division, Fourth Chamber) of 5 June 2007.

3. The breeder's right and fruit production

3.1. *Possible interpretations*

So far, there has been a debate as to whether the act of putting a plant into production for the generation of fruit is an activity that can be prohibited by the holder of a plant variety right and, if so, which of the levels of protection would apply. The debate concerns cases where the plant is acquired and not reproduced, but simply planted to obtain the product of the harvest. This is always based on the assumption that the fruit cannot be used as propagating material for new plant varieties.

According to a first line of interpretation, this type of behaviour would fit into the first level of protection of a plant variety (that of Art. 13(1)(a) of Regulation (EC) No 2100/94

[1] Ley 3/2000 de régimen jurídico de la protección de las obtenciones vegetales.

and Art. 12 of the Spanish Act), and would therefore require the authorisation of the right holder. On the other hand, another argument is that acts consisting of planting specimens of a variety in order to obtain its fruit and then market it fall into the second level of protection, since they would not constitute acts performed in relation to the propagating material, but in relation to the products of the harvest. Therefore, they can only be prohibited if the right holder has not had reasonable opportunity to exercise his or her right in relation to the acts carried out with the propagating material.

3.2. *The CJEU's interpretation*

In its judgment of 19 December 2019, the CJEU adopts the second of those interpretations and concludes (para. 29) that "the planting of such a protected 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 Art. 13(2)(a) of Regulation No 2100/94, but must rather be regarded as the production of harvested material which, pursuant to that provision read in conjunction with Art. 13(3) of that regulation, requires the authorisation of the holder of a Community plant variety right only where that harvested material was obtained through the unauthorised use of variety constituents of the protected variety, unless that holder had reasonable opportunity to exercise his or her right in relation to those variety constituents".

The CJEU bases its interpretation on the fact that first-level protection, or "primary protection" in the court's words, applies only to harvested material of the protected variety that is liable to be used for propagation purposes (para. 29). In addition, to consider that the entry into production fits into the first level would mean that the second level would be deprived of any usefulness, and "the public interest in safeguarding agricultural production, referred to in the 17th and 18th recitals of Regulation No 2100/94, would potentially be compromised" (paras 33 and 34). Finally (para. 37), the preparatory work for the convention (Art. 14(1)(a)) is also mentioned, which would make it clear that "the use of propagating material for the purpose of producing a harvest was explicitly excluded from the scope of that provision which establishes the conditions for the application of primary protection, which corresponds to that of Article 13(2) of Regulation No 2100/94".

4. Provisional protection of an application for a plant variety right

On the basis of that conclusion, the CJEU also considered whether the fruit of a plant variety, which is not liable to be used as propagating material, is to be regarded as having been obtained through the 'unauthorised use of variety constituents' of that plant variety, where those variety constituents were propagated and sold to a farmer by a nursery in the period between the publication of the application for Community protection and the actual grant of that protection. In other words, the applicability of the second level of protection of a plant variety in these cases is examined.

In fact, in Spain, different courts have understood that the application of the second level of cumulative protection of the breeder's right comes into play in these cases, because the holder of the right would not have had the opportunity to exercise it in relation to the acts carried out with the propagating material (which form part of the first level). And the holder could not have done so because when these acts took place his or her right had not yet been granted.

However, the CJEU rejects that interpretation, considering that the provisional protection of the application for a plant variety right (Art. 95 of the Regulation) only involves the possibility of claiming reasonable compensation, but does not confer any other rights, such as the right to authorise or prohibit the use of variety constituents of that plant variety during that period. Therefore, "in so far as the propagation and sale to [the farmer] of plants of the protected variety at issue in the main proceedings was effected during the period referred to in Art. 95 of Regulation No 2100/94, those acts may not be regarded as 'unauthorised use'" (para. 45 of the judgment).

Thus, fruit obtained from those plants may not be regarded as having been obtained through unauthorised use within the second level of protection, even if harvested after the Community plant variety right was granted

On the other hand, the holder of the breeder's right may exercise his or her right in respect of acts of offering for sale and selling or other marketing of the fruit of a protected variety when the plants have been acquired after the grant of the right; provided that the holder has not had reasonable opportunity to exercise his or her right in relation to the plant variety as regards the nursery which propagated and sold the variety constituents.

5. Consequences

The CJEU's interpretation means that the contracts - very widespread in practice and referred to as cultivation licences - concluded by farmers when they acquired the plants, would not be genuine plant variety licence contracts, since mere putting into production would not require the breeder's authorisation (except in the aforementioned cases).

However, this does not necessarily mean that these contracts are not valid. In fact, in the debate that preceded this judgment, it was already indicated that these would be "farm contracts" stipulating a number of conditions to be observed by the farmer and providing for the payment of certain amounts according to the volume of fruit produced and marketed. In other words, it would be a contract concluded under the cover of party autonomy, in which the farmer would assume a number of obligations. In fact, the Legal Working Group established *ad hoc* by the Administrative Council of the Community Plant Variety Office has stressed that it is not possible to exercise the breeder's right directly in respect of acts performed in relation to the product of the harvest (which means that it is unnecessary to have a plant variety licence), without prejudice to the possibility of contracts entered into with growers where title holders can impose limitations on the exercise of the right. *Report of the Ad-Hoc Legal Working Group to the*

Administrative Council. Summary of the discussions (June 2012 - January 2015) (DOC-AC-2015-1-16-Annex 1-EN), pg. 58].

However, although party autonomy allows for the conclusion of this type of contract, it should be borne in mind that this type of contractual provision must also comply with competition law, as well as the requirements established for the incorporation and validity of standard contractual clauses.