



CHECKLIST

FOR BREEDER AND GROWER TO MAKE A LICENSE AGREEMENT FOR THE COMMERCIAL EXPLOITATION OF PLANT VARIETIES (APRIL 2004)

Any breeder and any grower who wants to make a license agreement for the commercial exploitation of plant varieties, which enjoy protection by national or international variety rights, can use this checklist.

General information:

Clear use of the several commercial marks as variety indication in the business of propagating material

AIPH pleads for strong and balanced plant breeders rights (PBR).

In this scope AIPH pleads for a clear use of the several predications used in the business of propagating material such as plant breeders' rights and trade marks. The verifiable (registered) breeder's right name has besides trademarks always to be mentioned on (or with) the product in case of selling or trading the propagating material. AIPH is in favor of mandating a logical order in the use of the several variety indications for more clarity in the business of propagating material (for example the use of variety names and trademarks in pricelists, databanks, catalogues etc.). AIPH suggests the following: First the complete botanical identification, then (if applicable) the variety name (between single quotation marks in accordance to the International Code, Article 17.7) and finally (if chosen) the trademark, upon which to make it clear, the sign ® could be attributed. So for example: Rosa L. 'Champion' Perfection ®.
(In the USA the sign TM is used most of the time. When a trademark is used it is worthwhile to ask the list of countries where this trademark is applicable).

However AIPH notices the general problem that there is a lack of forces to control and to maintain the right's of the PBR holder. This problem is the main reason for the PBR holder to be his own controller. The breeders find additional solutions like the use of trademarks to limit the selling and trade of a variety and to try to monopolize the trade in propagating material. AIPH underlines therefore that the scope of PBR however is restricted to propagating material and not to the final product, besides the nevertheless-condition as formulated in article 14, sub 2 of the UPOV-Convention 1991. The whole UPOV Convention, the European PBR system and the national legislations are based on this principle. AIPH's opinion is that as soon as PBR activities go into regulation to control and to limit the trade chain, this is not allowed.

Concerning the use of trademarks AIPH wants to notice that such a mark is a sign to distinguish the product with regard to its origin and its producer. The trademark enables the owner of it to distinguish his own product from (the products of) another producer. When the negotiations cover a variety that is only protected by a trademark this means that there is no protection of a breeders right. Such a variety can be multiplied and traded without license contract unless the trademark is not used in the further commercialization. The trademark says nothing about the product (variety) itself. AIPH means that it is important in selling and trading to identify cultivars by using the official registered variety name. Such is clear and avoids confusion and disappointment. Once a variety



name is registered it has to be considered as the name that indicates the variety for the period in which the variety is protected by plant breeder's rights, and also after the PBR protection has ended.

Contract law

The contract between licensor (plant breeders' right holder) and licensee is covered by contract law, which means parties are free to agree on the conditions what ever they want. Only a few exceptions exist, like conditions which are against the law or which are contrary to good manners. It is possible that the licensee (most of the times the grower) accepts far-reaching restrictions because of commercial reasons and so agrees with a license agreement in which acts are excluded to which he has actually right to on the basis of the plant breeders right law (see article 14 of the UPOV Convention 1991).

AIPH asks awareness of the licensees about conditions of the licensor, which are against the law.

Plant patents

In the USA, but also in Hungary, Italy, Japan and several South American countries a plant patent system is used. The system is a mixture of elements of the traditional (industrial) patent and the protection of plant varieties. Granting a plant patent on a new variety is based on the number of differences of characters compared to existing varieties. The grant includes the right to exclude others from asexually reproducing the plant, and from using, offering for sale or selling and importing the plants in the country where the plant patent is granted.

Infringements

AIPH advises the grower (licensee) to ask the breeder (licensor) if there are any research or test reports of the violations against the concerning plant breeder's rights, which are known to exist by the breeder. This knowledge could help the grower who produces in accordance with the rules and laws concerning plant variety protection.

Trademarks

AIPH advises the grower (licensee) to ask the breeder (licensor) which trademark rights and plant breeders' rights he has in the different countries. It would be a help if a grower is aware of the rights which the breeder, with who he is doing business, has. AIPH pleads for the realisation of more transparency about the several rights in ornamental plant cultivation. Asking for this information at the start of negotiations contributes to this transparency.

Checklist for a complete license agreement:

1. Parties

The parties, which make the agreement, the licensor (breeder) and the licensee (grower), are called by name and domicile.

The licensor is the owner of the plant variety or varieties, which are covered by the license agreement and which enjoy protection by national or international variety rights. The licensee acknowledges that the licensor is the rightful owner of the concerned plant variety (ies) and that the plant variety rights are properly registered to the licensor.

2. Grant of license

The agreement concerns the grant from the licensor to the licensee of a licence for commercial exploitation of the stated plant variety (ies). (The stated plant varieties and the terms and



conditions on which the commercial exploitation of the varieties will take place should be stated in an appendix to the agreement).

3. Scope of licence

The licensee's right under the licence shall consist of commercial exploitation of the plant varieties, which are specified in the agreement and on the terms and conditions, which are stated in the agreement.

If there is a separate trademark agreement made with the licensor, the following points should be checked:

- Will the licensee be entitled to use any registered trademark and will this be free of charge?
- Will the licensee be entitled to use any commercial name, mark or logo which licensor has designated or will designate for use in the marketing and sale of the varieties covered by the licence and will this use be free of charge?
- Should the parties foresee the situation that the licensee or his intermediary may accept an order from a third party?
- How will parties handle invoices covering plant material? Will prices include royalties, if the royalty is not itemised by a separate amount.
- Is there an agreement made about the use of appropriate labels for plant sales? If so, who will deliver such labels and who will pay the cost?
- Should new varieties be added in connection with the yearly renewal of plant varieties, which are covered by the licence, are similar demands for the use of labels applicable for such new varieties?

4. Territory of Licence

Parties should make an agreement about the exact geographical territory to which the license shall apply.

5. The product

Name

- Normally it is stressed that the licensee will be obliged always to use the correct denomination of the varieties, which are covered by the licence.
- Will the licensee be obliged clearly to display the denominations of the varieties covered by the licence at his place of business in connection with any establishment of mother plants, young plants and finished plants?

Propagating material

- Will the licensor be obliged to keep the varieties covered by the licence uniform and stable?
- Will the licensor (by himself or through a supplier authorised by him) be obliged to provide the licensee with all relevant information on propagation, multiplication and production in general?
- Will the supply of suitable propagating material take place within reasonable time?
- Normally the licensee is obliged to acquire the propagating material covered by the licence only from either the licensor or from a supplier authorised by him.
- Normally the licensee is obliged to deliver only healthy young plant material true to variety to his customers. In that case the licensee shall renew his stock of mother plants at the licensor's request by purchasing suitable starting material from the licensor or from a supplier authorised by him.



Mutations

- The parties should make an agreement about the assignment of each and every mutation from the licensor to the licensee.
- According to UPOV the finder of a new variety resulting from a mutation of a protected variety is the owner if the contract states that the licensor becomes the ownership of novelties resulting from mutation out of one of the varieties falling under the scope of the contract, and if the licensor decides to file an application for rights, he normally defrays all costs in that connection.
- The parties can make an agreement that the licensee shall be entitled to receive a certain percentage of royalties earned by the licensor on any mutation discovered.

6. Duties of the licensor

The following duties are normally laid down in a licence agreement:

- In addition to the supply of plant material, the licensor's duties under this licence agreement shall be of an advisory nature and the licensor's duties in this respect are limited to advising the licensee on the basis of the licensor's best knowledge and experience using his own judgement.
- The licensor makes no representation, warranty or guarantee of any kind concerning the result to be expected from the licensee's use of the licence or concerning production based on the licence or the commercial success of such production; nor does the licensor make any representation, warranty or guarantee to the effect that exploitation of the licence will not infringe any third party rights. However, the licensor confirms that to the best of his belief he is fully entitled to assign the rights covered by the licence.
- The licensor shall not be liable to the licensee for any loss, damage or claim caused by or in connection with the licensee's use of the products covered by the licence.
- The licensor ought to impose the same licence terms and royalties on all licensees within the territory to which the license shall apply.

7. Royalties

The following aspects of *Royalties* should be considered:

- For exploitation of the Licence, the licensee shall pay a royalty fixed and calculated in accordance with the provisions made for each young plant that the licensee delivers to any third party, as well as for each finished plant that the licensee produces or sells at his place of business.
- The licensee shall prepare separate statements of the total number of propagated plants, the number of young plants sold as well as the number of finished plants corresponding to the young plants which the licensee uses at his own place of business, and of the size of the mother plant stock in accordance with the terms and conditions stated in the relevant agreement. (Terms and conditions should be written down in an appendix).
- Statements of young plants sold must contain the name, address and telephone or telefax number of the recipient as well as dates and amounts of deliveries. Delivery of young plants should only be carried out when the licensor has confirmed in writing that he has a signed, approved licence agreement with the recipient.



- The licensee shall, at the request of the licensor, brief the licensor or a third party authorised by him about such a statement. The licensee shall be entitled to demand the assistance of his own registered auditor for the licensor's checking of such statement.
- The royalty may be adjusted if the licensor has given the licensee a notice in writing to that effect at the annual renewal of the schedule to the licence agreement (normally written down in an appendix) covering the subsequent production season.

Payment

The following aspects of payment should be considered:

- The licensee's statement for the period prescribed in *the agreement* shall be in the possession of the licensor or a representative authorised by him not later than 30 days after expiration of each reporting period.
- Royalties fall due for payment at the time fixed in the agreement.

8. Duties of the licensee

Normally the licensee has the following duties:

- The licensee shall not in any way assist in the multiplication or propagation of plant varieties covered by the Licence in violation of the provisions in applicable legislation on plant variety rights and/or of this licence agreement. Consequently the licensee shall not dispose of plants or parts thereof in violation thereof.
- The licensee shall clearly make known on disposal and in advertisements that commercial propagation or multiplication is only allowed with the licensor's consent.

9. Control

The following agreements concerning the control of the licence agreement are normally made:

- At 24 hours' notice, the licensor or a representative authorised by him shall be entitled to verify the observance of this licence agreement, including inspecting the stock of plants and plant material covered by the Licence.
- The licensee agrees to offer the necessary assistance reasonable, and to give all relevant information for the performance of the control. The audit shall not be more exhaustive than is necessary to verify observance of the agreement.
- The licensor or a representative authorised by him shall not, as part of the audit, demand information of a commercial nature, and the licensor binds him and his servants to keep confidential any information which may come to his knowledge in connection with such audit visits, or any information received otherwise.

10. Protection of the Licence

The following aspect of protection should be considered:

- If a third party inflicts unreasonable competition on the licensee or in any other way infringes his rights under the licence agreement by propagating or multiplying the varieties covered by the



agreement without being subject to the same duties and rights as the licensee himself, the licensor shall (normally at his own cost) take the steps required at his own discretion with a view to terminating such occurrences when the licensee notifies him thereof.

11. Secrecy

Normally the licensee is under the following obligation to the licensor:

- During the term of this licence agreement and untilmonth/years (an agreed period) following its termination, the licensee is obliged not to pass on the licensor's commercial and production secrets or other confidential information which has come to the licensee's knowledge pursuant to this licence agreement.

12. Assignment of Licence

If the licensor wants to assign his right and duties, the following aspects should be considered:

- The licensor is entitled to assign his rights and duties under this licence agreement to any third party, provided that the third party accedes to this licence agreement in its entirety.
- Otherwise this licence is non-assignable. Assignment of the licensee's property or business to a third party, among other things, shall be deemed as an assignment for the purpose of this agreement.

13. Term of licence

The following aspects of duration of the agreement should be considered:

- Be aware that the duration of the licence agreement cannot be longer than the duration of a national or international plant breeder's right. It is, however, a condition for the continued validity of the licence that a new appendix, covering at least a period of (normally) one year, is signed prior to the expiry of the actual period of agreement. (An appendix consists of the varieties and terms and conditions covered by the licence). The official list to control the duration of a PBR is the national gazette of the country where the PBR is applicable. Some countries have a website with up to date information. The addresses of the national responsible authorities can be found on the website of UPOV. In the EU most of the varieties are protected with a European plant breeders' right. Up to date information can be found on the website from the CPVO (www.cpvo.fr).
- If a renewal of an appendix, covering the next period is not accepted at the latest one month before the expiry of the actual agreement period, the licence agreement shall expire without further notice at the end of the production year in question, so that all the licensee's rights under licence lapse.
- Otherwise, either party can give (normally) six months' notice in writing of termination of this licence agreement to expire at the end of a calendar month. However the licensor's termination of the licence depends on the removal of the varieties concerned from his assortment.
- If national or international plant variety rights or other relevant legislation should be amended substantially, the parties agree to revise the licence agreement. Such a revised licence agreement shall revoke all prior licence agreements concluded between the parties.



14. Breach of contract

The following aspects of contract law should have consideration to be stated in the license agreement:

- Where one of the parties **materially** defaults on his duties under this licence agreement, the other party shall have a right to terminate this licence agreement without further notice, unless the defaulter remedies the default within fourteen days (or another reasonable period) on receiving a demand in writing to cease defaulting.
- **Material** defaults include normally, but are not limited to, the following:
 1. One of the parties becomes insolvent, suspends his payments, becomes the subject of winding-up or bankruptcy proceedings in court, initiates negotiations for a scheme of agreement with his creditors or ceases his business activities; or
 2. The licensee's non-payment of any amount due under this licence agreement; or
 3. The licensee's violation of the duty not in any way to assist to others in the multiplication or propagation of plant varieties covered by the licence in violation of the provisions in applicable legislation on plant variety rights and/or this licence agreement.
- *At his own discretion, the licensor shall be entitled to allow early termination of this licence agreement comprise any agreement concluded between the parties.*
- Early termination pursuant to the above mentioned defaults must be in writing by registered letter.

15. Legal effects of early termination and termination

Contract law normally combines the following consequences to early termination:

- If the licence agreement is terminated by the licensor pursuant to above-mentioned defaults the licensor is no longer obliged to supply propagating material to the licensee or otherwise perform any duties under this licence agreement.
- In case of early termination of this licence agreement pursuant to above mentioned defaults, the licensee is obliged to:
 - **Cease** any form of production of the varieties covered by the licence
 - **Refrain from** any continued use of technical information, other industrial rights or other confidential knowledge which the licensee may have received from the licensor, and return all copies of such information; and
 - **Cause** the return of any form of plant material covered by the licence to the licensor.
- If this licence agreement is terminated because one of the parties has given (normally) six months' notice in writing of termination of the licence agreement to expire at the end of a calendar month, the licensee shall, however, be entitled, for a period of six months after the time of expiry, to sell or otherwise dispose of the plant material covered by the licence and in the licensee's possession, subject to observance of the provisions of the licence agreement.



16. Governing law

To avoid any dispute parties normally agree over which national law will govern the agreement:

- This licence agreement shall be governed by Law.

17. Venue

To avoid any dispute parties normally agree over which Court will be competent:

- Disputes arising out of this licence agreement, its interpretation and performance thereof, shall – unless the parties can agree on a amicable settlement of the dispute within two months – be decided by the Court of(location).

18. Miscellaneous provisions

Finally parties should consider inserting the following conditions in their license agreement:

- Amendments of this licence agreement shall be valid only if made in writing and signed by both parties.
- Notices under this licence agreement shall be in writing and sent by registered letter, telex or fax. Registered mail is deemed to have been received by the recipient (three days seems to be reasonable) working days following dispatch, and telex and fax notices are deemed to have been received by the recipient at the time which appears from the relevant transmission report.
- This licence agreement (with an appendix) has been drawn up and signed in duplicate, of which each party has received one copy.

Date:

Date:

LICENSOR

LICENSEE