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BURDEN OF PROOF

China's New Judicial Interpretation on Harmonizing Plant Variety Protection with IP Reforms and Agricultural Policy

BY MARK COHEN (柯恒) ON 2021/10/10

In a document dated January 4, 2021, the CPC and State Council issued Document No. 1, the “**Opinions Regarding Comprehensive Promotion of Rural Revitalization to Accelerate the Modernization of Agriculture**

(http://www.gov.cn/zhengce/2021-02/21/content_5588098.htm)“

(English

(http://english.www.gov.cn/policies/latestreleases/202102/21/content_

[WS60324d11c6d0719374af92ff.html](http://english.www.gov.cn/policies/latestreleases/202102/21/content_WS60324d11c6d0719374af92ff.html)), 《**中共中央 国务院关于全面推进乡村振兴加快农业农村现代化的意见**

(http://www.gov.cn/zhengce/2021-02/21/content_5588098.htm), which

provides for additional agricultural reforms, including the strengthening of the legal protection for agricultural germplasm resources. In line with those and other IP-

related reforms, on July 5, 2021 the Supreme People's Court (“SPC”) issued the second “Several Provisions on the Specific Application of Law in the Trial of Dispute Cases of Infringement on the Right to New Plant

Varieties”(最高人民法院**关于审理侵害植物新品种权纠纷案件具体应用法律问题的若干规定 (二)**

(<http://www.court.gov.cn/fabu-xiangqing-312021.html>) (“2nd JI”).

This 2nd JI has the following key changes: 1) clarifying the exceptions to PVP infringement, 2) shifting the burden of proof to the infringer on certain issues, 3) establishing detailed rules for a “legitimate source defence” for PVP cases, 4) preventing the infringer from tampering with evidence, and 5) allowing the use of industry-specific methods in comparison between the alleged infringing plant and the protected variety. In comparison to the 1st JI (最高人民法院**关于审理侵犯植物新品种权纠纷案件具体应用法律问题的若干规定**) (<http://www.court.gov.cn/fabu-xiangqing-282671.html>) (issued in 2006 and revised in Dec,

2020), the 2nd JI provides more detailed rules on various issues in PVP cases.

It is our view that the 2nd JI will provide greater deterrence against PVP infringements through the courts. This would boost both domestic and foreign PVP owners' confidence in investing in R&D for new plant varieties and filing for plant variety protection in China.

Highlights

This 2nd JI builds upon the legislative and judicial experience accumulated in recent years in other fields of intellectual property and civil litigation in China. For example, it adopts a series of procedural systems such as giving the court the ability to enter an interlocutory judgement and to order defendants to produce documentary evidence in relation to profits made. Such rules have already been applied in recent trademark and patent cases to efficiently handle cases and reduce the burden of proof on the rights holder. These provisions standardize the judicial system in handling PVP cases to the same level as other IP cases.

The main highlights of this 2nd JI are as follows:

1. Clarification of the Exceptions to PVP Infringement

Article 29 of the current **Seed Law**

(<https://npcobserver.com/legislation/seed-law/>) 《种子法

([http://www.npc.gov.cn/zgrdw/npc/lfzt/rlyw/2015-](http://www.npc.gov.cn/zgrdw/npc/lfzt/rlyw/2015-04/15/content_1932988.htm)

[04/15/content_1932988.htm](http://www.npc.gov.cn/zgrdw/npc/lfzt/rlyw/2015-04/15/content_1932988.htm))》 stipulates that the use of

varieties granted PVP protection for breeding and other scientific research activities can be carried out without

permission of PVP owner or the payment of royalties. This 2nd JI defines the following activities as research activities: 1) cultivation of new varieties by utilizing protected varieties; and 2) the reuse of propagating materials of protected varieties for the purposes of PVP application, variety verifications and variety registrations after a new variety is cultivated from a protected variety. “Cultivation” is different from the reproduction by repeated use of the propagating material of the granted protection as a parent with other parents, which is deemed as a use for commercial purpose.

The International Union for the Protection of New Varieties of Plants Convention '91 (“UPOV '91”) allows each contracting party to decide its own restriction on breeders' right in order to permit farmers to use plant varieties for propagating purposes on their own holdings. The 2nd JI states that farmers can reproduce and use the propagating materials of protected varieties for self-consumption, as long as these are carried out within the area of their own land, and it is agreed by the rural collective economic organizations, village committees or village groups. If farmers deviate from the scope of use, the court will determine if it is an exceptional situation by considering all relevant factors such as the purpose, scale, and presence of profit. The 2nd JI strikes a balance between the interests of farmers and the protection of the rights of the PVP holders.

- **Imposition of the Burden of Proof on Infringer on certain issues**

In practice, there are cases where the alleged infringing materials can be used as either a propagating material or a harvested material. For example, in **Kong Xianggen vs. Yang Mei** (<https://wenshu.court.gov.cn/website/wenshu/181107ANFZoBXSK4/index.html?docId=7b3866fc781a4151bd69acde0122dcc9>) (2020, SPC) the material in issue was a soybean which could be either an edible product or propagation material. The SPC in a final decision held that the soybeans at issue were propagation material and that infringement shall be established. This is because a conversation between the infringer and a buyer mentioned germination rate and purity of soybean which are important indicators for testing the quality of seed as propagation material and the packaging of the soybean in issue shows it as the seed of the protected variety. The 2nd JI has incorporated the lessons from such cases.

If a plant material can be used as either a harvested material or a propagating material, then the seller's intention of the sale and the actual use by the user should be taken into account in determining whether the sale of that plant material infringes the PVP.

The 2nd JI clearly stipulates that, where the alleged infringing material can be used as both propagating material and harvested material, and the alleged infringer claims that the infringing material is only used as a harvested material for consumption, the infringer must provide evidence of its purpose. In 2020, the Nanjing Intermediate Court held that the infringer failed to prove the wheat seeds sold were for consumption use,

as they did not reasonably explain why the seeds in question were sold at a much higher price than normal wheat seeds for consumption. The court also considered the fact that wheat seeds used as propagating materials usually require a higher quality which results in a higher production cost than the ones used for consumption.

The judgment was **upheld**

(<https://wenshu.court.gov.cn/website/wenshu/181107ANFZoBXSK4/index.html?docId=95b9ac6f1e2b4d9283f7ac6801056fa9>) by the Jiangsu Higher People's Court.

Although the 2nd JI does not extend the scope of PVP from propagating materials to harvested materials, it corresponds to some extent with the provisions added under the **draft Seed Law**

(https://chinaipr2.files.wordpress.com/2021/10/prc_seed-law_draft-amendment_comparison-chart_eng.pdf). The **draft for the**

fourth amendment to the Seed Law was released

(<http://www.npc.gov.cn/npc/c30834/202108/752f909ff5d74d6788a83f1f5819b18c.shtml>) for public comment in August 2021 and the

comment period ended on 18 September 2021. The draft

extends the scope of protection to harvested materials obtained by unauthorized use of materials of protected

varieties. This provision is in line with the scope of

application of variety rights under UPOV '91, which

extends breeders' rights to the use of harvested

materials obtained from the propagating materials of

the protected varieties, before the rights of propagating

materials that cannot be directly or indirectly controlled

are exhausted. However, the draft Seed Law does not

extend the scope of protection to products made from

harvested materials as specified in Article 14 of UPOV

‘91.

- **Establishment of Infringer’s Legitimate Source Defence**

A legitimate source defense is a common defense in IP cases (see Article 77 of Patent Law or Article 59 of Copyright Law). The 2nd JI provides the defense of obtaining products from legitimate sources and the conditions required to satisfy it in PVP cases. A similar clause has also been added in the draft Seed Law to provide an additional legal basis.

The 2nd JI sets out rules for a legitimate source defense:

- The party relying on the defense can only be a seller;
- Even if the seller succeeds in making out a legitimate source defense, it still has to bear civil liabilities such as ceasing sale of the material and indemnifying the rights holder for the reasonable expenses in enforcing its right;
- In determining the seller’s legitimate source defense, the seller must prove that it purchased through legal channels, the price was reasonable, the source was transparent, there was compliance with regulations relating to seed production, and the operation license is valid. In other words, if a seller operates without a license when it is required to obtain one under the applicable law, then in principle, the legitimate source defence cannot be established. In **Jiangsu Pro-Cultivation Field Agricultural Industry Development Co. vs. Jiangsu Jindi Seed Technology Co.** (SPC 2021),

the court upheld the infringement claim and applied treble punitive damages on the infringer for selling rice seeds without an operation license.

- **Measures against tampering with evidence**

Requesting the court to preserve evidence of propagation of infringing plants in the field is a frequently used procedure in PVP cases. Naturally, the preserved plants play a significant role in determining the outcome of the case. However, the accurate and complete preservation of the plants usually requires the cooperation from the alleged infringer, as it is the one with full control over the plants.

The 2nd JI inserts a deeming provision in relation to tampering with evidence. If the alleged infringer tampers with the evidence, such as failing to preserve or destroying the preserved plants, resulting in a situation where relevant facts of the case cannot be ascertained, then the court may presume the plaintiff's claim in relation to the preservation of evidence is tenable. This provision combined with the **Civil Procedure Law** (<http://cicc.court.gov.cn/html/1/219/199/200/644.html>) (Arts. 81, 111, 114, etc.), further safeguards these procedural measures and helps solve the evidentiary difficulties that rights holders may face.

The measures against tampering with evidence includes the obligation of the alleged infringer to provide account books and financial materials regarding the infringing plants. The 2nd JI clearly stipulates the legal consequences of refusing to provide this evidence in

PVP cases. This standardizes the PVP rules, using a similar standard in other IPR cases. The evidence is usually crucial in aiding the court to calculate the damages caused by the PVP infringement where possible, and serves as a basis for the application of other remedies, such as punitive damages.

- **Evaluation of plant features using industry-specific methods**

Testing of infringing plants is one important part in PVP disputes. It is based on a comparison between the granted variety and the infringing plant. There are two common evaluation methods: 1) Distinctiveness, Uniformity and Stability testing (“DUS detection”) which involves breeding and a long detection time; and 2) DNA fingerprinting (tests based on **molecular markers** (<https://chinaipr.com/2020/04/02/essentially-derived-varieties-and-the-role-of-leading-cases-in-chinese-plant-variety-protection/>)), which has a short detection time and simple procedures but has a higher technical requirement.

In practice, the PVP owner may delay its enforcement proceedings because of the lack of the above-mentioned testing methods for a certain variety or the inability to find an appropriate testing agency. The 1st JI specified the process to select evaluators and evaluation methods, while this 2nd JI further qualifies that the evaluators should be selected from the expert directory in the relevant fields or the experts referred by agriculture or forestry authorities to the court.

Several previous provisions clarify that if the alleged infringing plant has the same characteristics and features as the protected variety, or the differences in characteristics and features are due to non-genetic variation, it shall be deemed infringing. If the alleged infringing plant cannot be tested by way of DNA fingerprinting, the 2nd JI allows the use of industry-specific methods to compare the characteristics between the granted varieties and the alleged infringing plant.

DNA fingerprinting results are generally acceptable, even though they are not 100% accurate. The JI provides that if a party objects to the evaluation results it may apply for a re-examination. There are no further provisions regarding the method of re-examination. This means the re-examination may not be confined to the original testing method. However, there are some restrictions for an application for re-examination. To prevent intentional delay in proceedings, the application for re-examination may only be requested based on reasonable grounds with supporting evidence. An officer in charge of the Intellectual Property Tribunal of the SPC further **elaborated**

(<http://news.sina.com.cn/sf/news/fzrd/2021-07-06/doc-ikqciyzk3785383.shtml>) the circumstances of “reasonable grounds” to be: where the evaluator does not have the corresponding qualifications, the evaluation procedure seriously violates the laws in China, the source of the comparative sample is unknown, or the basis of the evaluation method is obviously insufficient. If the result from DUS detection conflicts with that from the DNA

fingerprinting, the 2nd JI confirms that the DUS test result shall prevail.

At present, the Guidelines for the conduct of DUS tests on many plant varieties stipulate that: when the candidate variety has obvious and reproducible differences in at least one characteristic from the comparative variety, it can be concluded that the candidate variety is distinct. Breeders may, therefore, transform the original variety into a new variety in a short period of time by manipulating certain characteristics of the original variety. A modified plant variety may have certain specific differences in comparison with the original plant variety using the DUS test results, by which PVP can be granted. But the DNA test results may demonstrate that the two varieties only have minor genetic differences.

A trend likely to emerge in the future revisions of laws and regulations is that the standards of protection and approval will be raised and seeds bred through imitation and embellishment are unlikely to be approved. It is also likely that the PVP can no longer be secured by relying on a minor difference based on the result of DUS test.

- **New Listing of Serious Infringement**

Article 1185 of **Civil Code**

(<http://www.npc.gov.cn/englishnpc/c23934/202012/f627aa3a4651475db936899d69419d1e/files/47c16489e186437eab3244495cb47d66.pdf>) has made it clear that punitive damages shall apply when the infringement in IP cases is serious. The current Seed Law imposes punitive damages at 1–3 times of the

calculation basis if the PVP infringement is ‘serious’. The draft Seed Law increases the punitive damages up to 5 times of the calculation basis. Where the loss of the rights holder or the benefit gained by the infringer or the PVP royalty can be determined, the maximum amount of punitive damages is raised to 3-5 times. If the basic amount of infringing profits is difficult to determine, an increased statutory damage with a limit of CNY\$3 million to CNY\$5 million will apply.

The 2nd JI explicitly specifies what infringement can be considered as “serious” in PVP cases. This is the first time that the SPC has listed details for “serious infringement” in a civil IP case:

- Committing the same or similar infringement again, after being imposed with administrative punishment or taking liability as ruled by a court due to infringement;
- Engaging in PVP infringement as main business;
- Forging PVP certificates;
- Selling granted varieties in packages without marks or labels;
- Violations of the Seed Law such as producing or selling seeds without an operating license; or
- Refusing to advise the places of production, reproduction, sale and storage of the alleged infringing products.

The 2nd JI also states that provisions concerning punitive damages under other laws and judicial interpretations are equally applicable to PVP infringement disputes.

According to the Interpretation of the SPC on the

Application of Punitive Damages in Hearing Civil Cases of Infringement upon Intellectual Property Right released in March 2021, the other circumstances in which punitive damages may be applied include: 1) where the defendant has forged, destroyed or concealed its infringement evidence; 2) where the defendant has refused to perform according to the preliminary injunction order; 3) where the defendant has made huge gains from the infringement or the rights holder has suffered huge losses; or 4) where the infringement may endanger national security, public interests or personal health. The above provisions provide certain standards for the determination of a “serious circumstance” in PVP infringement disputes and improve the deterrence of punitive damages.

Overall, the JI indicates China’s determination to strengthen the civil protection of PVP, a general trend to improve the protection of civil IP, and to conform with existing global standards such as UPOV ’91. The JI extends the earlier judicial guidelines to a more operational level and harmonizes China’s PVP regime with recent developments in China as well as taking China a step closer to UPOV ’91.

This is a guest blog authored by Rouse/Lusheng Plant Variety Right Service team and edited by Mark Cohen. The authors are **Jin Ling** (<https://rouse.com/people/jin-ling>), **Xu Yi** (<https://rouse.com/people/xu-yi>), and **Jacqueline Zhao** (<https://rouse.com/people/jacqueline-zhao>) of the **Rouse** (<https://rouse.com/>)/**Lusheng** (<https://www.lushenglawyers.com/>) Plant Variety Rights Service Team. Certain aspects of

this JI were previously discussed on the authors' firm blog (<https://rouse.com/insights/news/2021/china-latest-judicial-interpretation-of-disputes-over-new-plant-variety-rights>). Rouse is a supporter of the Asia IP Project of the Berkeley Center for Law and Technology. Lusheng, is one of the few PVP-licensed law firms in China.

This blog has been revised and published in anticipation of the forthcoming Berkeley Law program **China Stakes Out Its Place in Plant Variety Protection** (<https://www.law.berkeley.edu/research/bclt/bcltevents/china-stakes-out-its-place-in-plant-variety-protection/>) on October 13, 2021. If you are interested in hearing more about this program, please register [here](https://berkeley.zoom.us/meeting/register/tJckde-vqTgjE9liLIV7v2OME1wpSYrV17up) (<https://berkeley.zoom.us/meeting/register/tJckde-vqTgjE9liLIV7v2OME1wpSYrV17up>).

