

Licensing and Protection of a Plant Breeder's Rights in Ukraine



by Elena A. BUKUYEVA

The issue of licensing a plant breeder's rights in Ukraine is often raised by foreign companies entering the Ukrainian agrarian market or introducing new plant varieties into the Ukrainian market. It is often the case that foreign companies wish to license production or sales of certain plant varieties to local producers and receive license fees from sales of planting material of such plant varieties in the territory of Ukraine. However, structuring relations between a foreign company and local producer on the basis of a licensing agreement can be legally feasible provided that a license is granted with respect to plant breeder's rights registered and protected in Ukraine.

The system of protection of a plant breeder's rights in Ukraine follows the principles introduced by the International Convention for the Protection of New Varieties of Plants of 2 December 1961 as revised at Geneva on 10 November 1972, on 23 October 1978, and on 19 March 1991 (UPOV Convention). Ukraine is a party to the UPOV Convention and a member state of the International Union for the Protection of New Varieties of Plants (UPOV).

Under the UPOV Convention member states of the UPOV undertake to protect the plant breeder's rights of foreign entities and individuals provided that they comply with the conditions and formalities applied in such member state. The UPOV Convention also establishes the

minimum scope of protected rights which should be recognised in each member state by the grant either of a special title of protection or of a patent.

Use by Ukraine of the system of a plant breeder's rights protection introduced by the UPOV Convention is in line with the requirements of Article 27.3 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). The mentioned Article of the TRIPS Agreement envisages that plants may be excluded from patentability. However, for the protection of plant varieties either patents or an effective *sui generis* system or any combination thereof shall be provided.

Scope of protection in Ukraine

Article 485 of the *Civil Code of Ukraine (Civil Code)* and Article 10 of *On Protection of Rights in Plant Varieties Act of Ukraine of 21 April 1993 No. 3116-XII* as restated on 17 January 2002 and amended on 2 November 2006 (*PVP Act*) provide for three types of intellectual property rights which are protected in Ukraine in respect of plant varieties: moral intellectual property rights verified by certificate on authorship; intellectual property rights verified by patent; and intellectual property right to commercialise plant variety verified by certificate on state registration of plant variety.

Moral intellectual property rights in plant varieties include the right of a breeder to claim

authorship for the plant variety, to claim mention of his/her name during use of the plant variety, etc. Moral intellectual property rights are immaterial for the purposes of licensing and, therefore, are not discussed herein. In this respect the rights protected by patent and certificate on state registration are of greater interest.

Under Article 39 of the *PVP Act* if a patent is received in the territory of Ukraine, this means that the owner of the patent has the exclusive rights to authorise or restrict the following acts in respect of planting material of the protected variety:

- production or reproduction (for the purpose of propagation),
- conditioning for the purpose of propagation,
- offering for sale,
- sale or other marketing,
- exporting from Ukraine,
- importing into the customs territory of Ukraine,
- stocking for any of the purposes mentioned above.

It should be noted that patents for plant varieties have a status other than the patents for inventions and utility models issued under the *On Protection of Rights in Inventions and Utility Models Act of 15 December 1993, No. 3687-XII*. The mentioned Act does not cover such intellectual property objects as plant varieties.

As regards the third type of intellectual property rights in respect of plant varieties, i.e. intellectual property right to commercialise plant variety, it appears upon registration of plant variety in the National Listing of Plant Varieties and receipt of the

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certificate on state registration. Entry to the mentioned Listing means not only the intellectual property right to commercialise plant variety. It is also a prerequisite for commercialising the planting of material in the territory of Ukraine, since Article 38 of the PVP Act prohibits commercialising plant varieties, which are not listed in the National Listing of Plant Varieties. Registration in the National Listing may be carried out along with claiming patent protection of plant variety or without claiming such protection.

According to Article 39-1 of the PVP Act the intellectual property right to commercialise a plant variety implies the right to commercialise planting material of this plant variety in the territory of Ukraine and authorise or prohibit the following acts in respect of planting material of this plant variety:

- offering for sale,
- sale or other marketing,
- stocking for any of the purposes mentioned above.

Conditions for patent protection

In order to enjoy protection by a patent the plant variety shall conform with the following criteria: it shall be new, distinct, uniform and stable.

The variety shall be deemed to be new if, at the date of filing of the application for breeder's rights in Ukraine, the breeder or another person with the consent of the breeder has not sold or otherwise disposed of the planting material for commercial purposes:

- (i) in the territory of Ukraine earlier than one year before that date and;
- (ii) in the territory of other states earlier than four years or, in the case of trees or of vines, earlier than six years before the said date.

The distinctness criterion is fulfilled if the plant variety is



clearly distinguishable from any other variety whose existence is a matter of common knowledge at the time of filing of the application. A variety might be recognised to be a matter of common knowledge under the following conditions:

(i) it is cultivated and marketed in the territory of other states;

(ii) the information about its features became public, in particular, as a result of precise description in publication;

(iii) it is included in a reference collection;

(iv) in respect of such plant variety a plant breeder's rights are granted or such plant variety is entered in an official register of varieties in any country. In this case such plant variety shall be deemed a matter of common knowledge from the moment of filing of the application for the plant breeder's rights or its entering into the official register.

The variety shall be deemed to be uniform if, subject to the

variation that may be expected from the particular features of its propagation, it is sufficiently uniform in its characteristics. The variety shall be recognised to be stable if its relevant features remain unchanged after repeated propagation or, in the case of a particular cycle of propagation, at the end of each such cycle.

Conditions for state registration of plant variety

In order to be listed in the National Listing of Plant Varieties, and thus obtain a certificate on state registration of plant variety and enjoy the intellectual property right to commercialise plant variety in Ukraine, the plant variety shall be recognised to be distinct, uniform and stable. Such plant variety should be suitable for propagation in Ukraine. Its propagation in Ukraine should meet public demands and shall not be threatening to life, health or the environment.

To ENJOY
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A LICENSING agreement is LEGALLY FEASIBLE provided that a plant BREEDER'S RIGHTS are registered and PROTECTED in UKRAINE

Period of protection

The period of protection of a plant breeder's rights shall be 30 years starting from 1 January of the year following the year of their registration. For trees and vines the period of protection shall be 35 years starting from 1 January of the year following the year of their registration. The protection of a plant breeder's rights is conditional upon payment by the rights holder of fees for each year of protection.

Exceptions to and exhaustion of a plant breeder's rights

Following the principles of the UPOV Convention, the *PVP Act* provides that the breeder's rights shall not extend to the following acts in respect of planting material of plant variety protected by patent:

- acts done privately and for non-commercial purposes,
 - acts done for experimental purposes,
 - acts done for the purpose of breeding other varieties.
- However, breeding other varieties shall be considered infringing a plant breeder's rights in the event that newly bred varieties are essentially derived from the protected variety, where the protected variety is not itself an essentially derived variety; in the event newly bred varieties are not clearly distinguishable from the protected variety and in the event that production of newly bred varieties requires the repeated use of the protected variety.

The plant breeder's rights are not extended to acts concerning any material of the protected variety, which has been sold or otherwise marketed by the holder of rights or with the consent of the holder of rights in the territory of Ukraine. This rule, however, is not applied in the event such acts involve further propagation of the variety in question or export of material of the va-

riety into a country which does not protect varieties of the plant genus or species to which the variety belongs, except where the exported material is for final consumption purposes. The same principles are applied to those varieties, which are essentially derived from the protected variety, varieties which are not clearly distinguishable from the protected variety and varieties which production requires the repeated use of the protected variety.

Licensing

A plant variety protected by a patent may be used by entities other than the patent holder based on the authorisation of the latter. Such authorisation may be given in the form of a license agreement, under which a patent holder grants to the licensee the right to produce and commercialise planting material of protected variety and/or other rights in respect of such variety. A license agreement, under which authorisation to use the plant variety is given, becomes valid for third parties upon registration of such license agreement with the State Agency on Protection of Rights in Plant Varieties (Article 40 of the *PVP Act*).

It should be noted that Article 40 of the *PVP Act*, which covers the issues of transfer of rights in plant varieties and of granting the right to use the plant variety (licensing), mentions only those plant varieties, which are protected by patent. Moreover, Article 1 of the *PVP Act* defines the term "use of the plant variety" as any activity with respect to the plant variety which requires authorisation of the patent holder. Therefore, a license agreement within the meaning of the *PVP Act* might be concluded only in respect of those plant varieties which are protected by the patent.

At the same time, there are cases when a plant variety is not protected by patent (for instance, when a plant variety may not be

recognised as new and, therefore, the novelty criterion is not fulfilled). In this case the applicant may still receive the certificate on state registration of plant variety, and in such a way obtain the intellectual property right to commercialise a plant variety in the territory of Ukraine.

As was discussed above, the intellectual property right to commercialise plant variety means that the holder of the certificate on state registration has the right to commercialise planting material of this plant variety in the territory of Ukraine and authorise or prohibit such commercialisation (Article 39-1 of the *PVP Act*). Thus, following the provisions of Article 39-1 of the *PVP Act*, the holder of the certificate on state registration, even without obtaining a patent, may authorise certain activities with respect to plant varieties registered in the National Listing of Plant Varieties.

Such authorisation may not be treated as a license within the meaning of the *PVP Act* due to the lack of patent protection. Yet, it may be recognised as a license or other agreement on transfer of intellectual property rights by virtue of the provisions of the *Civil Code*.

For the sake of completeness it should be noted that tax treatment of license fees for the use of a plant variety protected by patent and for a plant variety having only state registration differs. The definition of 'royalties' given in Article 1 of the *Corporate Profit Tax Act of 28 December 1994, No. 334/94-BP*, mentions only patents, formally leaving aside the intellectual property right to commercialise plant variety, which is not protected by patent. This incurs different qualification of the discussed license fees with respective implications for VAT and withholding tax. But these issues should be the topic of further discussion.

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