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Community plant variety rights: Kanzi and Nadorcott, CJEU's landmark cases

EU Case-law on new plant variety rights is rather exiguous, as litigation on this topic is certainly rarer, compared to that over trademark, patent and design matters.

Two of the landmark cases on the interpretation of the relevant legislation, EC Regulation 2100/94 on Community plant variety rights, are those known as *Kanzi* and *Nadorcott*.

In a nutshell, the *Kanzi* case (C-140/10, ruling of 20 October 2011) focuses on the notion of infringement under Regulation no. 2100/94, through the interpretation of Art. 94 thereof (*Infringement*), namely in relation to licensing of the plant variety right and to the concrete implications of contractual conditions set by the parties to a contract regulating the exploitation of a Community plant variety right (CPVR).

Instead, *Nadorcott* is a recent decision (C-176/18, ruling of 19 December 2019) concerning the interpretation of Art. 13 of the Regulation (*Rights of the holder of a plant variety right and prohibited acts*) in respect to varieties exploited before the grant of the CPVR, without the applicant's authorisation.

In Kanzi, Nicolaï NV, the breeder (pursuant to Art. 11 of the CPVR Regulation) of an apple tree plant variety, Nicoter, whose fruit was marketed under the Kanzi trademark by a company, Better3fruit NV, through a kind of selective distribution scheme, had brought the CPVR into the Better3Fruit company. In 2003, Better3fruit concluded a licensing contract with the breeder, under which Nicolaï acquired an exclusive right to grow and market apple trees of the Nicoter variety. That contract stipulates that the disposal or sale of licensed products is subject to prior signature of a grower's licence or a marketing licence agreement, depending on the nature of the counterpart. The controversy concerns the sale of Nicoter apple trees from Nicolaï to a third party, Mr Hustin, without the latter signing any grower or marketing contract.

In 2007, the new holder of the Nicoter CPVR – GKE, which had acquired the exclusive exploitation rights – found the unauthorized sale of apples under the Kanzi trade mark by a third party, Mr Goossens. Indeed, the fruits had been supplied to him by Mr Hustin. Thus, GKE brought infringement proceedings against both Mr Hustin and Mr Goossens, obtaining a preliminary injunction from the Rechtbank van Koophandel te Antwerpen (Antwerp Commercial Court). That decision was reversed in appeal by the Hof van Beroep te Antwerpen (Antwerp Court of Appeal), which considered that Nicolaï had not complied with its duties under the licensing contract. However, the Court found no infringement of GKE's CPVR, as the limitations set in the contract between Better3fruit and Nicolaï were not enforceable against Mr Hustin and Mr Goossens. The Hof van Cassatie (Court of Cassation) stayed the subsequent proceedings and referred two questions for a preliminary ruling to the CJ, on the interpretation of Art. 94 of Regulation no. 2100/94, in case the disposal of the protected material is made by the subject enjoying the right of exploitation, in breach of limitations set in the licensing contract.

The CJEU explained that, in circumstances such as those at issue in the main proceedings, Art. 94 of the Regulation, read in conjunction with Art. 11(1), 13(1) to (3), 16, 27 and 104 thereof, must be interpreted as meaning that the holder or the person enjoying the right of exploitation may bring an action for infringement

against a third party which has obtained material through another person enjoying the right of exploitation who has contravened the conditions or limitations set out in the licensing contract that that other person concluded at an earlier stage with the holder, to the extent that the conditions or limitations in question relate directly to the essential features of the CPVR concerned.

Indeed, Art. 94(1) does not include any subjective element. Therefore, the possible awareness of conditions imposed in another contract (such as the licence between the breeder and Better3Fruit) do not play a role in the assessment of an infringement or of the right to bring proceedings. Thus, the CJEU ruled that the actual or potential awareness of such conditions or limitations is irrelevant.

Therefore, the decision at hand is important for the concrete and correct implementation of contractual and commercial agreements involving plant varieties covered by a CPVR.

Whereas in *Nadorcott*, a Spanish farmer purchased from a nursery plants of a seedless mandarin tree variety, Nadorcott, prior to the date of grant of the related CPVR. The right holder, *Compania de Variedades Vegetales Protegidas* (*CVVP*) acted against the farmer, requesting provisional protection in respect of acts undertaken prior to grant, while claiming infringement in respect of acts undertaken after that date and seeking cessation of all unauthorized acts (including marketing the fruits) and damages compensation.

At first instance, the Court found proceedings were time-barred under Art. 96 of the Regulation. Instead, on Appeal, the claims were dismissed because the farmer had purchased the plants in good faith from a nursery open to the public, and because the purchase had taken place on a date prior to that of the grant of the CPVR. Then, the Spanish Supreme Court requested a preliminary ruling to the CJEU, about the correct interpretation of Art. 13 of the Regulation. The two questions analyzed by the EUCJ are whether:

- Art. 13(2) (a) and (3) of the Regulation must be interpreted as meaning that planting a protected variety and harvesting its fruit, which may not be used as propagating material, requires the authorization of the holder of that CPVR where the conditions laid down in art. 13(3) are fulfilled;

- Art. 13(3) must be interpreted as meaning that the fruit of a plant variety, which may not be used as propagating material, should be considered as obtained through the "*unauthorized use of variety constituents*", where those were propagated and sold to a farmer by a nursery in the time between the CPVR application and its grant.

Firstly, the CJEU explained that the Regulation sets two levels of protection, *i.e.* primary protection, covering the production or reproduction of variety constituents (Art. 13(2) (a)) and secondary protection, covering harvested material. Pursuant to Art. 13(3), protection of harvested material is only applicable if two conditions are present, *i.e*. that a) such material was obtained through the unauthorized use of variety constituents, and b) unless the holder has had reasonable opportunity to exercise his right in relation to those variety constituents. The Court noted that under the Regulation, "*variety constituents*" are "*entire plants or parts of plants, as far as such parts are capable of producing entire plants*". Indeed, Nadorcott mandarins are not "*capable of producing entire plants*", since they cannot be used as propagating material. It follows that only primary protection applies to those fruits. Therefore, the Court concluded that the CPVR holder's authorization is not needed, unless both conditions set forth in art. 13(3) apply.

Turning to the second question, the CJEU explained that the Regulation provides for two different means of protection, depending on the status of the application. Once the CPVR is granted, its holder can sue the infringer, enjoining to cease any kind of unauthorized acts, and/or to pay reasonable compensation and further damage in case of intentional or negligent acts (Art. 94). Instead, between the publication of the application and the grant of the CPVR, the holder is only entitled to a reasonable compensation (Art. 95), for any unauthorized acts.

This highlights one of the peculiarities of CPVRs which, unlike IP rights such as trademarks or patents - whose protection is based on the date of filing of the application - enjoy a different level of protection if the title is granted at the time of the unauthorized acts or only applied for.

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