

## CPVO Seminar

**“Various aspects of enforcement of plant variety rights – test purchases of protected multiplying material (seed) and enforcement of the rights of plant breeders and competitors in relation to such test purchases”**

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## Various aspects of enforcement of plant variety rights

- A. Introduction regarding Black Market and possible legal reactions of PVR holder and competitors
- B. Claims of PVR holder
- C. Claims of competitors
- D. Different alternatives of Black Market Sales
  1. Black Market Sale I - Variety A Offered - Variety A Purchased
  2. Black Market Sale II - Variety A Offered - Variety B Purchased
  3. Black Market Sale III - No specific Variety Offered – No specific Variety Identifiable
- E. Multiplication by Splitting Plants

## A. Introduction

- The PVR holder's and competitors' rights are often infringed by so called Black Market sales
- The Black Market offers and sells seed illegally
  - A farmer offers seed / plants by way of advertisements in journals
  - Subsequently follows a purchase of the seed / plants

## A. Introduction

- The following infringements can be detected by way of a test purchase
  - Infringements of PVR:
    - Only PVR holder is entitled to offer and/or sell propagating material
      - Infringement by way of offering propagating material of a specific variety
      - Infringement by way of selling propagating material of a specific variety

## A. Introduction

- Infringement of unfair competition laws:
  - According to the German Seed Marketing Act (*SaatG*), only certified seed may be offered and sold
  - Infringing farmers take advantage in the competition as they do not have to pass the expensive certification process
  - Placing uncertified seed on the market therefore violates the provisions of the Act against Unfair Competition (UWG)
    - Infringement by offering non-certified seed of the respective species
    - Infringement by selling non-certified seed of the respective species
  - Claimant: not necessarily PVR holder, but any competitor dealing with the same species

## A. Introduction

- Two legal consequences possible (determined by the law and objects of protection being infringed):
  - Infringement of Plant Variety Law
    - Intellectual property right is infringed → Claim of PVR holder
  - Infringement of Unfair Competition Law
    - The fair competition is infringed, as a competitor does not abide by the law – the provisions of the SaatG – and takes an advantage thereof → Claim of competitors

## B. Claims of PVR holder

- Directive 2004/48/EC aims to a better enforcement of intellectual property rights
- Directive 2004/48/EC is not applicable directly in the Member States
- German SortG had to be amended in order to implement the claims; introduction by Directive 2004/48/EC (Amendment 2008: sec. 37a to sec. 37e SortG, some of these claims existed according to German law already before this amendment)
- Regarding varieties protected according to SortG: sec. 37a to sec. 37e SortG are applicable directly
- Regarding varieties protected according to GemSortV: art. 97 GemSortV declares national law as applicable with regard to restitution. Thus, in case EU-variety rights are infringed, the claim for destruction (sec. 37a (1) SortG) is not applicable as it is not related to restitution. All other claims are applicable
- For full enforcement of all of the rights introduced by Directive 2004/48/EC, an amendment of art. 97 GemSortV would be necessary (shall declare national law with regard to an infringement of plant variety rights applicable, cf. art. 14 Community Trade Mark Regulation)

## B. Claims of PVR holder

1. Claim for injunctive relief
2. Claim for information vis-à-vis the farmer regarding information and accounting
3. Claim for information vis-à-vis the farmer regarding the channels of distribution
4. Claim for information vis-à-vis third parties regarding the channels of distribution
5. Claim for damages
6. Claim for recall and definitive removal from the channels of commerce
7. Claim for destruction
8. Claim for presenting evidence, which lies in the control of the opposing party
9. Claim for presenting banking, financial or commercial documents
10. Claim for publication of judicial decisions
11. Penal claims

## B. Claims of PVR holder

### 1. Claim for injunctive relief

- According to sec. 37 (1) no. 1 German Plant Variety Act (SortG); art. 94 (1) no. 1 Community Plant Variety Regulation (*GemSortV*)
- With regard to the specific variety only (not the whole species)
- To prevent any future infringements
  - The farmer forfeits a (contractual) penalty in case of a future offering and/or selling of propagating material of the specific variety
  - In case of a court decision: the contractual penalty is replaced by a payment to the treasury

## B. Claims of PVR holder

2. Claim for information vis-à-vis the farmer regarding information and accounting
  - Regarding varieties protected by German law: sec. 37 (2) SortG, sec. 242, 259 German Civil Code (*BGB*)
  - Regarding varieties protected by EU law: art. 97 GemSortV, sec. 37 SortG, sec. 242, 259 BGB
  - Claim of information and accounting regarding further infringements due to the offer and the sale of propagating material of the specific variety (regarding all infringements from the time of the granting of the respective PVR to the present)
  - This claim is a so called auxiliary claim to the claim for damages. PVR holder shall receive information to enable him to specify all possible damage

## B. Claims of PVR holder

3. Claim for information vis-à-vis the farmer regarding the channels of distribution
  - Equates art. 8 Directive 2004/48/EC
  - According to German law already since 1990
  - Regarding varieties protected by German law: sec. 37 b SortG
  - Regarding varieties protected by EU-law: art 97 GemSortV, sec. 37b SortG
  - Claim regarding the origin and channels of distribution of the goods, e.g., information regarding the names and addresses of the producers, the distributors and other previous owners, the commercial customers or clients as well as information regarding the quantity of the produced, delivered, obtained or ordered material
  - This claim shall entitle PVR holder to get information regarding further possible infringers (e.g. clients of the farmer or processors who provided illegal processing services to the farmer)

## B. Claims of PVR holder

4. Claim for information vis-à-vis third parties regarding the channels of distribution
  - Equates art. 8 Directive 2004/48/EC
  - Regarding varieties protected by German law: sec. 37b SortG
  - Regarding varieties protected by EU-law: art. 97 GemSortV, sec. 37b SortG
  - Only in case of an evident PVR infringement
  - Claim vis-à-vis any third parties having been – generally – involved in the production, processing or distribution of the infringing goods on a commercial scale
  - Claim regarding:
    - the origin and channels of distribution of the goods
  - This claim shall entitle PVR holder to get even further information regarding possible infringers as even third parties have to name further possible clients and/or possible processors

## B. Claims of PVR holder

### 5. Claim for damages

- According to sec. 37 (2) SortG; art. 94 (1) and (2) GemSort
- **German law:** In case of culpable infringement of PVR holder's rights (sec. 37 (2) SortG)
- **Community law:** A reasonable compensation has to be paid even without a culpable infringement (art. 94 (1) GemSortV)
- Additionally the holder may claim further damages in case of a culpable infringement (art. 94 (2) GemSortV)
- Also the costs for a test purchase may be claimed as damage according to sec. 37 (2) SortG; art. 94 (1) and (2) GemSortV

## B. Claims of PVR holder

### 5. Claim for damages

Three different ways to calculate the claim for damages:

- License analogy
  - The most common way to calculate the claim for damages (in Germany)
  - The respective license fee of the specific variety
- Infringers profit
  - In case a license fee does not exist
  - Infringer's purchase price minus the production price
- Lost profit
  - In case a license fee does not exist
  - Price for certified seed minus the production price
- Purchase price and price for certified seed typically varies, thus different amount which may be claimed

## B. Claims of PVR holder

6. Claim for recall and definitive removal from the channels of distribution
  - Equates art. 10 (1) lit. a) and b) of Directive 2004/48/EC
  - Regarding varieties protected by German law: sec. 37a (2) SortG
  - Regarding varieties protected by EU-law: art 97 GemSortV, sec. 37a (2) SortG
  - Recall/removal shall not be disproportionate (sec. 37a (3) SortG)
7. Claim for destruction
  - Equates art. 10 (1) lit. c) of Directive 2004/48/EC
  - According to German law since 1990
  - Regarding varieties protected by German law: sec. 37a (1) SortG
  - Regarding varieties protected by EU-law: claim is not applicable as it does not relate to restitution!
  - Destruction shall not be disproportionate (sec. 37a (3) SortG). Risk that the claim may be negated by the courts as groceries (e.g. potatoes) would be destroyed

## B. Claims of PVR holder

8. Claim for presenting evidence being in the control of the opposing party
  - Equates art. 6 (1) of Directive 2004/48/EC
  - Regarding varieties protected by German law: sec. 37c SortG
  - Regarding varieties protected by EUR law: art. 97 GemSortV, sec. 37c SortG
  - No actual evidence of violation necessary, only sufficient likelihood of an infringement
  - Presenting evidence being in the control of the opposing party is necessary to substantiate the own claims
  - This claim shall entitle PVR holder to demand, e.g., invoices to prove the infringement of the PVR

## B. Claims of PVR holder

9. Claim for presenting banking, financial or commercial documents being in the control of the opposing party
  - Equates art. 6 (2) of Directive 2004/48/EC
  - Regarding varieties protected by German law: sec. 37d SortG
  - Regarding varieties protected by EU-law: art. 97 GemSortV, sec. 37d SortG
  - No actual evidence of violation necessary, only sufficient likelihood of an infringement on a commercial scale
  - Presenting evidence being in control of the opposing party is necessary to substantiate the own claims
  - This claim shall entitle PVR holder to demand, e.g., an abstract of the infringer's (electronic) merchandise management system

## B. Claims of PVR holder

### 10. Claim for publication of judicial decisions

- Equates art. 15 of Directive 2004/48/EC
- Regarding varieties protected by German law: sec. 37e SortG
- Regarding varieties protected by EU-law: art. 97 GemSortV, sec. 37e SortG
- In any case of legal proceedings instituted for infringements of the PVR, the court may order the publication of the judicial decision upon request of the winning party
- The way of publication and the extend will be defined by the judicial decision
- Public can be informed: Black Market Sale is not a trivial offence

## B. Claims of PVR holder

### 11. Penal claims

- Regarding varieties protected by German and EU-law: sec. 39 SortG
- In case of an intentionally infringement of the PVR
- Qualification in case of an infringement on a commercial scale
- The experts of Saatgut-Treuhandverwaltungs GmbH may act as consultants in the penal proceedings
  - They have a specialised knowledge
  - Risk that they are deemed to be biased

## C. Claims of competitors

- Every competitor (no PVR is needed) is entitled to assert the below-mentioned claims as those claims do not result from the plant variety right but from the infringing farmer's unfair practice
  
- The claims are the following:
  1. Claim for injunctive relief
  2. Claim for information
  3. Claim for damages

## C. Claims of competitors

### 1. Claim for injunctive relief

- According to sec. 8, sec. 3, 4 German Act against Unfair Competition (UWG), sec. 3 (1) SaatG
- Regarding the infringed species
- The requirements are the following:
  - Seed or plants able to be multiplied
  - No certification
  - Offered or sold to a farmer for the purpose of planting
- To prevent future infringements of the fair competition
  - The farmer forfeits a (contractual) penalty in case of a future offering and/or selling of non-certified seed of the respective species
  - In case of a court decision: the contractual penalty is replaced by a payment to the treasury

## C. Claims of competitors

### 2. Claim for information

- According to sec. 242, 259 BGB
- Regarding the infringed species
- Claim regarding the following information:
  - Claim for information regarding the names and the addresses of the distributors and customers
  - No claim for information vis-à-vis third parties
- Auxiliary claim to the claim for damages. The infringed competitor shall receive information to enable him to specify all possible damage

## C. Claims of competitors

### 3. Claim for damages

- According to sec. 9, sec. 3, 4 UWG, sec. 3 (1) SaatG
- The calculation of the actual damage is difficult:
  - The methods of license analogy and infringers profit do not exist according to UWG (as competitor per se is not entitled to a license)
  - Only the method of lost profit is applicable to amount the damages
  - Difficult to proof which specific competitor has a damage resulting from a lost profit
- Test purchase costs may be claimed as damage as well

## D. Alternatives of Black Market Sale

1. Black Market Sale I – Variety A Offered – Variety A Purchased
2. Black Market Sale II – Variety A Offered – Variety B Purchased
3. Black Market Sale III – No specific Variety Offered – No specific Variety Identifiable

## D. Alternatives of Black Market Sale

1. Black Market Sale I – Variety A Offered – Variety A Purchased
  - a) Claim of PVR holder
    - Infringement by offering and selling propagating material of variety A
    - All claims as described under B. „Claims of PVR holder“
  - b) Claim of competitors
    - Infringement by offering and selling non-certified seed of the respective species
    - All claims as described under C. „Claims of competitor“

## D. Alternatives of Black Market Sale

### 2. Black Market Sale II – Variety A Offered – Variety B Purchased:

#### a) Claim of PVR holder

- Infringement by offering propagating material of variety A
- All claims as described under B. “Claims of PVR holder” with regard to variety A
- Infringement by selling propagating material of variety B
- All claims as described under B. “Claims of PVR holder” with regard to variety B
- Two claims even though the offered and sold seed are identical? YES!
  - Recently, the district court of Düsseldorf ruled that the offering and selling of the (identical) material are two different acts and that there are possibly two different infringed PVR holders
  - Damages regarding the offering of variety A may be calculated by the method of license analogy even though normally no license has to be paid for the mere offering of seed
  - Damages regarding the sale of variety B may only be calculated by the method of license analogy in case that it is proven that the whole material is identified as variety B.
  - In case different varieties are identified, the claim for damages basically exists, but it is difficult to proof how many seed/plants of one variety have actually been sold (as the identification is only made with a small sample)

## D. Alternatives of Black Market Sale

### 2. Black Market Sale II – Variety A Offered – Variety B Purchased

#### b) Claim of competitors

- Infringement by offering and selling non-certified seed of the respective species
- Even though two separate acts, only one claim with no regard to the concrete varieties but to the whole species
- All claims as described under C. „Claims of competitors“

## D. Alternatives of Black Market Sale

3. Black Market Sale III – No specific Variety Offered – No specific Variety Identified:
  - a) Claim of PVR holder
    - PVR holder is not entitled to assert any claims, as no specific variety can be identified
  - b) Claim of competitors
    - Infringement by offering and selling non-certified seed of the respective species
    - All claims as described under C. “Claims of competitors”

## E. Multiplication by splitting plants

- Actual situation:
  - Farmer purchases certified seed/plants
  - Farmer splits the (once legally) purchased seed/plants
  - Farmer beds out the double amount of seed/plants
  
- Legal consequence:
  1. No limitation of the PVR
  2. No exhaustion of the PVR
  3. Infringement of PVR
    - a) Claim for injunctive relief
    - b) Claim for information
    - c) Claim for damages

## E. Multiplication by splitting plants

1. No limitation of the PVR according to sec. 10a (2) SortG; art. 14 (1) GemSortV
  - Limitation only in case farm saved seed has been produced. Here, propagating material is produced not from farm saved seed but from purchased material
  
2. No exhaustion of the PVR according to sec. 10b SortG; art. 1 GemSortV
  - Exhaustion is possible in case seed/plants are sold. But the exhaustion does not relate to any act including a further propagation
  - No exhaustion by selling the original purchased seed/plants as PVR holder has not given the consent to produce propagating material

## E. Multiplication by splitting plants

### 3. Infringement of PVR

- Accomplishment of the infringement with finalisation of the splitting
  - a) Claim for injunctive relief
    - According to sec. 37 (1) no. 1 SortG; art. 94 (1) lit. a) GemSortV
  - b) Claim for information
    - According to sec. 37 SortG, sec. 242, 259 BGB; art. 97, 94 (2) GemSortV, sec. 242, 259 BGB
  - c) Claim for damages
    - According to sec. 37 (2) SortG; art. 94 (1) and (2) GemSortV
    - Calculation could be difficult as only 50% of the purchased seed/plants is produced illegally. As the act of production of propagating material is completely restricted and this illegal act is done with the whole amount of purchased seed/plants, damage for the whole amount of the purchased (and split) seed/plants may be claimed

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