Prateep Naboriboon
Senior Consultant & Patent Agent
prateep.n@tilleke.com

Plant Variety Protection: New Announcement Impacts IP Rights and Profit Sharing

In Thailand, the Plant Varieties Protection Act B.E. 2542 (1999) provides protection for plant varieties that possess novelty, stability, uniformity, and distinctiveness. Once protected, the rights holder of a new plant variety has the sole right to produce, sell, distribute, import, export, or possess the plant for any of these purposes.

Section 52 of the Plant Varieties Protection Act stipulates that a person who collects, procures, and gathers wild plant varieties and general domestic plant varieties for the purpose of developing new varieties, education, research, and studies for commercial interests may do so with a valid permit granted by the Department of Agriculture (DOA). The permit holder (known as the "grantee") must also enter into a profit-sharing agreement with the DOA (the grantor), which requires that any monetary gains from the commercial exploitation of such plant variety(ies) be shared with the DOA.

Although the Plant Varieties Protection Act took effect in 1999, the DOA only issued an "Announcement Regarding Forms for Application for Permission and Profit-Sharing Agreement under Section 52" (the Announcement) on January 29, 2013. This article will provide an overview of the key provisions of the Announcement as they relate to intellectual property rights and the profit-sharing scheme.

Intellectual Property Rights

The Announcement clearly sets out that the grantee does not have any intellectual property rights or other rights to the plant varieties and/or parts thereof covered by the permit. The grantee is, however, allowed to use the plant varieties that are collected, procured, or gathered or the results from the developments, studies, and research for commercial purposes.

If these activities result in new creations, the grantee is entitled to seek intellectual property protection for the resulting products or innovations. In doing so, the grantee must inform the DOA of any intellectual property rights filings. If the grantee decides not to apply for IP protection, it must notify the DOA, and the DOA will have a right of first refusal as to whether it wishes to apply for the IP protection on the creations/innovations, and to negotiate with the grantee as to whether the rights in the creations/innovations will be assigned to the DOA, with or without consideration. If the DOA declines to acquire such right or the negotiation fails, the grantee can then assign its right to a third party. Any considerations received from the assignment are considered as use for commercial purpose, and hence the grantee is obligated to share the profits with the DOA.

Profit Sharing

If the grantee uses the plant varieties and/or parts thereof that are collected, procured, or gathered or that result from the developments, studies, and research for commercial purposes, the grantee must share the profits from these activities with the DOA. The profits can be shared in the form of property, technological advances, technology transfer, personnel development, or any other types of profits. This will be determined according to the approved profit-sharing proposal based on net sales or proceeds from the services resulting from such commercial use.

If the grantee allows or authorizes a third party to manufacture, use, or yield any profits from the products developed employing the protected IP rights acquired through use or development of the plant varieties, the grantee needs to inform the DOA and share the profits from this arrangement. The duty to share the benefit continues for as long as the grantee obtains the commercial benefits, but for no longer than the period of IP protection.

If the grantee acts as an agent for another person, the profits will be calculated from the profits obtained by the principal. However, the grantee is obligated to share these profits with the DOA as if the profits were obtained by the grantee.

Implications for Grantees

If you are a grantee, what does the Announcement mean for you? Neither the Plant Varieties Protection Act nor the Announcement provides a specific definition of "profit," but it appears to include:

- Consideration received in exchange for an assignment or authorization for other parties to use the IP.
- Net sales of products developed employing the protected IP rights acquired through use or development of the plant varieties.

As a grantee, you are obligated to share any such profits with the DOA. Regardless of whether you commercially exploit the IP right yourself or assign it to others, you continue to have the duty to share the profit.

The Announcement holds that you can share profits as property, technological advances, technology transfer, personnel development, or any other types of profits, but it lacks guidelines on the rate and amount to be shared. It is uncertain whether you can negotiate the profit sharing or whether the DOA will impose a specific rate and amount.

Further, the Announcement stipulates that your duty to share the benefit continues for as long as you enjoy such commercial benefits, but no longer than the period of IP protection. While this appears to be a very straightforward statement, in reality it could be difficult to reduce into practice. For example, if you will share the profits in the form of technology transfer or personnel development, how can you quantify the appropriate amount of consideration for profit-sharing purposes?

This lack of clarity regarding how profits will be shared, combined with the requirement to approve a profit-sharing scheme at an early stage of the process, may discourage investment in research and studies on plant varieties. Innovators will therefore need to closely monitor for further guidelines or directions on how these procedures will be implemented in practice, so that they can be assured that their research investments will be worthwhile.