SPC Guiding Case No. 92: Laizhou Jinhai Seed Co., Ltd. v. Zhangye Fukai Agricultural Technology Co., Ltd. (Infringement of New Plant Variety Rights Dispute)

Dan Young Business Consultancy — www.danyoungcpa.com

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Keywords

Civil / infringement of new plant variety rights / identification of corn varieties / DNA fingerprint testing / similar varieties / burden of proof

Holding

Under the detection and determination standards of the agricultural industry standard of the People's Republic of China, Method for Identification of Corn Varieties by DNA Fingerprinting, NY/T 1432-2007, where the number of differential loci between varieties is one, the varieties are determined to be similar varieties; where the number of differential loci between varieties is two or more, they are determined to be different varieties. A difference of one locus between varieties is insufficient to determine that they are not the same variety. Where the number of differential loci is two or fewer, comprehensive consideration shall be given to other factors to determine whether they are different varieties, such as expanding the number of loci tested for additional testing and submitting the approved sample for determination, and the burden of proof shall be borne by the alleged infringing party.

Basic Facts

On January 1, 2003, upon approval by the Ministry of Agriculture, "Jinhai No. 5" was granted the new plant variety right of the People's Republic of China, with variety number CNA20010074.2, and the holder of the variety right was Laizhou Jinhai Crop Research Co., Ltd. On January 8, 2010, the holder of the variety right authorized Laizhou Jinhai Seed Co., Ltd. ("Jinhai Seed") to exclusively produce and market the corn hybrid "Jinhai No. 5," and authorized Jinhai Seed to independently file lawsuits in its own name against infringing acts of producing or selling the variety without authorization. In 2011, Zhangye Fukai Agricultural Technology Co., Ltd. ("Fukai Company") carried out corn seed production in the Eighth and Eleventh Production Teams of Gucheng Village, Shajing Town, Ganzhou District, Zhangye City. Jinhai Seed filed a lawsuit with the Intermediate People's Court of Zhangye City ("Zhangye Intermediate Court") on the ground that Fukai Company's seed production infringed its new plant variety right in "Jinhai No. 5" corn. After accepting the case, the Zhangye Intermediate Court, upon Jinhai Seed's application, conducted evidence preservation on September 13, 2011, by randomly extracting corn ears from living corn plants of the alleged infringing corn planted in the Eighth and Eleventh Production Teams of Gucheng Village, Shajing Town, and sealing them on site, and entrusted the Corn Seed Testing Center of the Beijing Academy of Agricultural and Forestry Sciences to conduct a comparative identification between the extracted samples and the standard sample of "Jinhai No. 5" preserved by the New Plant Variety Preservation Center of the Office for the Protection of New Varieties of Plants of the Ministry of Agriculture. The testing report issued by the testing center concluded "no obvious difference."

The Zhangye Intermediate Court held that infringement had been constituted and ordered Fukai Company to bear liability for infringement. Fukai Company was dissatisfied and appealed to the Higher People's Court of Gansu Province ("Gansu High Court"). After trial, the Gansu High Court ruled that the facts were unclear in the original judgment and remanded the case to the Zhangye Intermediate Court for retrial.

After the case was remanded for retrial, the Zhangye Intermediate Court replied in writing to the Corn Seed Testing Center of the Beijing Academy of Agricultural and Forestry Sciences, requesting a supplementary identification or explanation of the testing report numbered “JA2011-098-006” whose conclusion was “no obvious difference.” The center replied: “Comparing the sample to be tested with the control sample ‘Jinhai No. 5’ under the variety protection of the Ministry of Agriculture, at 40 loci there is only one differential locus, and under the industry standard it is determined to be similar, with the conclusion that there is no obvious difference between the sample to be tested and the control sample. This conclusion should be interpreted as follows: under the DNA fingerprint testing standard, a difference of at least two loci is taken as a sufficient condition for determining that two samples are different, while for a difference of two or fewer loci, it indicates that the conditions for determining that the two samples are different under the standard are insufficient, and therefore no conclusion can be drawn that the sample to be tested is different from the control sample.” After cross-examination, Jinhai Seed raised no objection to the testing report. Fukai Company argued that the inspection report stated the number of differential loci was “1,” indicating that the defendant had not infringed, and therefore the testing report could not be admitted as evidence in this case.

Judgment

The Intermediate People’s Court of Zhangye City, in Civil Judgment (2012) Zhang Zhong Min Chu Zi No. 28, ordered that the claims of Laizhou Jinhai Seed Co., Ltd. be dismissed. Laizhou Jinhai Seed Co., Ltd. was dissatisfied and appealed. On September 17, 2014, the Higher People’s Court of Gansu Province rendered Civil Judgment (2013) Gan Min San Zhong Zi No. 63: (1) Civil Judgment (2012) Zhang Zhong Min Chu Zi No. 28 of the Intermediate People’s Court of Zhangye City was revoked; and (2) Zhangye Fukai Agricultural Technology Co., Ltd. shall immediately cease the acts infringing upon Laizhou Jinhai Seed Co., Ltd.’s new plant variety right and compensate Laizhou Jinhai Seed Co., Ltd. for economic losses of 500,000 yuan.

Reasoning

The court’s effective judgment held that producing or selling, for commercial purposes, the propagating material of an authorized variety without the permission of the holder of the variety right is an act infringing upon the new plant variety right. The core of determining whether the propagating material of a plant variety produced or sold by an actor is the propagating material of an authorized variety lies in whether the characteristics and traits of the new plant variety cultivated using that propagating material are identical to the characteristics and traits of the authorized variety. In this case, upon identification entrusted by the people’s court, the identification opinion issued by the Corn Seed Testing Center of the Beijing Academy of Agricultural and Forestry Sciences indicated that the sample to be tested and the authorized sample showed “no obvious difference,” but at 40 loci compared in the DNA fingerprint testing, there was a difference at one locus. Under the agricultural industry standard of the People’s Republic of China, Method for Identification of Corn Varieties by DNA Fingerprinting, NY/T 1432-2007, Detection and Determination Standards: where the number of differential loci between varieties is one, they are determined to be similar varieties; where the number of differential loci between varieties is two or more, they are determined to be different varieties. Under the DNA fingerprint testing standard, a difference of at least two loci is taken as the standard for determining whether two varieties are different. A difference of one locus between varieties is insufficient to determine that they are not the same variety. DNA testing and DUS (field observation testing) have no direct correspondence in loci. Where the number of differential loci is two or fewer, comprehensive consideration shall be given to other factors to make the determination, such as expanding the number of loci tested for additional testing and submitting the approved sample for determination. In this case, the burden of proof shall be borne by the alleged infringing party. Because the method on which the grant of a new plant variety right is based is DUS testing rather than laboratory DNA fingerprint identification, if Zhangye Fukai Agricultural Technology Co., Ltd. submits contrary evidence proving through DUS testing that the characteristics and traits of the alleged infringing propagating material are not identical to those of the authorized variety, it may overturn the foregoing conclusion. According to the facts found, the appellee Fukai

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Company, after being instructed, still failed to provide contrary evidence and did not satisfy the conditions for DUS testing. Therefore, pursuant to Paragraph 1 of Article 2 of the Several Provisions of the Supreme People's Court on the Specific Application of Law in the Trial of Disputes over Infringement of New Plant Variety Rights, which provides that "where anyone, without the permission of the holder of the variety right, produces or sells, for commercial purposes, the propagating material of an authorized variety, or repeatedly uses, for commercial purposes, the propagating material of an authorized variety in the production of the propagating material of another variety, the people's court shall determine that the new plant variety right has been infringed," Fukai Company's acts should be determined to constitute infringement of the new plant variety right.

On liability for infringement. Pursuant to Article 6 of the Several Provisions of the Supreme People's Court on the Specific Application of Law in the Trial of Disputes over Infringement of New Plant Variety Rights, Fukai Company should bear the civil liability of ceasing the infringement and compensating losses. Because the infringing acts in this case occurred three years ago, and both parties failed to fully adduce evidence on the losses suffered by the infringed party or the profits obtained by the infringer, and the court found that the area planted with the infringing variety was 1,000 mu, comprehensively considering such factors as the time, nature, and circumstances of the infringing acts, the court exercised discretion to determine compensation of 500,000 yuan and ordered the cessation of the infringing acts.

Relevant Legal Provisions

Articles 16 and 17 of the Regulations of the People's Republic of China on the Protection of New Varieties of Plants.

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