



Australian Government

Advisory Council on Intellectual Property

A review of enforcement of Plant Breeder's Rights

OPTIONS PAPER

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Please note: unless requested otherwise, written comments submitted to ACIP will be made publicly available.

Comments should be received no later than 18 July 2008

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Glossary of Terms

ACIP	Advisory Council on Intellectual Property
Accumulator	Crop handling authority
ADR	Alternative Dispute Resolution
AFP	Australian Federal Police
ASF	Australia Seed Federation
CIOPORA	International Community of Breeders of Asexually Reproduced Ornamental and Fruit Tree Varieties
DAFWA	Department of Agriculture and Food, Western Australia
DPP	Commonwealth Department of Public Prosecutions
EPR	End Point Royalty
FCA	Federal Court of Australia
FMC	Federal Magistrates Court
GRDC	Grains Research and Development Corporation
Grower	Licensee of a PBR, farmer
IP	Intellectual Property
PBR	Plant Breeder's Rights
PBRAC	Plant Breeder's Rights Advisory Committee
PBR Act	Plant Breeder's Rights Act 1994
PBRO	Plant Breeder's Rights Office
PBR owner	Grantee of a PBR under the PBR Act, breeder
PVR Act	Plant Variety Rights Act 1987
Taxa	Groups in the system of classifying plants, such as genus or species. Plural of taxon.
TRIPS	World Trade Organisation agreement on Trade Related Aspects of Intellectual Property
UPOV	International Union for the Protection for New Varieties of Plants

Format of the Paper

Part I of the paper comprises a summary of the progress of the review to date.

Part II comprises a discussion of the issues raised in the submissions that ACIP believes may impact on the *Substantive Law* as provided by the Plant Breeder’s Rights Act 1994 (i.e. exclusive/extended rights, farm saved seed provision, exhaustion of PBR, essentially derived varieties, pre-grant enforcement).

Part III comprises a consideration and discussion of those *Procedures* which may assist Australian plant breeder’s rights holders to more effectively enforce their valid rights. These include:

- the extension of the jurisdiction of the Federal Magistrates court (FMC) to cover PBR matters
- use of Alternative Dispute Resolution (ADR) processes
- availability of civil and criminal sanctions

Part IV comprises a discussion of the *Remedies* available that ACIP believes may assist Australian plant breeder’s rights holders to effectively enforce valid rights (i.e. improved evidence collection mechanisms and inspection orders, exemplary damages and border protection (Customs)).

Part V examines the capacity for *Sector-Generated Support* as a means of assisting Australian plant breeder’s rights holders to more effectively enforce valid rights (i.e. the use of greater education and awareness, central body/third party involvement, varietal ID and end point royalties, standardised contracts).

PART I OVERVIEW

1.1 Introduction

The Advisory Council on Intellectual Property (ACIP) is an independent body established to provide advice to the Minister for Innovation, Industry, Science and Research and IP Australia on matters of policy and administration. The Council has been requested to take a broad strategic view of the role of intellectual property and its contribution to the development of Australian industry. Members of the Council are drawn from business and manufacturing sectors, the patent attorney and legal professions, the tertiary and research sectors, and technology and commercialisation groups. IP Australia is the federal agency responsible for administering the patent, trade mark, design and plant breeder’s right systems.

Over recent years there have been repeated calls from plant breeder’s rights (PBR) owners concerning the difficulties associated with enforcing PBR¹. The effective enforcement of plant breeder’s rights is fundamental to an effective and efficient plant breeding industry capable of benefiting all Australians. The PBR system is significantly devalued if owners of PBR cannot enforce their rights in a speedy and cost efficient manner.

The enforcement of PBR is perceived by many stakeholders as an expensive, complicated and uncertain process. As a consequence, the then Government responded to the concerns raised in this area and requested ACIP:

to inquire, report and make recommendations to the Australian Government on issues relating to the enforcement of plant breeder’s rights in Australia and to consider possible strategies to assist Australian plant breeder’s rights holders effectively enforce valid rights. The review should include a consideration of whether any practices and procedures relating to the enforcement of Plant Breeder’s Rights (PBR) are appropriate to be referred to the Federal Magistrates Court.

1.2 The Review Process

In May 2006, the review of enforcement of plant breeder’s rights was advertised in Australia’s major newspapers and select industry publications. Following preliminary consultations with some sectors of the Australian plant variety industries ACIP circulated an Issues Paper to interested parties in March 2007. The purpose of the

¹ In recent years, sectors of the plant industry and select members of the legal fraternity have brought anecdotal evidence to the attention of the PBR Office concerning the state of enforcement of PBR in Australia. Late in 2006, IP Australia undertook market research to determine the key factors which influence the filing of PBR applications. The research found that anything which affects the return on investment would likely impact on the number of applications filed. Some in the industry were critical of the actual protection provided by PBR, as an inability to enforce the rights resulted in a significant amount of infringement. Over time this is reducing the attractiveness of PBR and leading industry to look at other forms of protection or none at all. Lack of clarity in the PBR Act, industry practices and the time, cost and negative publicity of enforcement actions were considered to be factors which made enforcement difficult.

Issues Paper was to elicit written submissions on the points raised in the paper, and any other matters or issues that respondents felt were relevant to the terms of the inquiry.

ACIP received forty submissions in response to the Issues Paper². Submissions were received from a wide range of stakeholders. These included peak industry and grower bodies, Commonwealth and State governments, academic institutions, breeding companies, Cooperative Research Centres (CRC's) involved in variety identification technologies and Non-Government Organizations with views concerning germplasm diversity and food security. Several submissions were made in confidence and so, although the views expressed in these have been considered by ACIP, they cannot be cited in this Options Paper.

Many respondents agreed to participate in consultations with ACIP which were conducted in June and July 2007 in Sydney, Canberra, Melbourne, Brisbane and Perth. While few new issues were identified in the consultations, the dimensions and scope of those raised in the Issues Paper were expanded considerably. ACIP is appreciative of the response received from interested parties to date throughout the review. The submissions received, and consultations undertaken, have provided ACIP with a body of evidence and opinion from many sections of the Australian plant breeding industry. It is acknowledged that the horticultural and nursery industries and plant variety users were underrepresented. Additional input from these sectors would be greatly appreciated.

From the submissions received and consultations undertaken, it is clear how critical effective and efficient enforcement mechanisms are to the task of commercialising new plant varieties. It is also apparent to ACIP that a number of important considerations specific to plant breeder's rights enforcement and the commercialisation of new plant varieties require careful management. This is especially the case given the self replicating characteristics of plants and the incremental nature of improvements to plant varieties.

The Issues Paper process has allowed ACIP to identify a number of features in the PBR Act and the implementation of the Act that, if revised, may enhance the ability of the PBR owner to enforce its rights. The purpose of the Options Paper is to document these areas and to seek the views of stakeholders on options for revision.

1.3 Submissions to this Paper

This paper documents a number of options to address the enforcement concerns of PBR holders and some arguments for and against them. ACIP seeks your input on these options and any other suggestions that may be germane to the terms of reference of this enquiry. ACIP emphasises that strong evidence of a problem is needed to justify any change to the current system, and encourages those making submissions to provide such evidence wherever possible.

² All submissions not marked confidential are available on the ACIP website at: www.acip.gov.au/reviews.htm

Written submissions may be made in electronic form or in hard copy and should be provided to the address below by **COB 18 July 2008**.

Unless marked confidential, all submissions will be made public and may be placed on the ACIP website at (<http://www.acip.gov.au>). The Council's preference is for submissions to be made public; confidentiality should only be reserved for material which would be genuinely prejudicial to the party making the submission if disclosed.

Comments should be provided to the following address by COB 18 July 2008.

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After consideration of the submissions and possible consultations regarding this paper ACIP expects to submit a final Report to the Government in late 2008.

1.4 Background

1.4.1 Operation of PBR in industry

The plant breeding industry consists of a number of relatively distinct sectors. The groups that make up the industry are often divided according to various categories such as the type of plant material, the method of cultivation, the varietal life cycle and/or the area of breeder/grower specialisation and varietal end use. Three groups commonly separated include:

- 1) Agricultural (broad acre/field crops, eg. cereals),
- 2) Horticultural (fruit, nuts and vegetables) and
- 3) Ornamental/Amenity (nursery, floriculture and turf).

Industry members can be also identified as either a PBR owner or a grower (farmer). PBR operate in different sectors in different ways. The following are some typical examples.

Agricultural sector – cereals

Around 25% of new applications for PBR are for plants in the agricultural sector. **Breeders** of new cereals include the State Government Departments of Agriculture, the CSIRO, universities and private investors, most in collaboration with the Grains Research and Development Corporation (GRDC). Breeding a new variety typically takes about 12 to 14 years. Once this is achieved a **commercialisation partner** multiplies the seed through contractors and sells it through a network of regional merchants to the **growers**. At this point a seed royalty may be required to be paid to the PBR owner, depending on the type of cereal involved and the structure of the industry.

The growers purchase the seed they need immediately prior to planting, grow and harvest the grain and typically deliver it to a handling authority (**accumulator**) who accumulates grain on behalf of a **trader** and/or **end user**. In some cases the accumulator is also a grain trader³. Accumulators do not purchase the grain.

In the case of wheat, AWB Ltd. has been the sole exporting trader who collects payment from customers and pays the grower. AWB has collated information on the varieties being sold and collected EPRs on behalf of PBR owners on a fee-for-service basis. The percentage of wheat crop received by AWB that attracts EPRs increased from 35% in 2004-05 to 49% in 2005-06⁴. The Government has reviewed the marketing of wheat and has proposed to deregulate the market and establish a statutory authority to regulate exports⁵. There are several export resellers of barley.

End users of grain include domestic flour millers, animal feed merchants and feed lot operators. The grower may also sell the grain directly to end users, thus potentially avoiding the payment of royalties. Growers may also illegally sell or barter the harvested grain to **other growers** to use as seed for the next year's crop, also avoiding the payment of royalties.

Barley shares the same royalty collection issues as wheat. Oats and triticale are quite different as they are primarily used for forage and hay. This makes it difficult for a PBR owner to determine how much harvest has been produced, and so it is only practical for royalties to be based on the seed, not the harvest.

Figure 1 in Appendix 1 approximates the current supply chain and potential points for collecting royalties in the wheat industry.

Horticultural sector – apples

Around 25% of new applications for PBR are for plants in the horticultural sector. In the apple industry, **breeders** of new varieties use wholesale **nurseries** to multiply the plants, which are then provided to **growers**. Payment of royalties may be required in either of these stages. Growers then sell harvested fruit to:

- **accumulators**, who pass it on to retail outlets, and/or
- the three major **supermarkets**, who handle 42% of production, and/or
- a few **processors**, who handle 30% of production, and/or
- a handful of **wholesale markets**, who handle 22% of production, and/or
- less than 20 **exporters**, who handle under 5% of production, and/or
- other domestic retail outlets, who handle under 1% of production.

Figure 2 in Appendix 1 approximates the supply chain for the apple industry.

³ For example, CBH Group, which is controlled by grower-shareholders and classifies, receives, handles and markets grain on their behalf. It is not clear whether such accumulators are acting on behalf of growers, rather than the trader.

⁴ GRDC, March 2008.

⁵ <http://www.daff.gov.au/agriculture-food/wheat-sugar-crops/wheat-marketing>. In response, some grain accumulators are developing new systems with the aim of retaining the efficiencies of bulk handling. See ProFarmer Vol. 16, No. 14, 10 April 2008.

Ornamental / amenity sector

Around 50% of new applications for PBR are for plants in the ornamental / amenity sector. **Breeders** of new varieties licence them to **agents**, who sub-licence to **propagators**, of which there is a large number but only a few large entities. Propagators then reproduce the plants in bulk and provide the immature plants to a large number of **production nurseries**. There are a few large production nurseries which undertake most of the production. Propagators also record the number of plants sold and determine the royalties due to breeders. They sell labels to the production nurseries for each plant on which a royalty is collected. The production nurseries sell the mature plants to:

- **domestic retailers**, of which there are a large number, but only a few large entities, and who account for the great majority of plant sales, and/or
- **export retailers**, who handle a small proportion of sales, and/or
- **flower producers**, who also handle a small proportion, and/or
- the **landscape industry**, who handle a significant proportion of sales.

Figure 3 in Appendix 1 approximates the supply chain for the ornamental / amenity sector.

1.4.2 Scope of the Review

ACIP interprets the terms of reference to encompass a broad range of issues that may impact on the enforcement of plant breeder’s rights. More precisely, the review identifies difficulties in enforcement being experienced by PBR owners and has identified solutions to these difficulties.

ACIP would like to stress again that the current review is not an in-depth analysis of whether the PBR Act is achieving its original objectives and goals. ACIP generally considers the primary focus of the current review to encompass:

- The current Australian law (exclusive/extended rights, exhaustion of PBR, lack of clarity, pre-grant enforcement, essentially derived varieties)
- Procedures (Federal Magistrates Court, alternative dispute resolution, civil versus criminal, burden of proof)
- Remedies/Evidence (inspection orders, exemplary damages, Customs)
- Sector-Generated Support⁶ (education and awareness, central body/third party involved in evidence collection and/or royalty collection, end point royalties⁷, standard contracts)

⁶ A note on Sector-Generated Support: The role of improving royalty collection systems, although central to concerns of growers and breeders and discussed in parts of this paper, is considered by the working party to be an industry self help issue and largely outside the direct scope of the review. As such, any discussion and/or recommendation, outside of its connection to the legislative framework as provided by the PBR Act, is likely to be framed in the context of ‘sector-generated support’. Such discussion/recommendation will more likely take an informative or descriptive role rather than establish a strict advocacy/endorsement position.

⁷ End point royalties (EPR) are royalties paid on every tonne of product produced (usually grain) by growers. See Chapter 13.

1.4.3 Summary of issues raised in the submissions and consultations

Those who made submissions to ACIP can be categorised as belonging to one of the three main industry sectors (and whether a PBR owner and/or grower), the legal profession or government. In the submissions made to ACIP, across all industry sectors there was general agreement on the importance of the PBR system in encouraging investment and the value of the 'farm saved seed' provision (albeit with some significant exceptions – see below). However, concerns over enforcement which were common to all sectors of the plant breeding industry included the following:

- Difficulties arise from the small and diffuse nature of infringements.
- Current systems for collecting evidence of infringements are inadequate.
- Current royalty collection processes are expensive and not well implemented.
- Appropriate enforcement mechanisms and statutory rights need to be tailored to deal with different types of infringing behaviour (i.e. flagrant/wilful infringement and unintentional/inadvertent infringement).
- A culture of non-compliance and a lack of understanding about the PBR system exists among plant variety users.
- Significant uncertainty exists over the interpretation of parts of the PBR Act.

Many submissions also identified concerns with the current enforcement environment relative to a specific industry sector. These concerns included:

- The 'farm saved seed' exemption presents an obstacle to obtaining a sufficient return on investment in breeding (Agriculture).
- Breeders of essentially derived varieties obtain an unfair share of the benefits of PBR protected varieties (Horticulture).
- The Australian Customs Service lacks the necessary powers to seize imported illegally propagated cut flower varieties (Ornamental).
- Breeders need to be able to begin infringement proceedings prior to grant of PBR (Horticultural).
- PBR owners are unable to secure a fair return following their investment in a successful enforcement action. (Horticultural, legal fraternity and Government).

PART II SUBSTANTIVE LAW

Part II of the paper is primarily concerned with the substantive law as provided under the *Plant Breeder's Rights Act 1994 Part 2 – Plant Breeder's Right*.

2 Overview of rights granted

The aim of PBR is to encourage the development of new varieties of plants for our domestic industries and for export⁸. PBR are intended to provide a balance between providing plant breeders with an opportunity to obtain a reward for producing a new plant variety, and providing the benefits to growers and society of access to new and improved plant varieties.

In Australia, intellectual property rights are granted for new varieties of plants under the *Plant Breeder's Rights Act 1994* (the PBR Act). The PBR Act complies with the 1991 Revision of the *International Convention for the Protection of New Varieties of Plants* (UPOV Convention), to which Australia is a signatory. The World Trade Organization (WTO) agreement on *Trade-Related Aspects of Intellectual Property Rights* (TRIPS) is another significant international treaty with which Australian law on plant variety rights is, and must remain, compliant⁹.

The PBR Act is administered by the Plant Breeder's Rights Office (PBRO) within IP Australia. Using the technical services of a Qualified Person, the breeder of a variety submits an application to the PBRO. A PBR is granted on that variety if the application passes an exhaustive examination process which includes a comparative growing trial.

The following is an overview of the principal parts of the PBR Act relating to the rights granted. More detailed information can be found in Chapter 3. Compared with other forms of IP rights, PBR are inherently complicated due to the self reproducing nature of plants. Is it more difficult to control the use of an innovation when a purchaser may easily use the innovation to produce copies of it.

2.1 Subject matter protected (Section 3)

Australia's PBR Act provides protection for 'plant varieties'. This includes all species, including fungi and algae, but does not include bacteria, bacteroids, mycoplasmas, viruses, viroids and bacteriophages. To be a variety eligible for PBR, the variety must satisfy a number of criteria relating to its characteristics and suitability for propagation.

2.2 Requirements for protection (Section 43)

To be a registrable plant variety, a variety must¹⁰:

- have a breeder¹¹,

⁸ Plant Variety Rights Bill 1986, Second Reading.

⁹ TRIPS Article 27(3) stipulates that member states must provide protection for plant varieties either by patents or by an effective *sui generis* (ie. unique) system or by any combination thereof.

¹⁰ Section 43.

- be distinct¹², uniform¹³ and stable¹⁴, and
- not have been exploited, or has been exploited only recently¹⁵.

By comparison, to be patentable an invention must be¹⁶:

- a ‘manner of manufacture’, essentially meaning that it is of practical use, rather than of the ‘fine arts’,
- novel,
- inventive,
- useful, meaning that it fulfils its promise, and
- not secretly used beforehand by, or on behalf of, the patentee.

To be a registrable plant variety, a variety need not necessarily be inventive. It is sufficient that the variety is ‘distinct’ from known varieties.

2.3 Rights granted (Sections 11-15)

A PBR provides the breeder with the right to exclude others from using the registered variety for a range of commercial activities and from misusing the variety name. In particular, s.11 of the PBR Act provides the right to exclude others from doing certain specified acts in relation to the *propagating material* of a variety, namely production, reproduction, conditioning, sale, import, export and stocking of the material.

PBR protection extends to ‘essentially derived’ varieties (s.12) and certain dependent plant varieties (s.13). In certain circumstances, such as where there has been unauthorised propagation and the PBR owner has not had a reasonable opportunity to exercise its right, harvested material or products made from harvested material are covered by the rights to the same extent as is propagating material (s.14 and 15).

The maximum duration of plant breeder’s rights is 20 years for all species, with the exception of trees and vines where the maximum term is 25 years¹⁷. For grants made under the previous *Plant Variety Rights Act 1987*, all varieties were protected for up to 20 years. Once the PBR or PVR has expired, the variety may be freely used by the public.

¹¹ To be a breeder of a variety, a person (or persons) must have bred that variety. A plant breeder can include a single breeder, a group of breeders, an employee, or a group of employees.

¹² The UPOV Convention states that, ‘the variety shall be deemed to be distinct if it is clearly distinguishable from any other variety whose existence is a matter of common knowledge at the time of the filing of the application’.

¹³ A variety is uniform if, subject to the variation that may be expected from the particular features of its propagation, it is uniform in its relevant characteristics on propagation (PBR Act s. 43(3)). Relevant characteristics are taken to be those characteristics of the variety that make it clearly distinguishable from other varieties whose existence is a matter of common knowledge at the time of filing of the application.

¹⁴ A variety is stable if its relevant characteristics remain unchanged after repeated propagation (PBR Act s. 43(4)).

¹⁵ Section 43(1)(e) of the PBR Act.

¹⁶ *Patents Act 1990*, s18(1). Plants are not eligible for an innovation patent, which only requires an innovative step rather than an inventive step.

¹⁷ Section 22.

2.4 Exemptions, defences and limitations

Exemptions (Section 17)

The PBR Act contains important exemptions which allow people to use protected plant varieties in certain ways without having to obtain the permission of the PBR owner. These are:

- using a protected plant variety privately and for non-commercial purposes, or for experimentation; or to breed other varieties¹⁸.
- farmers saving the propagating material harvested from a legitimately obtained, protected plant variety for use in growing further crops on their own farm. This is known as the ‘farm-saved seed exemption’ or ‘farmer’s privilege’.

However, common law contracts between the PBR owner and other parties can be used to limit such uses.

Defences (Section 57)

If a person satisfies a court that, at the time of the infringement, the person was not aware of, and had no reasonable grounds for suspecting the existence of a PBR in a particular plant variety, the court may refuse to award damages or to make an order for an account of profits against the person. This is known as ‘innocent infringement’. However, this defence is not available where the propagating material of the protected plant variety has been labelled to indicate the existence of PBR and it has been sold to a substantial extent before the date of infringement.

Limitations

Restriction on PBR in certain circumstances (Section 18)

The PBR Act recognises that a law of the Commonwealth or of a State or Territory might authorise a person to do an act that would otherwise require authorisation of the PBR owner. If, before the person does that act, the person either pays ‘equitable remuneration’ to the PBR owner or arranges for the payment of such remuneration, then the grantee is not entitled to exercise PBR in the plant variety against the person in respect of that act¹⁹.

Statutory Licences (Section 19)

Reasonable public access to varieties is guaranteed under the PBR Act. Reasonable public access is satisfied by making propagating material available to the public at a reasonable price, or free, in sufficient quantities to meet demand. If this is not available it is possible for a party to make a written application to the Secretary²⁰ for a compulsory licence to be granted to the party. If a compulsory licence is granted, the Secretary can licence a person to grow and sell the variety for whatever time and under whatever conditions are deemed necessary.

¹⁸ Section 16.

¹⁹ The Plant Breeder’s Rights Amendment Bill 2002 repealed the previous Section 18, which exempted from PBR any acts defined in Section 11 which enabled the propagating material to be used as a food, food ingredient or fuel, or any other purpose which did not involve production or reproduction of the material.

²⁰ Secretary of the Department of Innovation, Industry, Science and Research.

Exhaustion of PBR (Section 23)

Once propagating material has been sold by the PBR owner or with the rights owner's consent, PBR is 'exhausted' and no longer applies unless it involves further production or reproduction of that material, or involves export to a country that does not provide PBR in relation to the variety for a purpose other than final consumption.

3 Concerns with current law

Many submissions received by ACIP, from both a breeder's and a grower's perspective, were concerned with the uncertainty or perceived uncertainty surrounding the operation of and the relationship between the exclusive rights granted to the PBR owner and the extensions of these rights, their exemptions and their limitations. Issues raised often focused on the uncertainty surrounding the interpretation of key phrases and/or concepts such as:

- the scope of protection provided by the exclusive rights (s11);
- the scope of protection provided by the provision on essential derivation (s12);
- the definitions of (and relationship between) propagating material and harvested material (s11, 14 and 15);
- the concept of 'reasonable opportunity' to exercise rights (s14 and 15);
- the farm saved seed exemption (s17), and
- the exhaustion of PBR (s23).

3.1 Exclusive rights granted

3.1.1 Current law

Section 11 of the PBR Act provides the exclusive rights on which all extensions, exemptions, defences and limitations are based:

11. Subject to sections 16,17,18,19 and 23, PBR in a plant variety is the exclusive right, subject to this Act to do, or to licence another person to do, the following acts in relation to propagating material of the variety, as follows:

- a) produce or reproduce the material;
- b) condition the material for the purpose of propagation;
- c) offer the material for sale;
- d) sell the material;
- e) import the material;
- f) export the material;
- g) stock the material for the purposes described in paragraph (a), (b), (c), (d), (e), or (f)

Note: In certain circumstances, the right conferred by this section extends to essentially derived varieties, certain dependent plant varieties, harvested material and products obtained from harvested material.

3.1.2 Concerns

A number of respondents to the Issues Paper were concerned that those sectors in the value chain which are best placed to collect and report the information necessary to

quantify the grower's royalty obligations to the PBR owner, and possibly to collect the royalty on behalf of the PBR owner, are not obligated to do so under the Act. This was particularly the case for grain varieties. The necessary information is the linking of a grower to the quantity of product produced from a particular protected variety.

ACIP understands that, at present, the following sections of the grains industry are exercising the exclusive rights provided in s.11 and so have a liability to the PBR owner:

- growers, when growing a crop (s.11(a)) or selling a crop (s.11(c) and (d));
- accumulators (bulk handling authorities), when stocking on behalf of traders selling the crop, or on behalf of growers selling the crop (s.11(g)). ACIP understands that accumulators do not purchase the grain themselves and generally act on behalf of traders;
- traders, when selling the crop (s.11(c) and (d)), and
- exporters, such as AWB Ltd. (s.11(f)).

ACIP understands that the following sections of the grains industry are *not* exercising the rights of the PBR owner:

- accumulators, when stocking on behalf of traders purchasing the crop;
- traders, when purchasing the crop, and
- end users such as feedlotter and flour millers, when purchasing or using the crop.

The Western Australia Department of Agriculture and Food (DAFWA) made the following comments:

The grain marketing environment and in particular the wheat market is rapidly evolving with increased numbers of traders, handlers and end users operating in the system. DAFWA has a vision of redesigning the grains EPR [end point royalties] collection system, where the Grantees utilise their rights further down the supply chain. Currently the EPR is placed on the grower but DAFWA would like to utilise its PBR by placing royalty on the grain traders or first end users.

End point royalties are discussed in Chapter 13.

DAFWA consider that they have the power to direct grain traders to provide the required information due to recent amendments to s.18 of the PBR Act²¹. They do not believe that this amendment provided similar obligations for direct users such as feed lots and ethanol producers.

The Grains Research & Development Corporation (GRDC) has a similar concern, stating that s.11 does not require those who feed PBR protected grain to livestock to pay royalties. Section 15 extends PBR rights to products derived from the harvested

²¹ Section 18 used to stipulate that any act defined in s.11 which enabled the use of the propagating material to be used as food or fuel, or for any other purpose that does not involve the production or reproduction of the propagating material, does not infringe the PBR. This was removed in 2002. Section 18 now relates to where a law of the Commonwealth, a State or Territory authorises a person to do an act that would require authorisation of the PBR owner. If the person pays 'equitable remuneration' to the grantee before performing that act, then the grantee is not entitled to exercise PBR in respect of that act.

material, but there is no way to determine the contribution of a particular variety to the 'product' made from feeding livestock. Flour millers were another end user mentioned who may or may not be required to pay royalties under s.15 on products derived from the harvested material, depending on whether the PBR owner has had a 'reasonable opportunity' to exercise their rights (See Chapter 3.2).

3.1.3 Options

Some submissions suggested that having a cost effective process for extending the exclusive rights of the PBR owner so as to capture more end users would have the following benefits:

- enable more orderly and comprehensive arrangements for the PBR owner to generate an equitable return on investment;
- assist in removing the complexities of the current system and limiting the costs of compliance auditing;
- avoid the uncertainty surrounding the condition of 'reasonable opportunity' (see Chapter 4.2);
- avoid relying on the interpretation that, for grains, harvested material is propagating material and therefore protected;
- be compliant with the UPOV Convention, in particular Article 14(4) which allows for 'additional acts' to be included in the exclusive rights of the PBR owner.

For example, DAFWA argued for the addition of a "use" right into the existing bundle of s11 exclusive rights, which it expects would also encompass the activities of accumulators of grain:

As the grain industry continues to restructure and end uses change, it is vital to expand the powers of Section 11...[to] have the act 'use' inserted as 11(h).

Some submissions proposed the addition of a "purchase" right. One submission stated that in the wheat industry the optimum opportunity to generate a return is when the trader or end user buys from the grower. If the PBR owner had the exclusive right to licence someone to purchase the variety, the PBR owner would then have a choice about where in the value chain they collect a royalty.

Providing PBR owners with a purchase right may enable them to 'double dip' by requiring royalties from both sellers and buyers for the same material. This has the potential to be abused by PBR owners, but may also provide a way of spreading costs. Competition amongst breeders may mitigate against double dipping. The Victorian Farmers Federation submitted that double dipping already occurs, with farmers being forced to pay a royalty at time of purchase of seed and at time of sale of crop grown from that seed.

Another potential benefit of adding a "use" and/or "purchase" right is that it would strengthen PBR rights and may support the construction of a simpler and more uniform royalty collection framework and transfer the bulk of the contract reporting away from growers.

However, others believed that, if the commercialisation and licensing arrangements are robust from the point of first sale, the addition of a “use” and/or “purchase” right does not really add much value.

Compliance with UPOV

UPOV Article 14(4) says:

[Possible additional acts] Each Contracting Party may provide that, subject to Articles 15 and 16, acts other than those referred to in items (i) to (vii) of paragraph (1)(a)²² shall also require the authorization of the breeder.

Article 15 stipulates that rights shall not extend to acts done for purposes which are private and non-commercial, experimental or for breeding other varieties²³. Article 16 concerns the exhaustion of PBR rights and stipulates that rights shall not extend to acts concerning a protected variety which has been sold or otherwise marketed by the breeder or with the breeder’s consent, unless further propagation or certain exports of the variety are involved²⁴.

As with other s.11 rights, any new rights would be subject to the exemptions of Article 15 (s.17 of the PBR Act) and therefore not inconsistent with UPOV. However, Article 16 regarding the exhaustion of rights (s.23 of the PBR Act) would limit the effectiveness of a new “purchase” right, as it would be limited to those sales done *without* the consent of the PBR owner. Any sales done with the explicit or implied consent of the PBR owner would not be subject to PBR, as the rights would have been exhausted. See Chapter 3.6.

OPTIONS

ACIP seeks your views on the following options in relation to the rights granted to PBR owners under s.11.

Option 1. No change to the rights of PBR owners

This option assumes that the current suite of rights is sufficient to enable PBR owners to generate a fair return on their investment. ACIP seeks any reasons why the current rights of the PBR owner under s.11 should not be changed, including any unintended consequences of a change.

Option 2. Provide PBR owners with an additional right over ‘use’ of the material

This option is to introduce into s.11 a new right for “use of the material”. The aim of this would be to provide PBR owners with the clear right to obtain royalties from end users such as feedlotters, millers, ethanol producers and juice manufacturers and therefore provide a more effective and efficient collection process.

This option may increase royalty payment compliance, reduce complexities in the system and minimise compliance auditing costs. However, such a significant change may impact on the public good objective of the system and may be unnecessary if robust commercialisation and contractual arrangements were established at point of

²² These acts are listed in s.11 of the Australian PBR Act.

²³ Reflected in s.16 of the PBR Act.

²⁴ Reflected in s.23 of the PBR Act.

first sale. It may also enable PBR owners to ‘double dip’ by requiring royalties from both sellers and buyers.

Option 3. Provide PBR owners with an additional right over ‘purchase’ of the material

This option is to introduce into s.11 a new right for “purchase of the material”. The aim of this would be to provide PBR owners with the choice of what point in the value chain to collect a royalty. For example, accumulators who are acting as agents for buyers would by law be considered to be purchasing the material and would therefore require a licence from the PBR owner.

Again, such a change may assist PBR owners to obtain royalties, particularly for grain varieties, but may have other impacts on the PBR system. This option may require significant changes to s.23 regarding exhaustion of rights in order to be effective. At present, a new purchase right would be limited to sales done without the consent of the PBR owner. This option may enable PBR owners to ‘double dip’ by requiring royalties from both sellers and buyers, although this is not necessarily a bad thing.

3.2 Extended rights and ‘reasonable opportunity’

3.2.1 Current law

Section 14 extends the rights of PBR owners to harvested material in certain circumstances:

(1) If :

- (a) propagating material of a plant variety covered by PBR is produced or reproduced without the authorisation of the grantee; and
- (b) the grantee does not have a reasonable opportunity to exercise the grantee’s right in relation to the propagating material; and
- (c) material is harvested from the propagating material;

section 11 operates as if the harvested material were propagating material.

(2) Subsection (1) applies to so much of the material harvested by a farmer from propagating material conditioned and reproduced in the circumstances set out in subsection 17(1) as is not itself required by the farmer, for the farmer’s own use, for reproductive purposes.

Section 15 provides a similar extension for products obtained from harvested material where the grantee does not have a reasonable opportunity to exercise their rights in the propagating or harvested materials.

The purpose of these sections is to enhance the return on investment in plant breeding if PBR cannot be enforced over the propagating material itself. Some examples may be:

- where a cereal variety is largely propagated using farm saved seed, the PBR owner cannot determine the extent of use of its variety.

- where a protected fruit tree is reproduced by grafting. The PBR owner may have no way of knowing whether such propagation is occurring but can identify the resulting fruit on the market.
- where a protected ornamental variety is reproduced without the PBR owner's knowledge but the resulting cut flowers on the market can be identified.

Section 14(2) clarifies that rights extend to harvested material used by the farmer for growing another crop which is not required for the farmer's own use (see Chapter 3.3).

Sections 14 and 15 comply with UPOV Articles 14(2) and 14(3). These articles require that:

- acts in respect of harvested material obtained through the unauthorised use of propagating material of the protected variety shall require the authorisation of the PBR owner, unless the PBR owner has had reasonable opportunity to exercise his right in relation to the propagating material;
- products made directly from harvested material falling within the above provision shall require the authorisation of the PBR owner, unless the PBR owner has had reasonable opportunity to exercise his right in relation to the propagating material.

The 2004 Federal Court decision *Cultivaust Pty Ltd v Grain Pool Pty Ltd*²⁵ considered a range of issues, one of which was whether the PBR owner (Cultivaust, licensee from the State of Tasmania) did not have a reasonable opportunity to exercise its rights over the propagating material and therefore had rights under s.14 and 15. The court found that the PBR owner had known that farmers were saving the seed and harvesting second and subsequent generation crops without authority, and so had a reasonable opportunity to exercise their rights, but had not taken action. The court did not go into any further detail on how the PBR owners would have exercised their rights over the saved seed.

The court confirmed that s.17 allows a grower to use seed harvested from the crop grown from the initial and legitimately obtained seed to plant another crop. However, if a grower saves seed from the first generation crop, plants and grows another crop, harvests that crop and sells the harvested material without the further authorisation of the PBR owner, the PBR owner may seek to exercise the PBR rights in accordance with s.14 or 15. Mansfield J said:

...in my view, s14(2) describes the status of second and subsequent generations of crop (other than that retained for farm saved seed), so that second and subsequent generations of crop are also to be treated as if the harvested material were propagating material covered by s11 of the *PBR Act*.

On appeal, the full Federal Court²⁶ was not required to make a determination on the issue, but queried this interpretation of 'reasonable opportunity'. The Court said "it

²⁵ *Cultivaust Pty Ltd v Grain Pool Pty Ltd* [2004] FCA 638. See 185-199.

²⁶ *Cultivaust Pty Limited v Grain Pool Pty Limited* [2005] FCAFC 223. See 56 and 57.

should not be thought that his Honour’s view of s14(1)(b) and 15(1)(b) would necessarily be endorsed if the question arises in the future”.²⁷

3.2.2 Concerns

A number of responders to the Issues Paper stated that extended rights are of general concern because there was a lack of detail in the first *Cultivaust* judgement and the comments of the appeal court had created uncertainty as to what constitutes a ‘reasonable opportunity’ to exercise rights²⁸. Some believed that the decision implied that, in order to rely on the extended rights provided by s.14 and 15, a PBR owner had to attempt a complex and costly series of contracts. The Plant Breeder’s Rights Advisory Committee (PBRAC) made the point that there will always be some element of uncertainty:

The concept of reasonableness is well known to the law. It concerns an objective assessment as to what is or what is not reasonable in all the circumstances. There has never been legislation codifying the meaning of ‘reasonable’ with good reason. For example the circumstances in any two cases are rarely the same.

There was also some questioning of why a threshold of ‘reasonable opportunity’ was necessary at all. Some of those who made submissions did not understand the reasoning behind it and believed the burden of proof on PBR owners to be too onerous.

A more specific concern was how s.14 and 15 applied to grains, where the harvested material is also propagating material. There was doubt over the validity of collecting a royalty on harvested material or products made from harvested material. DAFWA had received advice that, in respect of the grains industry, s.14 does not apply. The harvested material is also propagating material and so s.11 applies directly. Consequently, a royalty collection system based on harvested product would appear not to be open to challenge. However, this view was not consistent with legal advice provided to others on the matter. DAFWA welcomed clarification on whether s.14 and 15 are relevant to the grains industry.

2.1.3 Options

A number of submissions sought further clarification of the meaning of ‘reasonable opportunity’. DAFWA and others also suggested that, instead of PBR owners having to prove they did not have a reasonable opportunity to exercise their rights, the onus should be reversed and alleged infringers should have to prove there was a reasonable opportunity. Some submissions also sought further clarification of whether collecting royalties on harvested grains and products of harvested grains was appropriate under s.14 and 15.

²⁷ Summarised from *Plant Breeder’s Rights and Patents for Plants, a Compendium of Key Case Law for the Horticulture Industries in Australia*, ACIPA, 2007, 2.2.

²⁸ For example, Australian Seed Federation, Victorian Farmers Federation and Queensland Department of Primary Industries and Fisheries, Dr Matthew Rimmer & Jay Sanderson (ACIPA).

OPTIONS

ACIP seeks your views on the following options in relation to ‘reasonable opportunity’ to exercise rights under s.14 and 15.

Option 4. No change

This option is to accept that the courts have a view on the application of s.14 and 15, including the meaning of ‘reasonable opportunity’ and its application to grains. ACIP seeks any reasons why s.14 and 15 should not be changed, including any unintended consequences of a change.

Option 5. Clarify the meaning of ‘reasonable opportunity’

Some options for doing this are:

- test the meaning of s.14 and 15 in court. This would provide a high degree of certainty but would be a difficult and expensive exercise.
- seek an opinion from the Australian Government Solicitor. This may not provide the degree of certainty necessary desired.
- seek the opinion of an expert panel, similar to the Expert Panel on Breeding²⁹, set up to provide guidance on how a range of PBR issues are intended to operate. Such a group may include representatives from industry, independent experts in plant breeding, the PBR Office and ACIPA and be a more appropriate way to address industry concerns than waiting for court decisions to eventuate. A model for this may be the US system of ‘restatements of law’, although with more emphasis on an agreed understanding and less on case law³⁰. To ACIP’s knowledge, such restatements are rare in Australia.
- amend the Act in some way, such as by adding a definition of ‘reasonable opportunity’ in s.3.

Option 6. Reverse the onus of proof

This option involves reversing the onus of proof so that the alleged infringer has to demonstrate that the PBR owner did have a reasonable opportunity to exercise its rights. This would not provide a guarantee that PBR owners could use s.14 and 15 with impunity, but could act as a deterrent to infringement. However, this option may not follow the Australian legal standard of a presumption of innocence.

²⁹ *Clarification of Plant Breeding Issues under the Plant Breeder’s Rights Act 1994*, Report of the Expert Panel on Breeding, December 2002, <http://www.anbg.gov.au/breeders/index.html>

³⁰ In the US, Restatements of Law are a series of volumes produced by the American Law Institute on general areas of the law and the changes that have occurred. Common law developed by the courts is organised and explained in a manner similar to legislation. Although not binding upon the courts, restatements are sources of secondary authority which are often effectively cited in support of an argument before a court. It has been suggested that restatements have helped to achieve more uniform common law throughout the US.

Option 7. Delete references to ‘reasonable opportunity’ in s.14 and 15

Removing the condition that the PBR owner must not have had a reasonable opportunity to exercise its rights would remove uncertainty over the interpretation of the term. However, this may not be consistent with UPOV Article 14(2) and 14(3). Such a change may also have the detriment of allowing PBR owners to wait until well after use of the protected material has commenced and business decisions made before demanding recompense from end users.

Option 8. Clarify the application of s.11, 14 and 15 to grains

This option involves clarifying whether royalties on harvested material which is also propagating material can be appropriately sought under s.11, 14 and/or 15. Some alternatives for doing this are:

- bring a test case to court. This would provide a high degree of certainty but would be a difficult and expensive exercise.
- seek an opinion from the Australian Government Solicitor. This may not provide the degree of certainty necessary desired.
- seek the opinion of an expert panel as described in Option 5 above.

3.3 Farmer's privilege and balance of rights - all taxa³¹

This Chapter relates to the operation of ‘farmer's privilege’ for all taxa, regardless of whether they are propagated sexually or asexually.

3.3.1 Current law

Section 17 provides that, under certain circumstances, users of a protected variety may reproduce propagating material from the legally acquired propagating material for the person's own use:

- (1) If:
- (a) a person engaged in farming activities legitimately obtains propagating material of a plant variety covered by PBR either by purchase or by previous operation of this section, for use in such activities; and
 - (b) the plant variety is not included within a taxon declared under subsection (2) to be a taxon to which this subsection does not apply; and
 - (c) the person subsequently harvests further propagating material from plants grown from that first-mentioned propagating material;
- the PBR is not infringed by:
- (d) the conditioning of so much of that further propagating material as is required for the person's use for reproductive purposes; or
 - (e) the reproduction of that further propagating material.
- (2) The regulations may declare a particular taxon to be a taxon to which subsection (1) does not apply.

³¹ Taxa is the term for particular groups of plants in the classification system, such as a genus, species or sub-species.

This is known as ‘farmer’s privilege’ or the ‘farm saved seed’ exemption. UPOV members are not required to provide this exemption, as it is optional under Article 15(2). However, it may be argued that this exemption is required under the International Treaty on Plant Genetic Resources for Food and Agriculture. Article 9.2 states that each contracting party should protect and promote Farmers’ Rights, including protection of traditional knowledge and the right to equitably participate in sharing benefits arising from the utilization of plant genetic resources. Article 9.3 states that nothing in this Article shall be interpreted to limit any rights that farmers have to save, use, exchange and sell farm-saved seed / propagating material, subject to national law and as appropriate.

One of the aims of the ‘farmer’s privilege’ exemption was to achieve a balance between encouraging the development of new crops and not alienating the farming community for whom saving seed is a traditional practice³². Section 17(2) above enables requests to have the PBR Regulations declare that this exemption does not apply to particular taxa (species). At present no taxa are so declared.

The operation of this provision appears to be that growers who purchase PBR protected propagating material (eg seed), and use it to grow a first crop, may use the propagating material harvested from that first crop to grow a second generation crop for their own use without infringing PBR. The phrase “by previous operation of this section” in s.17(1)(a) above implies that this cycle can be repeated for subsequent crop generations without infringing PBR. All other uses of the propagating material, including using the saved seed as food for livestock and all uses by other growers, would constitute an exercise of the PBR owner’s right.

The first *Cultivaust* decision confirmed one aspect of this by saying that the exemption only applies when saved seed is for personal use only. PBR still applies to farm saved seed that is sold, traded or bartered. However, *Cultivaust* came to a different view on the second point, saying that only the seed saved from the first generation crop is exempt from PBR. Seed saved from subsequent generations, and all non-saved seed, is still subject to PBR.

3.3.2 Concerns

A considerable number of respondents to the Issues Paper were very supportive of the farm saved seed exemption, believing it to be an important aspect of the PBR scheme and in the wider interests of growers and PBR owners. The arguments for this support include:

- It provides legitimacy to the Act, especially amongst rural and regional sectors. Its removal would create widespread dissatisfaction (ACIPA, Biddulph Rural Consulting);
- Removal of the exemption would place a heavy financial burden on growers when purchasing seed and would require breeders to produce large carryover stocks to allow for short falls in production of seed due to drought (Victoria Farmers Federation, COGGO Seeds, Malcolm Crocker);
- It is critical for the rapid adoption of varieties and the ability to generate reasonable reward from End point royalties rather than seed based royalties.

³² Llewelyn M. and Adcock M., *European Plant Intellectual Property*, Hart Publishing, Portland, Oregon, 2006, pp. 190.

- Removal of the exemption may encourage growers to opt for unprotected, lower producing varieties, resulting in lower returns for PBR owners (PBRAC);
- Removal of the exemption would require a large investment in seed production infrastructure to replace the seed currently produced by growers for growing subsequent crops (PBRAC).

However, some submissions acknowledged that there are short comings in the implementation of the exemption. Breeders of new plant varieties are seen to perform an indispensable service to many industries and it is important to maintain a professional and economically viable Australian plant breeding industry. However, the current operation of the farm saved seed exemption was considered by some to make it difficult for breeders to generate an equitable return on their investment. It also appears that many growers and breeders do not fully understand the exemption and wrongly believe it allows on-selling and applies to seed saved from all subsequent generations of crops.

Of major concern were the difficulties and costs involved in tracking PBR protected seed to determine users' obligations to the PBR owner. This requires a quantity of production by the producer to be linked to the variety from which it was produced. PBRAC summarised the issue as follows:

...FSS [Farm saved seed] does not include provisions facilitating breeders knowing exactly who is using their plant variety and in what quantity in any one year. Therefore, the FSS provisions may be used as a mask [for] infringement. For example, because the breeder does not know how much produce to expect on the market in any one year:

- they cannot calculate how much royalty to expect. This encourages some growers to 'under report' their delivery of particular varieties or the amount of royalty they owe.
- it is much harder to detect produce that is grown without permission.

Further, because breeders do not know exactly who is growing their variety in any one year, they are less able to focus compliance efforts.

Another significant concern was illegitimate trading of seed, which some contended was happening on a major scale, both deliberately and through widespread misunderstanding of the farm saved seed exemption. Heritage Seeds stated:

The practice [of over-the-fence-trading] is now so widespread that Heritage believes a) there is a major negative economic impact on our business and the industry, and b) the [plant breeding] industry is now filtering research and commercialization to avoid species that are most vulnerable to abuse of rights.

Crop & Food Research estimated that, in the third season of one of their new varieties, illegal trading cost them \$40 000 in royalties. Pacific Seeds believed that removing the farm saved seed exemption would help remove the major problem of over-the-fence trading, but to the detriment of the honest farmer.

Some acknowledged the significant difficulties in tracking PBR protected seed and unreported "over the fence sales", but believed these to be, in general, royalty and

commercialisation issues that will not be solved by removing the farm saved seed exemption. For example, PBRAC said:

For example, in the grains industry, seed of one variety is reasonably similar to that of another variety. Therefore some farmers are still likely to save and swap seed, and then mis-declare varieties at the silo. Removing the [farm saved seed] provision will not facilitate compliance in this situation and may merely add to the upfront costs of production, prejudice the relationship between breeders and producers, and encourage some growers to “thumb” the system and mis-declare the identity of varieties they sell.

Some respondents argued that, due to the difficulties and/or costs associated with tracking seed and unauthorised trading, the farm saved seed exemption made it too hard to realise sufficient return on investment in plant breeding. Other submissions in support of removing the exemption said that it would remove the requirement for customers of a particular grower to give evidence against the grower in an infringement proceeding³³. Such customers may refuse to do this for fear of harming the relationship. It was also noted that the exemption is not required under UPOV.

ACIP notes that, although there are clearly significant concerns about the farm saved seed exemption, these are not supported by applications to have the exemption not apply to particular taxa.

3.3.3 Options

Biddulph Rural Consulting suggested that PBR owners should license farmer to farmer trading of farm saved seed. This would provide some control over the quality³⁴, collect more income for PBR owners and encourage compliance by being fairer.

Kathryn Adams suggested the following solution:

Farm saved seed provisions could be clarified and simplified; for example, if the European approach was taken, limiting the exemption to prescribed varieties, and implementing an equitable remuneration system for breeders where farmers save seed, breeders would have less need to implement the convoluted provisions of sections 14 and 15 [see Chapter 3.2] to ensure they were able to get a reasonable return on their investment.

The ‘farm saved seed’ exemption in the European system of Community Plant Variety Rights has the following features³⁵:

- it is for the purposes of safe-guarding agricultural production.
- it is limited to those species identified in the regulations. The numbers of species identified are nine fodder, nine cereal, one potato and three oil and fibre crops.
- small farmers are not required to pay any remuneration to the PBR owner for use of this provision³⁶.

³³ For example, Benny Browne.

³⁴ However, farm saved seed would not be subject to the same quality control and so should attract a lower licence fee

³⁵ Council Regulation (EC) No. 2100/94 on Community plant variety rights, Article 14(2).

³⁶ Small farmers are defined as those who do not grow plants on an area bigger than the area which would be needed to produce 92 tonnes of cereals, as calculated according to Article 8(2) of Council

- other farmers are required to pay an equitable remuneration to the PBR owner, which “shall be sensibly lower than the amount charged for the licensed production of propagating material of the same variety in the same area”.
- monitoring compliance with this provision is the exclusive responsibility of PBR owners. Relevant information shall be provided to the PBR owners on their request by farmers, suppliers of processing services and official bodies involved in the monitoring of agricultural production.

The Australian Seed Federation submitted that, if the Australian exemption is to be retained, an assessment should be made as to whether it complies with UPOV through being:

- within reasonable limits in terms of acreage, quantity of seed and species concerned, and
- subject to the safeguarding of the legitimate interests of the breeders in terms of payment of a remuneration and information³⁷.

A minority of submissions argued that the complete removal of the farm saved seed exemption should be considered.

OPTIONS

ACIP seeks your views on the following options in relation to the exemption for farm saved seed under s.17.

Option 9. No change to the farm saved seed exemption

This option is appropriate if the exemption is believed to be working satisfactorily and providing the correct balance between the rights of PBR owners and growers. Section 17(2) can still be used to have the exemption not apply to particular taxa declared in the Regulations. This may prevent the saving of propagating material in sectors where an equitable return on the investment in breeding cannot be achieved. However, as no taxa have been declared in this way, the practicalities of this are uncertain. ACIP is interested in why no applications to have taxa declared in this way have been submitted.

ACIP seeks any reasons why s.17 should not be changed in regards to the balance between the rights of PBR owners and growers, including any unintended consequences of a change.

Option 10A. Modify the farm saved seed exemption to be explicitly limited

This option could involve making the exemption only available where it is “within reasonable limits and subject to the safeguarding of the legitimate interests of the breeder” (from UPOV Article 15(2)). This would clarify that the exemption is limited and PBR owners would have a basis to bring infringement actions in circumstances where the practice of saving seed is preventing them from securing a reasonable

Regulation (EEC) No. 1765/92 relating to a support system for farmers, and other farmers to which that regulation applies.

³⁷ UPOV Article 15(2).

return. However, this option may create uncertainty for all parties, particularly growers, over when the exemption applies, and may result in more litigation.

Option 10B. Modify the farm saved seed exemption to be similar to that in Europe

This may involve:

- restricting the exemption to certain prescribed taxa (ie. the opposite of current Australian law under s.17(2)), and/or
- requiring large scale growers to pay equitable remuneration to the PBR owner for saved seed and to keep necessary records.

This option may limit the extent of the exemption, enable PBR owners to generate a reasonable return from growers who are more able to afford it and ensure Australian law complies with UPOV in regards to the legitimate interests of PBR owners.

However, it may cause further confusion as to the circumstances in which the exemption applies, may not solve issues such as 'under reporting' by growers, and requires an entire new system to be established. This would involve:

- setting appropriate remuneration rates,
- determining what size growers are exempt,
- new administration requirements.

Option 11. Remove the farm saved seed provision

This option would completely remove the rights of growers to retain seed for personal use. Growers would be required to seek authorisation to use harvested seed for all further crops. If enforceable, and growers continue to use PBR protected varieties, this option would increase returns to PBR owners. It would also help to clarify that growers do not have the right to trade or barter PBR protected seed.

However, this option would significantly increase costs for growers, may result in a lower rate of uptake of new varieties and would require new seed production infrastructure. If not enforceable, this option may merely result in increased non-compliance and dissatisfaction with the PBR scheme. Also, it would need to be determined whether removing the farm saved seed provision would contravene Australia's "farmers' rights" obligations under Article 9 of the International Treaty on Plant Genetic Resources for Food and Agriculture.

3.4 Farmer’s privilege and asexually propagated taxa

This Chapter relates to the ‘farmer’s privilege’ exemption specifically in relation to asexually propagated taxa.

3.4.1 Current law

Section 17 is entitled ‘Conditioning and use of farm saved seed does not infringe PBR’ and is widely known as the farm saved seed exemption. Similarly, the Explanatory Memorandum for the PBR Act describes this provision solely in terms of seed³⁸. However, it appears that ‘seed’ was used in the title for s.17 because this was how the practice was commonly known internationally. The provision itself refers more broadly to ‘propagating material’, in line with the rest of the PBR Act. Section 3 of the Act defines propagating material as:

any part or product from which, whether alone or in combination with other parts or products of that plant, another plant with the same essential characteristics can be produced.

As the headings of sections of Australian Acts of parliament have no legal weight³⁹, it would appear that the proper legal interpretation of s.17 is that it includes not only seed but any type of propagating material, including buds, cuttings and grafts, and so applies equally to varieties of many taxa. This broad meaning is supported by Article 15(2) of UPOV, upon which s.17 was based. This article refers to “the product of the harvest” as follows:

(2) [Optional exception] Notwithstanding Article 14, each Contracting Party may, within reasonable limits and subject to the safeguarding of the legitimate interests of the breeder, restrict the breeder’s right in relation to any variety in order to permit farmers to use for propagating purposes, on their own holdings, the product of the harvest which they have obtained by planting, on their own holdings, the protected variety or a variety covered by Article 14(5)(a)(i) or (ii).

The intent of this provision was only to continue to allow growers to grow another crop for their own use in those sectors where it was already standard practice⁴⁰, which at the time included some asexually propagated species⁴¹. UPOV members are not required to have a farm saved seed provision, as Article 15(2) states it is an optional exception.

It is standard practice in the cereal sector for growers to use harvested material to grow another crop for their own use. Anecdotal evidence provided to ACIP asserted that a wide range of fruit varieties are propagated from harvested material without the permission of the PBR owner, including 25% of recently released stone fruit varieties, and that this is not recognised as an exemption under s.17. The practice does occur for

³⁸ It states “7. There is a further specific exemption to the breeder’s right in the Bill, namely the farmer’s privilege or farm-saved-seed exemption, which permits the farmer to save seed from a crop to plant a future crop on his own land.”

³⁹ *Acts Interpretation Act 1901*, Article 13(3) states “No marginal note, footnote or endnote to an Act, and no heading to a section of an Act, shall be taken to be part of the Act.”

⁴⁰ Llewelyn M. and Adcock M., *European Plant Intellectual Property*, Hart Publishing, Portland, Oregon, 2006, pp. 192 and Proceedings of the Diplomatic Conference of 1991.

⁴¹ Registrar, *Plant Breeder’s Rights*, IP Australia, 2008.

ornamental species, such as roses, but appears not to be as widespread in that species⁴². In other sectors of the ornamental industries the unauthorised propagation of varieties is considered a significant problem⁴³, even to the extent of curtailing investment in plant breeding.

3.4.2 Concerns

Through submissions and consultations with ACIP it appears that many believe that the s.17 exemption only applies to seed propagated species, due to it commonly being known as the farm saved seed exemption and a lack of information on such a practice in other sectors.

Some sections of the horticultural industry argued that the s.17 exemption is not appropriate for perennial species. It was submitted that, while these industries had been operating under the understanding that s.17 did not apply to them, if this practice changed breeders would have difficulty obtaining a sufficient return on their investment. However, in contrast to this, in 2006 the National Licensing Association – Australia stated that “the NLA-AU does not believe that there is a significant problem with unauthorised plant varieties in Australia”⁴⁴.

3.4.3 Options

Some submissions advocated replacing the term ‘propagating material’ in the provision to clarify that it only relates to seed. Another proposal was to use s.17(2) to declare that specific taxa should not be subject to the exemption. An alternative to this is to prescribe those species which *are* subject to s.17 – see Option 10B in Chapter 3.3.3.

OPTIONS

ACIP seeks your views on the following options in relation to the exemption for farm saved seed under s.17.

Option 12. No change.

This option is appropriate if the farm saved seed exemption should encompass all forms of propagation. Section 17(2) can still be used to have the exemption not apply to particular taxa declared in the Regulations. This would prevent the saving of propagating material in sectors where it does not traditionally occur and is not considered appropriate. However, as no taxa have been declared in this way, the practicalities of this are uncertain. It also may not address inherent misunderstanding about the exemption and the inherent costs for litigation and compliance audits.

ACIP seeks any reasons why s.17 should not be changed in regards to asexually propagated varieties, including any unintended consequences of a change.

⁴² Chris Prescott, Grandiflora Nurseries.

⁴³ Bywong Nursery.

⁴⁴ *NLA-AU resolves two cases of PBR infringement in Australia*, NLA – Australia Pty Ltd., News Release, 7 December 2006.

Option 13. Change the title of s.17 to ‘Conditioning and use of user produced propagated material does not infringe PBR’.

If it is appropriate that s.17 encompass all forms of propagation, then this option would help to clarify this for users. However, the provision is known nationally and internationally as ‘farm saved seed’, and so may take some time to have a practical effect.

Option 14. Change s.17 to be restricted to ‘sexually propagated taxa’

This option would involve replacing the term ‘propagating material’ in s.17 with ‘seed’ or ‘sexually propagated material’. This would be appropriate if the widespread practice of saving propagating material would mean the owners of PBR for asexually reproducing species would be unable to generate a fair return, and so such species should not be subject to s.17. Any such change would be prospective. This option would be compliant with UPOV and also provide a great deal of certainty for users, however it would not have the flexibility to accommodate any changes deemed necessary in the future and may not alleviate the high enforcement costs being experienced in some sectors of the horticultural industry.

3.5 Essentially derived varieties

Although the issue of essentially derived varieties (EDV) is more strictly related to commercialisation than enforcement *per se*, given the clear interest in the effective operation of the EDV provisions in the Act, ACIP has elected to pursue a limited discussion of a range of options that may address current concerns.

3.5.1 Current law

Section 12 provides that, if a variety is declared to an essentially derived variety (EDV), the rights granted to the original variety extend to it as well:

Subject to section 23⁴⁵, if:

- (a) PBR is granted to a person in a plant variety (the initial variety); and
- (b) PBR is granted to another person in another plant variety; and
- (c) the Secretary makes a declaration, on application by the first-mentioned person, that the other plant variety is an essentially derived variety from the initial variety;

the right granted in the initial variety extends, with effect from the date of declaration, to that other plant variety.

Section 4 defines a variety to be an essentially derived variety of another plant variety if:

- (a) it is predominantly derived from the first plant variety; and
- (b) it retains the essential characteristics⁴⁶ that result from the genotype or combination of genotypes of that other variety; and

⁴⁵ Section 23 related to the exhaustion of PBR rights – see Chapter 3.6.

⁴⁶ Section 3 defines essential characteristics to mean heritable traits that are determined by the expression of one or more genes, or other heritable determinants, that contribute to the principal features, performance or value of the variety.

- (c) it does not exhibit any important (as distinct from cosmetic) features that differentiate it from the first variety⁴⁷.

The purpose of this section of the PBR Act is to prevent the practice of making an unimportant change to an original variety that would allow the breeder of the derived variety to obtain PBR when the derived variety has little or no 'stand alone' merit of its own.

In 2002, an Expert Panel on Breeding examined the option of removing the 'no important features' requirement from the definition of essentially derived⁴⁸. The panel recommended no change to this provision, as it believed the aim of plant innovation was furthered if a breeder could meet the initial DUS⁴⁹ criteria and then demonstrate that the incrementally bred variety had 'more than cosmetic' differences. The panel noted that 'important (as distinct from cosmetic) features' would probably mean significant changes that affect performance, value or place in the market.

Under this provision, rights cannot extend to derived varieties for which an application for PBR has not been submitted. The Expert Panel recommended that this be changed to enable an application for a declaration of EDV to be made in respect of all varieties, including those that are not subject of an application for PBR or grant. The Government accepted this recommendation but it is yet to be implemented.

Under s.40, whether a derived variety is an EDV is determined by the Secretary⁵⁰, which is delegated to the Registrar of PBR. This involves a relatively simplified process which omits the full range of adversarial features inherent in the court system. Once an application has been made by the PBR owner of the original variety, the Secretary must first establish whether there is a *prima facie* case that the derived variety is an essentially derived variety. If the Secretary is satisfied that a *prima facie* case exists, the PBR owner of the derived variety must establish within 30 days that the derived variety is not an EDV. If the Secretary is not satisfied that the PBR owner of the derived variety has rebutted the *prima facie* case, the derived variety is declared to be an EDV. To date, the Registrar has only once been asked to decide on EDV.

The Expert Panel recommended that the responsibility to determine EDV be moved from the PBRO to the courts for the following main reasons:

- the PBR Office does not have the expertise to assess the performance, value or merit of differences between varieties, nor does it have the expertise to undertake the DNA testing which may be required to establish the degree of similarity between varieties,
- there is no reason for all PBR owners to bear the cost of EDV actions by individuals seeking to protect their own interests,

⁴⁷ Australia appears to be unique in using the terms "important" and "cosmetic". See Llewelyn, M. and Adcock, M. (2006), *European plant intellectual property*, Hart Publishing, Oxford and Portland, p 184. Oregon. UPOV Article 14(5)(b)(ii) states that a variety must be "clearly distinguishable from the initial variety" to be an EDV.

⁴⁸ *Clarification of Plant Breeding Issues under the Plant Breeder's Rights Act 1994*, Report of the Expert Panel on Breeding, December 2002.

⁴⁹ Distinctiveness, Uniformity and Stability – s.43.

⁵⁰ Secretary of the Department of Innovation, Industry, Science and Research.

- EDV allegations are the responsibility of the judicial system in other jurisdictions,
- Court actions necessitate a serious cost/benefit analysis by both parties, resulting in less frivolous actions.

Again, the Government accepted the Expert Panel’s recommendation but it is yet to be implemented.

In 2006, PBRAC noted that the PBRO does not have expertise in determining the test for “importance” as it is a competition market test⁵¹.

3.5.2 Concerns

Extending EDV protection to non-PBR varieties

Several submissions were concerned that the utility of EDV protection is constrained as the declaration process cannot commence before the derived variety is subject to a PBR application or grant⁵². The breeder of the derived variety can circumvent the rights of the PBR owner by electing not to seek PBR. Pacific Seeds considered this to be “an obvious loophole that needs to be closed”.

Test for ‘important (as distinct from cosmetic)’ features

Submissions contested the inclusion of the test for ‘important’ features in the definition of an EDV on two grounds. One of these was that the use of the term ‘cosmetic’ in the phrase “important (as distinct from cosmetic)” does not provide an effective extension of rights in the Ornamental sector where cosmetic features are of critical importance. It was noted that other jurisdictions do not use the term ‘cosmetic’. DAFWA made the following comments:

DAFWA’s understanding from interaction with the administrators of PBR in those other jurisdictions...is that a selected natural mutant would be included under the definition of EDV irrespective of whether the difference is cosmetic. ...[T]he unique nature of the addition of the “cosmetic” descriptor does not enhance the intent as it does not protect the breeder’s investment.

The other issue with the test for importance was that the use of the term ‘important’ allows the breeder of a variety where one important change has been made to receive a disproportionate share of the return on investment in the breeding of the variety. It was suggested that a small investment may be sufficient to change a variety in a manner that would be considered to be ‘important’ and so avoid an EDV declaration⁵³.

An example provided to ACIP was the development of a new apple variety. Considerable investment may be required to develop a new variety that is differentiated from other apples. Another breeder may identify a skin colour mutant in this variety that will have additional customer appeal, and so, despite being ‘cosmetic’, is determined to be ‘important’, and require comparatively little investment to develop. The breeder of the derived variety would realise the full

⁵¹ 38th Meeting of the Plant Breeder’s Rights Advisory Committee (PBRAC), 15 March 2006.

⁵² For example, Pacific Seeds, Australian Seed Federation, CIOPORA and DAFWA

⁵³ For example, DAFWA, Pacific Seeds.

commercial reward from the variety, despite most of its commercial value being created by the breeder of the original variety.

Process for EDV declaration

It was been argued in submissions to ACIP that the Secretary (i.e. the PBR Office) may not be the most appropriate person to make a determination on the ‘importance’ of an attribute of a second variety. It was assumed that commercial value would be considered when determining importance, and it did not seem reasonable for the Secretary to make such a determination. CIOPORA stated that in all UPOV member states except Australia it is the task of breeders and, in the case of dispute, the courts to decide whether a variety is an EDV.

The Registrar of the PBRO emphasised that the role of the granting office is concerned with issuing rights, not policing them. Acts of infringement are a matter between the breeders concerned and should, as the last resort, be settled by the courts. The PBRO is well placed to make determinations on distinctiveness but is less able to determine the essential characteristics of one variety against another.

ACIP notes that the test for ‘essential characteristics’ also appears to be related to a variety’s place in the market, as it concerns principal features, performance and value as per the definition in s.3.

There was also concern that the current EDV declaration process was too slow, as it could not commence before the original variety had been granted PBR⁵⁴.

Burden of proof

Some respondents to the Issues Paper were concerned that the burden of proof in the EDV declaration process falls on the PBR owner of the original variety. This was seen as an impediment to enforcing these extended rights, as it is costly and time consuming for the PBR owner of the original variety to prove that a derived variety is an EDV. It was advocated that the burden of proof should be reversed, or that both parties should be obliged to present reasonable evidence of parentage⁵⁵.

ACIP notes that the PBR owner of the original variety need only make a *prima facie* case that the derived variety is an EDV. The PBR owner of the derived variety must adequately rebut this, so it could be argued that the greater burden currently falls on the PBR owner of the derived variety. The current process appears to satisfy most of the concerns raised on this issue.

Predominantly derived

Respondents to the Issues Paper identified the test for “predominantly derived” under s.4 (a) as not providing sufficiently rigorous grounds for the determination of essential derivation. It was argued that genetic descriptions of relatedness, possibly based on molecular markers, would be a more appropriate method of quantifying the extent to which the derived variety was “predominantly derived” from the original variety⁵⁶. The submissions suggested that the concept of quantifying genetic relatedness

⁵⁴ Pacific Seeds, Australian Seed Federation, CIOPORA, DAFWA.

⁵⁵ For example, Australian Seed Federation, Heritage Seeds, CIOPORA.

⁵⁶ Australian Seed Federation, Pacific Seeds, Heritage Seeds.

developed by the International Seed Federation should be applied in Australia⁵⁷. For example, Benny Browne said:

If DNA profiling were required as part of the PBR application this would speed up the EDV process. ...Perhaps a statutory provision introduced which would allow for certain accepted levels of probabilities in respect of a DNA test in order to establish EDV.

Pacific Seeds advocated the utility of DNA markers in determining relatedness:

If a derived variety is released and the EDV status subsequently challenged, clear guidelines on the molecular fingerprint of the variety needs to be defined as do the options available to the original breeder and the breeder of the potentially infringing variety. Molecular markers are the only realistic tool available to evaluate the homology or dissimilarity index of conflicting varieties' PBR status.

However, it has also been argued that genetic parameters of relatedness have limitations in their utility for determining essential derivation, such as:

- there is much less inherent genetic variability in some species (eg. cotton) than in others (eg. barley),
- absolute measures of genetic relatedness are not feasible as they rely on a sampling strategy and,
- scientific technologies evolve over time⁵⁸.

Sanderson (2006) asserts that in the only EDV case determined judicially, the determination was based on whether the differences from the original variety were 'slight' or 'substantial'⁵⁹. This would appear to provide a similar basis as is in s.4(c) of the PBR Act. Sanderson concluded that the wording of the PBR Act in defining an EDV should not be changed. A similar conclusion was also reached by the Expert Panel on Breeding⁶⁰.

Llewelyn (2006)⁶¹ is more supportive of using genetics to determine the relatedness between the original and derived varieties, but acknowledges that the evolution of this process has a long way to go and that the courts will ultimately determine the criteria for relatedness, which may be species dependent.

Similarly, the genetic/molecular technology for the assessments advocated by the International Seed Federation (ISF) may not be generally fully available in the short to medium term in Australia. The PBRO currently examines some 387 different species for PBR. Molecular characterisation is available for major crop species, but is not

⁵⁷ ISF (2004) Guidelines for handling disputes on EDV, adopted by the ISF Vegetable and Ornamental section, http://www.worldseed.org/en-us/international_seed/on_intellectual_property.html

⁵⁸ Sanderson, Jay, *Essential derivation, law and the limits of science*, (2006) 24(1) *Law in Context*, pp.34-53.

⁵⁹ *Astee Flowers V Danziger*, 2005, Civil Court of the Hague.

⁶⁰ *Clarification of Plant Breeding Issues under the Plant Breeder's Rights Act 1994*, Report of the Expert Panel on Breeding, December 2002.

⁶¹ Llewelyn, M. and Adcock, M. (2006), *European plant intellectual property*, Hart Publishing, p 188, Oxford and Portland, Oregon.

available not for those species which comprise the bulk of PBR grants in Australia, in particular ornamentals, and would be very costly to develop.

Benefit sharing

Overall, there was concern that the current EDV system is a ‘winner take all’ approach and that the benefits of an EDV could be better shared between the breeders of the original and the derived varieties. For example, DAFWA said:

DAFWA recognises the importance of rewarding the breeder of a discovered sport. However, DAFWA does not believe that it is appropriate if that sport demonstrates an important difference that that entitles the breeder of the derived variety to ignore the importance of the initial variety and of the work involved in producing that variety. Without the initial variety there would be no derived variety.

There were concerns that the current approach may have detrimental effects on the public good for so long as Australian governments sanction greater commerce in genetically modified crop varieties, because this is likely to increase the numbers of EDVs. ACIP notes that the growing of GM varieties of carnations, cotton and canola is now sanctioned in a number of Australian states.

3.5.3 Options

It was advocated through submissions to ACIP that the requirement for a derived variety to be subject to a PBR application or grant be removed, and that an application for an EDV declaration should be able to commence at any stage in the PBR granting process, even before the process commenced.

OPTIONS

ACIP seeks your views on the following options in relation to the extension of rights to essentially derived varieties under s.12 and 40.

Option 15. No change to the EDV provisions of the PBR Act.

Changes to the EDV provisions may not be warranted as the low number of applications for an EDV declaration may indicate that there is limited need for the provisions. However, this may instead indicate that the provisions are too impractical to be useful. Also, the uptake of GM technology may increase concerns in the future.

ACIP seeks any reasons why the EDV provisions should not be changed, including any unintended consequences of a change.

Option 16. Enable EDV declarations to be in respect of any variety

This option was recommended by the Expert Panel on Breeding and accepted by the Government, however it is yet to be implemented. This option would allow the owner of PBR on an original variety to have any derived variety declared an EDV, not just those which are the subject of a PBR application or grant. This would better enable the owner of PBR on the original variety to generate a greater return on his or her investment.

However, the current remedy for a derived variety being found to be an EDV is for the rights on the original variety to extend to the derived variety. Enabling varieties which are not subject to a PBR application or grant to be declared an EDV raises the question of whether a body other than the PBRO is needed to decide the matter, as the PBRO would have no obvious jurisdiction over non-PBR varieties. Another question is whether the appropriate remedy would continue to be to extend the rights on the original variety to the derived variety.

Option 17. Enable applications for EDV declarations to be made prior to grant of the original variety

This may speed up the process, but if the original variety is subsequently not granted, the breeder of the derived variety would have unnecessarily incurred the cost of disputing the EDV application and lost revenue from the derived variety. The unsuccessful applicant for the original variety may be liable for these costs.

It has been presented to ACIP that the PBR Act should mirror UPOV Article 14(5)(b) by removing the test for ‘importance’ in s.4(c)⁶².

Option 18. Remove the test for ‘important features’ in s.4(c)

This would increase the scope for the PBR owner of the original variety to exercise their right. The majority of submissions made to ACIP requested greater protection for the original variety, and this may go towards meeting their needs. It would also better enable the PBRO to determine EDV declarations.

However, it may mean that a derived variety could be declared to be essentially derived despite contributing substantially to the public good. An example would be the insertion of a gene for disease resistance into a disease-susceptible original variety through backcrossing.

Option 19A. Remove the words “as distinct from cosmetic” from s.4(c)

This would remove the possibility of a cosmetic feature being considered an unimportant difference, despite it being of significant commercial value to that variety. However, it may provide less guidance on the meaning of ‘important’.

Option 19B. Replace “cosmetic” with “of no commercial value”

This would involve changing s.4(c) to read “it does not exhibit any important features (as distinct from features of no commercial value) that differentiate it from that other variety”. This would remove the possibility of a cosmetic feature of commercial value being considered an unimportant difference and continue to provide some guidance on the meaning of ‘important’. This option may change the meaning of ‘important’ to be ‘of commercial value’.

⁶² Australian Seed Federation, Heritage Seeds, DAFWA.

Option 19C. Remove the words “as distinct from cosmetic” and define “important features” in s.3.

This would enable a fuller explanation of “important features” to be provided which better addresses issues such as cosmetic and commercial.

Some submissions advocated moving the responsibility for determining EDV from the PBRO to another body, such as the courts⁶³.

Option 20. Transfer the administrative EDV declaration system to the courts or other body

This option was recommended by the Expert Panel on Breeding and accepted by the Government, however it is yet to be implemented. Moving the responsibility for deciding whether a derived variety is an EDV from the PBRO to the courts may have the benefits of greater expertise in this area and discourage any frivolous actions from being taken in the future. It may also compel disputing parties to use ADR.

However, many respondents emphasised that legal recourse to settling PBR disputes is beyond the financial resources of many breeders due to the relatively small profit margins from many plant breeding investments. Moving responsibility for EDV declarations to the courts may make such determinations too slow and expensive for many in the industry, and be counter to a general shift towards alternative dispute resolution mechanisms.

Moving this responsibility to another body, such as a Tribunal, may provide a balance between the rigour, high costs and resolution times of the court system and the high accessibility and low costs of the PBRO. It may require the development of alternate dispute resolution systems such as mediation and arbitration. However, advice provided by the Australian Government Solicitor to ACIP suggests that where a Tribunal is determining a dispute between private parties, it would still be subject to review by a court. This would potentially create another layer in the system.

Option 21. Improve the PBRO’s ability to make determinations on EDV

This may involve further training for PBRO staff, creating access to expert witnesses and adjusting the financial arrangements so that the full or a majority of costs are borne by the parties involved. Such an option may provide a quicker, less expensive process than could be provided through the courts or some other body. However, this may not be a cost-effective solution given the very low number of applications for EDV declarations.

⁶³ For example, DAFWA.

Option 22. Develop benefit sharing arrangements

A process that allows the breeders of the original and the derived varieties to find common ground on sharing the benefits of the derived varieties may be appropriate. The PBR Act could provide a framework for agreement to be reached among the contesting breeders. Such a process could be tiered, beginning with negotiation but with the option to seek recourse through alternative dispute resolution (ADR) procedures and ultimately the courts.

The ADR process offered by the Australian Seed Federation to its members may provide an appropriate forum or model⁶⁴. Compulsion to participate in such a process could be provided by having a judicial option that would determine benefit sharing arrangements. The PBRO may have a role in not granting PBR on an affected variety until an agreement on benefit sharing has been reached.

Such an option may enable the benefits of original and essentially derived varieties to be shared equitably at low cost and in a non-combative manner. However, such a process may encourage frivolous and/or vexatious claims of EDV in order to obtain some of the benefits of a derived variety.

3.6 Exhaustion of PBR**3.6.1 Current law**

Section 23 provides that, once propagating material has been sold by the PBR owner, or with the PBR owner's consent, the PBR owner has no further rights in the material except in certain circumstances:

- (1) PBR granted in a plant variety does not extend to any act referred to in section 11:
 - (a) in relation to propagating material of the variety; or
 - (b) in relation to propagating material of any essentially derived variety or dependent plant variety;
 - that takes place after the propagating material has been sold by the grantee or with the grantee's consent unless that act:
 - (c) involves further production or reproduction of the material; or
 - (d) involves the export of the material:
 - (i) to a country that does not provide PBR in relation to the variety;
 - and
 - (ii) for a purpose other than final consumption.

Sections 23(2) relates to the exhaustion of rights in essentially derived varieties.

Section 23(3) relates to exhaustion of rights over 'later' acts where equitable remuneration has been paid for a 'first' act.

Section 23(4) provides further clarification:

⁶⁴ In 2003 the Australian Seed Federation appointed the Institute of Arbitrators and Mediators Australia to manage a dispute resolution scheme for domestic disputes in the Australian seed industry by conciliation and/or arbitration. See www.asf.asn.au

To avoid doubt, nothing in subsection (1) or (3) prevents the exercise of the rights of the grantee of PBR in a plant variety in relation to any propagating material of that variety that is obtained by reproduction of the propagating material to which that subsection applies.

This provision appears to mean that PBR rights are exhausted in relation to any acts which take place after the propagating material has been sold by, or with the consent of, the PBR owner, unless the act involves any production or reproduction of the material, or export under certain circumstances.

Mansfield J in the *Cultivaust* decision discussed key issues concerning the exhaustion of the PBR owner's rights on the first generation crop (G1) grown from legally acquired seed and on subsequent crops grown from farmer saved seed (i.e. G2, G3). Mansfield J identified that:

- the commercialised grain arising from farm saved seed is subject to PBR;
- PBR does not apply to the first generation of harvest (G1) because the authority implied from the initial sale/supply of the seed exhausts the PBR.

For example, Mansfield J made the following distinction:

Section 23, in my judgement, provides for the disposition and use of a first generation crop from propagating material which has been lawfully acquired. ...It does not, however, extend to cover the sale of second and subsequent generations of crops, assuming they are grown from farm saved seed retained from lawfully acquired [seed].

Mansfield J identified that the reason for treating the first generation crop differently from second and subsequent generation crops is due to use of the word 'further' in s.23(1)(c). Mansfield J inferred that 'further' production or reproduction of the material relates specifically to second and subsequent generations of harvest derived from protected seed and not to the generation of the first harvest.

ACIP notes that the *Cultivaust* interpretation of exhaustion appears to restrict the ability of PBR owners to seek royalties further down the value chain. If royalties are required to be paid at purchase of the original propagating material, further royalties cannot be required on the first generation harvest.

3.6.2 Concerns

There appears to be uncertainty over the interpretation of s.23 in relation to other parts of the Act. For example, Canola Breeders Western Australia (CBWA) questioned whether s.23 means that PBR applies to material that is harvested from seed that has been sold and is not farm saved seed. CBWA said clarity on this issue was fundamental to the validity of legal contracts entered between breeders and growers and the future of end point royalty collection.

DAFWA sought clarification on s.23 itself:

DAFWA seeks to understand how the term 'consent' would apply in relation to the Grantee selling the initial seed to either a licensee or a grower and the harvested material and subsequent generations of crops being sold by the grower to a grain

trader. Is this sale undertaken by the grower made with the Grantee's consent or was it merely contemplated?

ACIP is unaware of any jurisprudence on the interpretation of 'consent' in the PBR context.

CIOPOA submitted that the principle of exhaustion has been drafted in a way that is too general:

To provide the breeders of vegetatively propagated ornamental and fruit varieties parity with owners of patents as required under [TRIPS Article 27(3)] it is necessary that the exhaustion exists only for the specific field of use for which the breeder has licensed his variety and only for the specific territory where the licensed title is valid.

3.6.3 Options

CIOPOA proposed that exhaustion in the PBR Act be based on the idea that 'a PBR right shall not extend to acts that have been performed with the express authorization of the holder of the right and within such conditions and limitations as said holder may have made his authorisation subject to'.

OPTIONS

ACIP seeks your views on the following options in relation to the exhaustion of rights under s.23.

Option 23. No change to the provisions on exhaustion of PBR.

This option may be appropriate if it is accepted that the courts will have a view on the application of this section and will further develop it as more cases come to court.

ACIP seeks any reasons why the exhaustion provisions should not be changed, including any unintended consequences of a change.

Option 24. Clarify the meaning of s.23

The courts' current interpretation of s.23 appears to restrict PBR owners' ability to seek royalties on material derived from propagating material that has been legally obtained from the grantee without further production or reproduction. This may or may not be appropriate. Some possible options for clarifying the meaning of s.23 are:

- amending s.23 in some way. ACIP is open to suggestions on how this may be achieved.
- seeking the opinion of the Australian Government Solicitor.
- seeking the opinion of an expert panel, such as that outlined in Option 5.

3.7 Lack of clarity

3.7.1 Current law

The PBR Act includes several key terms, such as:

- conditioning;
- essential characteristics;
- propagating material.

Terms such as these are often defined in the Act. However, given the lack of PBR cases before the Australian and foreign courts, there is little jurisprudence available on the meaning of such terms or of entire sections of the Act. Some level of guidance on the meaning and working of the Act is provided by the Australian Centre for Intellectual Property in Agriculture (ACIPA)⁶⁵.

3.7.2 Concerns

A number of submissions highlighted key terms such as those listed above and entire sections of the Act in need of further explanation⁶⁶. The little jurisprudence that exists is often seen as not providing sufficient clarification. Those parts of the Act which were considered as requiring further clarification included s.12 (essential derivation), 14 and 15 (harvested material and products), 23 (exhaustion), 57 (innocent infringement) and 70 (genetic resource centres), as well as those terms listed above. Such concerns can be categorised as relating to:

- clarity, where the meaning is not clear (eg. 'important (as distinct from cosmetic) features'),
- certainty, where the meaning is clear but application to particular circumstances is uncertain (eg. 'reasonable opportunity'), and
- scope, where the range of subjects covered is not understood (eg. s.17 and 'propagating material').

Some of these submissions considered that PBR enforcement is constrained due to a lack of clarity in the interpretation of the language and terms used in the Act. For example, DAFWA asserted that uncertainty over terms in the Act, rather than the cost of legal action, was one of the deciding factors in determining whether to proceed with legal redress.

However, other submissions argued that providing further explanation for legislative terms and definitions is inherently difficult, and ultimately subject to the interpretation of a court. PBRAC said:

...some users of the PBR Act believe that certain terms are unclear. However, some disputed terms have clear legal meanings; are well known to the law; or have their plain English meaning. ...there may be a significant role for education in addition to possible clarifications. ...PBRAC believes that codifying all such terms may not necessarily bring the certainty to all situations and may further complicate matters for some situations. Nevertheless, PBRAC believes that codifying some terms in line with their UPOV 1991 equivalents may assist in the interpretation of the PBR Act...

⁶⁵ In collaboration with IP Australia and the Australian Research Council. See <http://www.acipa.edu.au/PBR/>

⁶⁶ For example, Benny Browne, DAFWA, Australian Seed Federation.

Considerations on this issue may include leveraging off relevant activities being undertaken at an international level. For example, CIOPORA has produced a position paper on EDV, which aims to provide practical guidance on when an asexually reproduced ornamental or fruit variety should be considered to be an EDV⁶⁷. CIOPORA encourages all parties to accept the determinations and thresholds given in the paper and to find amicable solutions in order to avoid costly and unpredictable court actions.

3.7.3 Options

Specific terms and sections of the Act are dealt with in other chapters of this paper. However, there appears to be an overarching concern about the interpretation of the Act.

OPTIONS

ACIP seeks your views on the following options in relation to the meaning of terms and sections of the PBR Act.

Option 25. No changes to the meaning of terms and sections of the Act

This option is appropriate if the meaning of current provisions is sufficiently understandable and/or court decisions provide a sufficient process for clarifying them. ACIP seeks any reasons why no changes should be made, including any unintended consequences of a change.

Option 26. Clarify the meaning of particular terms in the Act

Some options for this are:

- defining particular terms in Part 3 of the Act, or amending current definitions
- seeking the opinion of the Australian Government Solicitor
- seeking the opinion of an expert panel, such as that outlined in Option 5.
- using guidance from organisations such as CIOPORA.
- using guidance from Europe on equivalent provisions. ACIP welcomes any suggestions on which provisions may be of use.

⁶⁷ *Essentially Derived Varieties (EDV), Position of CIOPORA*, January 2008. Released 25 April 2008.

3.8 Pre-grant enforcement

3.8.1 Current law

Section 39(1) 'Provisional protection' provides an applicant for PBR with the same exclusive rights in respect of their variety as if PBR were granted:

- (1) When an application for PBR in a plant variety is accepted, the applicant is taken to be the grantee of that right for the purposes of Part 5⁶⁸ from the day the application is accepted until:
- (a) the application is disposed of; or
 - (b) if the Secretary gives the applicant a notice under subsection (2)⁶⁹ – the notice is disposed of;
- whichever occurs first.

However, under s.39(6), the breeder is not able to take infringement action until the PBR has been granted:

- (6) A person who is taken to be the grantee of PBR in a plant variety is not entitled to begin an action or proceeding for an infringement of that right occurring during the period when the person is so taken unless and until that right is finally granted to the person under section 44.

Any action taken can be in regard to activities occurring from the date the PBR application was accepted by the PBR Office. Section 39 is consistent with UPOV Article 13 and most other major jurisdictions except New Zealand, where infringement action may begin before PBR is granted – see 3.8.2 below.

The length of time of provisional protection for specific varieties depends on how long it takes for PBR to be granted. 87% of applications are granted within four years of lodgement and 99% within eight years. The only plant group that differs significantly from this pattern is fruit trees where 58% of applications are granted within four years and 94% within eight years⁷⁰.

3.8.2 Concerns

DAFWA identified the inability to begin an action for infringement prior to the grant of the right as a barrier to the effective enforcement of a new plant variety. The matter was raised in relation to horticultural varieties (tree crops), where it was claimed that varieties are especially vulnerable because of:

- the ease with which these plants can be propagated⁷¹, and
- the long time frames between filing an application, its acceptance and the final grant of the right.

⁶⁸ Part 5 relates to the enforcement of PBR.

⁶⁹ Subsection 2 relates to instances such as where the Secretary is satisfied that a PBR will not be granted, the application has been withdrawn or the applicant has given an undertaking not to commence proceedings for infringement.

⁷⁰ Domestic Policy, IP Australia 2007.

⁷¹ Propagation of a new variety can be initiated simply by taking a bud or snipping a piece of wood from a variety and top grafting trees for the purposes of propagation.

It was claimed that potential infringers are aware that infringement proceedings cannot begin until grant of the PBR and exploit the situation.

3.8.3 Options

It was suggested to ACIP during consultations that new horticultural tree crop varieties would be less vulnerable to propagation without the PBR owner's consent if the PBR Act provided the applicant with the same right to take infringement proceedings as is available from the day that a grant has been made in respect of the variety concerned. Without this right, the interested party argued that any threats of legal action sent to the alleged illegal propagator cannot be acted upon until the PBR is granted.

New Zealand model

Under the pre-grant enforcement provisions of the *New Zealand Plant Variety Act 1987*, PBR applicants are able to take proceedings under this Act before PBR is granted. Section 9 of the NZ Act reads:

1. Subject to subsection (2) of this section, on and after the day on which an application is made, the applicant shall have the same rights to take proceedings under this Act as if on that day a grant had been made to the applicant in respect of the variety concerned.
2. The rights conferred by subsection (1) of this section shall be deemed never to have been conferred if --
 - a) The application concerned is withdrawn or lapses; or
 - b) The Commissioner declines to make a grant in respect of that application.

The New Zealand PVR Office advises that, if rights are eventually refused, the provisional protection becomes *void ab inito*, i.e. was never of value and to be treated as invalid from the outset. Applicants who can readily identify the new variety and are reasonable certain that PVR will be granted, can be confident that effective legal action can be taken. If not, the wisest course of action may be to not commercialise the variety until its PVR status is finalised⁷².

The New Zealand PVR Act does not provide for an indemnity bond to be paid by the PVR applicant when relying on provisional protection. However, Julie Ballance of Baldwins, commented to ACIP that the court could make an award for security for costs, which could be set at a rate to cover the alleged infringer's costs if the PVR is not granted⁷³. Karl Rogers of AJ Park, commented that courts may give decisions on meritorious cases without requiring any sort of bond, but in other cases may await the results of the PVR Office examination or require undertakings as to damages⁷⁴.

The New Zealand PVR Office believes it is widely understood that there is no meaningful difference between the rights provided by provisional protection and those provided by grant. However, there have been no court actions relating to provisional protection. The New Zealand PVR Office considers that the lack of court action may indicate that this provision is an effective deterrent to using a variety while it is still

⁷² *The Guide to Plant Variety Rights*, Plant Variety Rights Office, New Zealand, Part 15.

⁷³ Julie Ballance, Partner, Baldwins, Auckland, March 2008.

⁷⁴ Dr Karl Rogers, Senior Associate, AJ Park, Wellington, March 2008.

under test, and that it is likely there have been out of court settlements⁷⁵. Others speculate that PVR is simply not a litigious area⁷⁶.

Robert Snoep of James & Wells Intellectual Property in New Zealand, commented to ACIP that while applicants appreciate having provisional rights, it is unknown whether the potential for proceedings to be instigated before a right is granted was a real deterrent to infringement⁷⁷:

For the potential infringing party I suspect that the real deterrent is not so much the risk of infringing a provisional right but the risk of making a bad name for themselves amongst the small plant breeding industry in NZ and the negative backlash that could result. I imagine that this negative backlash would be different in more aggressive/complex markets like USA, Europe and possibly Australia.

Mr Snoep had also heard anecdotal evidence of ‘bluff’ PVR applications being filed so as to force other breeders to discontinue their breeding program, or delay it for the duration of the examination process, due to the risk of infringing.

Karl Rogers also commented to ACIP that provisional rights are probably not useful to a large proportion of PVR applicants, but they were more significant for those with valuable varieties. He suspected that s.9 made little difference to an infringer at the time of infringement, as they do not consider the finer points of the law. However, once court proceedings are brought against them under s.9, this had a considerable deterrent effect on future infringement.

OPTIONS

ACIP seeks your views on the following options in relation to pre-grant enforcement.

Option 27. No change to the pre-grant enforcement provisions

This option is appropriate if it is considered that current provisions are sufficient and there would be little benefit in providing PBR applicants with the right to begin infringement actions before grant. ACIP seeks any reasons why no changes should be made, including any unintended consequences of a change.

Option 28. Provide PBR applicants with the right to begin infringement action pre-grant

This option may enable breeders to better defend their (subsequently granted) PBR rights. It may be appropriate to restrict it to a particular sector such as horticulture.

However, there are considerable risks involved in providing infringement provisions to an applicant of a new variety that has yet to establish its registrability through the granting process. For example, taking an alleged infringer to court based on a right that has not been granted may require from the plaintiff a substantial compensation or indemnity bond to cover the defendant’s damages costs in a case where the PBR application proved to be invalid.

⁷⁵ Assistant Commissioner, PVR Office, February 2008.

⁷⁶ For example, Julie Balance, Partner, Baldwins, Auckland, March 2008.

⁷⁷ Robert Snoep, Partner, James & Wells Intellectual Property, Christchurch, March 2008.

PART III – PROCEDURE

Part III comprises a consideration and discussion of those *Procedures* which may assist the holders of Australian plant breeder’s rights to more effectively enforce their valid rights.

4 Federal Magistrates Court and PBR

The terms of reference of this review make specific mention of whether any practices and procedures relating to the enforcement of PBR are appropriate to be referred to the Federal Magistrates Court (FMC)⁷⁸. As a consequence ACIP’s Issues Paper sought the views of interested parties on the potential prospect of the FMC hearing PBR matters.

4.1 Current situation

At present, civil proceedings under the PBR Act may be commenced in the Federal Court of Australia (FCA) and are appealable to the High Court. As of December 2005, the Federal Court’s case management system had only recorded nine proceedings commenced under the PBR and PVR Acts since 1987⁷⁹. This low number is repeated in other jurisdictions⁸⁰, but may reflect the smaller number of rights granted compared with patents and trade marks.

ACIP recommended in its 2003 report, ‘*Should the jurisdiction of the Federal Magistrates Service be extended to include patent, trade mark and design matters?*’ that the FMC jurisdiction **should** be extended to include patent, trade mark and design matters. ACIP considered that this would facilitate access to IP disputes enforcement procedures as the FMC was reputed to produce a faster, cheaper alternative adjudication to the FCA system. FMC fees were significantly lower than corresponding FCA fees⁸¹. In addition, it was considered that the FMC may provide a less complex and less intimidating environment for many IP right owners, thus providing an alternate avenue for those who would possibly not have pursued their

⁷⁸ The FMC was established to deal with a range of less complex federal disputes that would otherwise go to the Federal Court of Australia (FCA) or Family Court of Australia.

⁷⁹ Eight of these proceedings were dealt with under the Plant Breeder’s Rights Act. Two of the proceedings appear to have been dealt with together (that is, as a single proceeding). Seven matters were finalised within 6 months of filing, one matter within 12 months and one matter within 18 months. Of the two matters that went to trial, one took 5 hearing days and the other 19 hearing days. A number of the matters that did not go to trial were resolved by consent following Court-annexed mediation.

⁸⁰ Lewelyn, M. and Adcock, M. (2006), *European plant intellectual property*, Hart Publishing, Oxford and Portland, Oregon. This states that it is difficult to pin firm conclusions about the operation of PBR in practice due to so few cases being heard. One example provided involves the UK Plant Variety and Seeds Act 1964 which established the Plant Variety and Seeds Tribunal. It was estimated that the Tribunal would be required to hear between five and ten cases per annum in its first ten years. The actual number heard was far less than anticipated. Similarly, in the case of the equivalent panel under the Community Regulation Plant Variety Rights the number of cases was also considerably fewer than for patent law.

⁸¹ For example, FMC fees for corporations for initial proceedings and setting down were \$546 and \$655, compared with \$1377 and \$2296 in the FCA. See Attachment C of the 2003 ACIP report.

dispute through the existing court processes. ACIP did not consider PBR in that report⁸².

In April 2007, the Government responded to ACIP's recommendations and agreed to extend the jurisdiction of the FMC to trade marks and design matters, but not to patent matters at this point in time. The Government's reason for not including patent matters at this time was that patent cases are generally longer (and more complex) than trade marks and designs cases, therefore, accepting patent matters would run counter to the intention of the FMC as a high volume jurisdiction established to deal with simpler and shorter cases. However, the Government committed to re-considering the possibility of extending the jurisdiction of the FMC to patent matters, two years after the implementation of changes to the trade mark and designs legislation⁸³.

The Government is currently reviewing the federal court system, with a view to improving the efficiency, effectiveness and integration of service delivery across the family law jurisdiction. The Government is committed to ensuring that less formal and quicker procedures continue to be adopted for shorter and simpler matters. A report is expected to be provided to the Government in July⁸⁴.

4.2 Concerns

Many submissions commented on the perceived utility of extending the FMC to cover PBR matters. One grower body noted that simply transferring the jurisdiction of PBR to another court would not change practices. However, most submissions generally supported the FMC option if it could deliver on its potential for being quicker, cheaper and less intimidating/formal than the FCA.

The Plant Breeder's Rights Advisory Committee (PBRAC) suggested that the FMC should have jurisdiction to hear PBR matters as:

...any action that may facilitate legitimate litigation will be a good thing as it will expand the body of case law and so help to bring certainty to all players involved in PBR.

⁸² The Plant Breeder's Rights Office was transferred to IP Australia from the Department of Agriculture, Fisheries & Forestry on 10 December 2004. ACIP's review of the Federal Magistrates Service's jurisdiction occurred before this transfer took place.

⁸³ In part, the Government response to *Recommendation 1.1* – "Accept that specific jurisdiction be conferred on the Federal Magistrates Court in trade mark and design matters. The *Jurisdiction of the Federal Magistrates Court Legislation Amendment Act 2006* gives the Federal Magistrates Court jurisdiction where a matter in which it does not otherwise have jurisdiction is transferred to it by the Federal Court or the Family Court. This will enable the Federal Court to transfer proceedings under the *Patents Act 1990* to the Federal Magistrates Court where those proceedings are suitable for resolution by a federal magistrate. The Federal Magistrates Court is intended to be a high volume jurisdiction established to deal with simpler and shorter cases. Patent cases are generally longer than trade mark and design cases. Therefore, the Government recommends that further consideration be given to conferring the Federal Magistrates Court specific jurisdiction in patent related disputes in the light of experience gained in the implementation of the recommendations for trade marks and designs, and the operation of the transfer mechanism in the *Jurisdiction of the Federal Magistrates Court Legislation Amendment Act 2006*, over a period of two years from implementation of the recommendations."

⁸⁴ There has been some media speculation about the future of the FMC. See *Federal Magistrates Court Doomed*, *The Australian*, 25 April 2008.
<http://www.theaustralian.news.com.au/story/0,25197,23594300-17044,00.html>

PBRAC argued further that the expense and formality of the FCA may have discouraged people from litigating unless they believed they had a very 'tight' / winnable case. PBRAC noted that a comprehensive approach to litigation, while increasing the chance of success, also significantly increased legal costs, in turn, discouraging people from taking enforcement action. Practically, this scenario results in a 'catch-22' in which the reluctance to engage in litigation allows for the uncertainties in the interpretation of the law to remain.

Some submissions highlighted that the highest cost in enforcement of PBR was incurred during the pre-trial phase of litigation (especially during discovery, where this occurred). Flemings Nurseries has stated that this phase can cost over \$500,000. This figure is based on the costs of DNA fingerprinting samples, serving a formal request for inspection, getting a court order, conducting a property inspection, \$100,000 to start legal proceedings and \$45,000 in subsequent inspections and sampling⁸⁵. This suggests that, unless this phase can be curtailed, costs will be high regardless of which court is used.

A lawyer with some experience in the enforcement of PBR, Benny Browne cautioned in his submission that if the FMC is used, litigators should not expect great costs savings or that actions will be resolved more quickly than in the FCA. He stated in his submission:

...the cases will still be complex and the legal advisors will still have to do the same amount of work to an hour charge out rate time basis...

Benny Browne also stated in his submission that if the jurisdiction of the FMC is extended to include PBR matters, the monetary jurisdiction level of the FMC may emerge as a relevant concern for potential litigators. For example, the monetary jurisdiction level of the FMC in Trade Practices cases is \$750,000 in damages. Given that PBR enforcement action can approach and exceed this amount, consideration of whether the FMC is the appropriate jurisdiction to enforce valid PBR rights may also emerge as a relevant factor⁸⁶.

Some of the submissions received also suggested that it would be useful to have regulations in place in the FMC to simplify expert evidence procedures such as by proving infringement by use of DNA profiling. For example, Benny Browne noted:

At present in the Federal Court before evidence of experiments can be tendered as evidence both sides have to agree on the methodology for conducting the experiment i.e. carrying out the DNA testing. Sometimes it is a costly and time consuming exercise to get an infringer to agree to the methodology proposed by the breeder for obvious reasons.

⁸⁵ Graham Fleming, *Enforcing PBR – The Issues. A perspective from a Rights owner / licensee*, ACIPA Conference '20 years of plant breeder's rights in Australia', Canberra, 8 June 2007.

⁸⁶ Because of the reduced scale of costs recoverable in the event of a win, the winning party will be able to recover less of the costs than he or she would have if the litigation had been in the Federal Court.

Many submissions also noted that they considered PBR to be a complex specialist area of the law requiring judges and mediators with specialist knowledge of PBR.

Finally, one submission suggested that extending the jurisdiction of the FMC to include PBR matters could simply add another layer of judicial decision-making. For example, if the judgement in the FMC is appealed the case may then proceed to the FCA in any case, leading to more costs and delay for litigants. However, this is an incorrect assumption which was clarified in the Government’s response to ACIP’s 2003 review⁸⁷.

4.3 Options

OPTIONS

ACIP seeks your views on the following options in relation to the Federal Magistrates Court.

Option 29. No change to jurisdiction of the Federal Magistrates Court

This option is appropriate if the FMC is not considered to provide any significant advantage over the FCA. One reason may be that the most significant costs are incurred during the pre-trial phase of litigation and the FMC will not address this. However, leaving the FCA as the only option will not encourage further court decisions and therefore more clarity on a range of issues. ACIP seeks any reasons why no changes should be made to the jurisdiction to the FMC, including any unintended consequences of a change.

Option 30. Extend the jurisdiction of the Federal Magistrates Court to PBR

This option would provide an alternate, more accessible venue to those who would possibly not have pursued their dispute through the Federal Court. This option is contingent on the results of the current Government review of the federal court system.

The FMC may be suitable for PBR matters because, unlike patent cases, PBR cases may be less vulnerable to time intensive claims and stalling tactics challenging the validity of the registered right⁸⁸. Common claims against the validity of a patent often take up a large percentage of court time during patent infringement proceedings. ACIP is only aware of one PBR case commenced under the PVR or PBR Acts in which the validity of PBR was an issue⁸⁹.

⁸⁷ The Government response stated that the existing provision for appeals from the FMC to the FCA under s25(1A) of the *Federal Court of Australia Act 1976* (Cth) are to be heard by a Full Court unless the Chief Justice considers that it is appropriate for it to be heard by a single Judge. Given this provision, the expansion of the jurisdiction of the FMC to PBR matters would not add an extra layer of judicial decision-making.

⁸⁸ Reasons why validity of PBR is rarely questioned may include a more extensive examination than that undertaken for a patent, purpose built legislation, clear criterion supported by specific rules for each technology i.e. genus and examiners who are in day-to-day contact with users.

⁸⁹ *Sun World Incorporated v Registrar, Plant Variety Rights* [1997] 924 FCA; (1997) 39 IPR 161. The issue was whether the Registrar was correct in refusing to grant a PBR. The court found that the Registrar was correct, as there was evidence of prior commercialisation of the variety.

It may be argued that PBR cases are similar in complexity to patent cases and therefore not suited to the FMC. Magistrates may have difficulty establishing and maintaining expertise in PBR due to the low number of cases. ACIP notes that both the FCA and FMC can seek the advice of independent technical experts to assist them. Another issue may be that, unless the discovery phase is limited or optional, costs will not be reduced.

Option 31. Simplify expert evidence procedures in the FCA and/or the FMC

This option may simplify and/or standardise the process for proving infringement and avoid the need for parties to agree to methodologies, such as for DNA testing. However, such procedures may also remove the ability of the court to follow the most appropriate processes for a given situation and/or take advantage of developments in DNA testing and other technologies.

5 Alternate Dispute Resolution (ADR) and PBR

5.1 Current situation

Alternative dispute resolution (ADR) is an umbrella term used to describe various ways of resolving disputes other than through litigation. In other areas of intellectual property, ADR schemes have been implemented or are being considered for the resolution of disputes. ADR systems may be part of the normal court process or operate outside them and may involve a spectrum of approaches from negotiated settlement and mediation through to arbitrated judgment⁹⁰. Some of the advantages of mediation are:

- it can provide creative solutions;
- it allows those in dispute to have more control over the process;
- it can significantly reduce time and cost, and
- it can enable existing business relationships to be preserved.

However, there are times when mediation may not be appropriate; for example:

- where deliberate 'bad-faith' PBR infringement is involved;
- where an urgent interim injunction is required;
- matters involving complicated issues that need detailed analysis;
- where a party wishes to establish a legal precedent or achieve outright victory in court;
- where it merely adds a further layer of litigation.

ACIP's 2003 report, *'Should the jurisdiction of the Federal Magistrates Service be extended to include patent, trade mark and design matters?'* recommended that the

⁹⁰ Generally, arbitration is a procedure in which a dispute is submitted, by agreement of the parties, to one or more arbitrators who make a binding decision on the dispute. Mediation is a process in which a neutral third party, the mediator, assists two or more parties to help them negotiate an agreement. One obvious difference between the two is that in mediation the parties themselves agree to the terms of the settlement while in arbitration the arbitrator makes an award like a court makes a judgement.

FMC and the FCA encourage parties involved in IP disputes to take part in ADR processes in the early stages of the dispute process.

Some ADR processes already exist for the plant breeding industry. For example:

- Under s53a of the Federal Court Act 1976, the Federal Court may refer the whole, or part of any proceeding to a mediator.
- The Institute of Arbitrators and Mediators Australia (IAMA) Dispute Resolution Service is available to Australia Seed Federation (ASF) members and customers of ASF members in respect of Domestic Trade in Seed for Sowing Purposes and for the Management of Intellectual Property⁹¹.

5.2 Concerns

In the submissions provided to ACIP, overall there was qualified/equivocal support for the application of ADR to plant variety rights disputes. Some believed that ADR is a sensible way to avoid unnecessary conflicts and that adequate opportunity already exists for ADR regarding PBR matters. PBRAC favoured mediation over arbitration, suggesting that arbitration can often be more expensive than litigation and not offer the flexibility that can come with mediation. Other submissions identified the need to retain flexibility in how a PBR owner may choose to undertake an enforcement action and supported voluntary as opposed to mandatory ADR⁹².

Many submissions highlighted the need for appropriate expertise in any mediation procedure/body. One submission suggested that the difficulty would be in finding such experts that have sufficient knowledge of the PBR Act and the relevant industry and who are not biased by any industry affiliations.

Some submissions noted that faith in the utility of ADR is tentative while there remains a lack of confidence in the enforcement of PBR under the Act. Pacific Seeds suggested that more court precedents were necessary to make mediation an effective tool by providing guidance and an incentive to mediate. Heritage Seeds' view was that ADR had little to offer:

[W]e have not seen this step [ADR] offer any benefit to industry, simply because the current Act remains unenforceable, whatever pathway toward a resolution. We do not know of any significant outcomes for breeders and promoters that have been achieved using arbitration.

Some submissions suggested that the application of ADR is unlikely to be effective due to the extent of wilful, flagrant and 'bad faith' infringement. It was believed that in such cases the mediation system may be used to further draw out resolution of the dispute.

⁹¹ The IAMA Dispute Resolution Service provides a two stage process, namely conciliation and arbitration. It was designed in conformity with State/Territory arbitration legislation and is claimed to be less expensive than the courts, has a timeframe for resolving disputes and is conducted by 'qualified' independent third party mediators. See www.asf.asn.au.

⁹² For example, CIOPORA.

5.3 Options

DAFWA noted in regards to s43(a) of the *Federal Court Act 1975* that, due to the specialist nature of the Act, it may be appropriate to have a specialist Registrar providing mediation services after parties have filed initial proceedings, but before commencement of the hearing. Benny Browne proposed the following sequence of events in enforcing PBR in the FMC:

What perhaps would happen is that immediately after an action has been instituted in the FMC and discovery has been completed, the FMC should send the matter to be mediated. The mediation should be referred to a panel consisting of two or three experts, one of which would have to be a lawyer. If mediation doesn't settle the matter then the court proceedings can continue.

Similarly, ACIPA suggested that such a system of adjudication as provided through the Institute of Arbitrators and Mediators Australia (IAMA) could be ordered through the FMC, where the decision would be binding unless there was an error of law. The Victorian Farmers Federation (VFF) submission stated that ACIP may wish to investigate the NACMA model, with which growers are already familiar.

OPTIONS

ACIP seeks your views on the following options in relation to ADR.

Option 32. No change to ADR processes

Some ADR alternatives are currently available, so this option is appropriate if these are considered to be adequate or would be adequate if further promoted in the industry. ACIP seeks any reasons why no changes should be made to ADR processes, including any unintended consequences of a change.

Option 33. Register of mediators with PBR and plant breeding expertise

This option would involve establishing a register of PBR and plant breeding experts who can assist in ADR processes, either within or outside of the court system. This may enable experts to be identified quickly and make ADR processes more effective, but would incur establishment and maintenance costs. ACIP seeks views on the usefulness of such a register and who would be best placed to administer it.

6 Criminal Sanctions and PBR

6.1 Current situation

Enforcement of a PBR may be conducted through:

- civil actions initiated by the PBR owner⁹³, and
- criminal actions initiated by the Government⁹⁴.

A person who infringes PBR may face both civil and criminal proceedings for infringement⁹⁵. However, for reasons explained below, enforcement is primarily the responsibility of the PBR owner.

Civil proceedings

The PBR owner can commence a civil action for infringement in the Federal Court of Australia. The remedies that the court may grant for infringement of PBR includes an injunction ordering the person to stop the infringement and either damages or an account of profits to financially compensate the PBR owner for loss caused by the infringement. The burden of proof in civil actions is the ‘balance of probabilities’. The defendant in such an action may apply for revocation of the PBR⁹⁶. In any of these proceedings, an appeal may be made to the Federal Court or, by special leave, to the High Court.

Criminal proceedings

Under s.74 and 75, the Commonwealth Department of Public Prosecutions (DPP) may take criminal action for those acts of infringement outlined in Chapter 2.3 and the making of false statements and representations regarding a PBR. The burden of proof in criminal actions is the higher threshold of ‘beyond reasonable doubt’. A criminal conviction for infringement can result in fines of up to \$55,000 for individuals and up to \$275,000 for companies. The criminal penalties for PBR infringements were introduced in the 1994 Act in response to concerns over the costs and difficulties of enforcing rights under the 1987 PVR Act. Such penalties could act as further discouragement for those contemplating infringing PBR.

The Australian Federal Police investigates federal crimes and the DPP prosecutes offenders according to their own guidelines. Where legislation allows a choice between criminal and non-criminal enforcement, regulators usually seek criminal penalties as a last resort and only for the most serious offences. Criminal prosecutions are generally regarded as the ultimate deterrent due to the persuasive threat of imprisonment (where available), the stigma of a criminal conviction, and the publicity attracted by public trials. Decisions by the DPP to initiate criminal proceedings are made in accordance with its Prosecution Policy, which expressly states that the prosecution of suspected criminal offences should not be automatic. Rather, the decision whether to prosecute is regarded as the most important step in the process⁹⁷.

⁹³ Part 5 of the PBR Act.

⁹⁴ Sections 74 and 75.

⁹⁵ Section 74(2).

⁹⁶ Section 54.

⁹⁷ The criteria governing the decision to prosecute are available at: <http://www.cdpp.gov.au/Publications/ProsecutionPolicy/>

Criminal prosecution of PBR cases is unlikely as infringement of PBR is a low priority for the DPP and AFP unless there is conclusive evidence of flagrant abuse. The enforcement of other forms of IP rights, such as copyright and trade marks, has in recent years become a higher priority for the AFP due to persistent lobbying by interest groups and alleged links with organised crime.

6.2 Concerns

Many submissions received by ACIP felt that a successful PBR criminal case is required to provide a strong deterrent to PBR infringement:

In the current climate of total lack of confidence in the Act by grantees in the agriculture sector, the prosecution and imposition of criminal sanctions in 1 or 2 high profile cases would be seen as a positive step to “get the message across” (Pacific Seeds).

However, DAFWA and others suggested that criminal sanctions would not provide the solution to the problem, given the higher burden of proof required to prove infringement and difficulties in obtaining such evidence. Other submissions were concerned that the Australian Federal Police and the Department of Public Prosecutions were unlikely to undertake a PBR case. For example:

...the Federal Police want official notification to launch an investigation...this is not going to happen with the current closed community situation. A criminal investigation would require the support of other community members, or their willingness to give evidence. Even without the closed community issue, it is unlikely many people will be willing to be involved in a police investigation... [I]nvolvement of the Federal Police would generate considerable bad will towards the relevant breeder, as seeking to lay criminal charges would be seen as an unfair overreaction to the actions of a small business. (DAFWA)

Evidence was provided to ACIP of the AFP's unwillingness to investigate PBR matters. In response to a particular request⁹⁸ to investigate an alleged breach of the PBR Act, the AFP replied that the number of reported offences against Commonwealth laws far exceeds the capacity of the AFP to investigate and that the AFP must ensure that its limited resources are directed to matters of the highest priority. Due to competing operational priorities within the region, unfortunately the AFP was unable to devote resources to the complaint. The AFP suggested that civil proceedings be considered. In response to having the matter drawn to his attention, the Minister for Justice and Customs, Senator the Hon. Chris Ellison, said that while there appeared to be evidence of alleged breaches of the Act, he was advised that competing operational priorities was the reason for not investigating the matter further. Senator Ellison recommended that, should there be evidence that infringements continue after civil proceedings have been pursued, this should be referred to the AFP for evaluation.

Some claimed that there was no justification for spending public resources on what is essentially a private right. For instance,

⁹⁸ The party involved wishes its identity to remain confidential.

...scarce public resources should not be spent on enforcing a private commercial right that already [has] civil provisions. (Organic Cotton Advantage)

A few submissions also inferred that, if the PBR Act could sufficiently support civil action, criminal sanctions may not be required.

6.3 Options

Benny Browne suggested that the provisions in the Act in relation to criminal proceedings may be used more efficiently if the burden of proof was lowered to the balance of probabilities. Benny Browne also queried whether PBR infringements could be brought under the jurisdiction of the State Police. Another suggestion was for another body to conduct the initial investigation and deliver the report to the AFP.

OPTIONS

ACIP seeks your views on the following options in relation to criminal sanctions.

Option 34. No change to the criminal sanctions of the PBR Act.

This option may be appropriate if criminal convictions are unlikely to be achieved due to the reluctance of PBR owners to harm business relationships, the difficulties of providing sufficient evidence to meet the higher burden of proof and the unwillingness of community members to become involved in a police investigation. ACIP seeks any reasons why no changes should be made to the criminal sanctions of the PBR Act, including any unintended consequences of a change.

Option 35. Request the AFP and DPP to give PBR cases a higher priority

This option is to request that the AFP and DPP give PBR cases a higher priority, at least equal to other IP matters. This may increase the chance of investigations and prosecutions being conducted. Justification for a higher priority may include PBR being a special case because of the following issues:

- the difficult nature of suing one's customer rather than one's competitor. Compared with other fields, it may be more common in PBR cases that a rights owner alleges a breach of the law has been committed by one of its own customers, such as a grower who purchases PBR protected varieties, than by a competitor;
- marginal profitability in sectors of the plant breeding industry. This makes civil actions out of reach for many and increases the financial impact of offences;
- current apparent lack of compliance and need for deterrence;
- current untested status of the public infringement provisions of the PBR Act.

Option 36. Extend the jurisdiction of PBR matters to the State police and DPPs

This option may increase the chance of investigations being undertaken, however the State police are likely to have similar resource limitations as the AFP. There may also be inefficiencies in prosecuting in each State where infringement is alleged to have taken place.

PART IV – EVIDENCE / REMEDIES

Part IV includes options for remedies that ACIP believes may assist owners of Australian plant breeder’s rights to more effectively enforce valid rights.

7 Acquisition of evidence

7.1 Current situation

The following are the two current options PBR owners have for obtaining evidence of infringement.

Anton Piller orders

A PBR owner may seek an Anton Piller order from a court. This is a search order that permits a plaintiff (and their solicitor) to inspect the defendant’s premises and to seize or copy any information that is relevant to the alleged infringement. Applications for search orders are made to a judge. As the order aims to ensure that evidence is not destroyed, the application is made without giving notice to the other party.

Given the potentially draconian nature of such an order, they will only be made if the matter is urgent or otherwise desirable in the interests of justice. Before an order will be granted, the courts require plaintiffs to show that they have a strong *prima facie*⁹⁹ case of infringement and that the potential damage to them is very serious. The plaintiff must also provide clear evidence that the defendant has incriminating material in its possession and that there is a real possibility that the evidence will be destroyed. The search order is subject to a number of procedural safeguards. Failure to comply with an order is a contempt of court, which may result in imprisonment or a fine.

Private contract

A PBR owner conducting business with another party may use a contract to stipulate the PBR owner’s right to inspect the property of the other party. Contracts can generally only facilitate inspection of the plants obtained legally.

7.2 Concerns

Many submissions from breeders raised serious concerns about the difficulties in obtaining evidence to support a successful defence against alleged infringement. For example,

Evidence collection constraints are the single greatest impediment to effective legal redress (DAFWA).

Inability to collect evidence is a major problem and is probably the ‘bottleneck’ in not being able to pursue PBR breaches in Australia (ASF).

⁹⁹ On the face of the matter.

Knowing what constitutes sufficient and acceptable evidence and who/how to collect it is a major constraint. Developing guideline judgements in relation to PBR offences including advice about appropriate levels and types of evidence would provide some confidence to grantees, and indicate to potential infringers the likely consequences. (Pacific Seeds)

Key reasons identified as causing difficulties in obtaining sufficient evidence included:

- constraints on entering the private property of growers with whom there is no contract.
- reluctance of third parties to give evidence or assistance.
- concerns about possible adverse business consequences, such as souring existing business relationships.
- maintaining the public image of their grower business in their immediate community as respectable and law abiding.

Anton Piller Orders

As highlighted in ACIP's 2007 PBR enforcement Issues Paper, many submissions confirmed that the current Anton Piller orders are too onerous to obtain, too costly¹⁰⁰ and impractical to be of much utility in the plant breeding industry. Reasons included:

- In many cases, PBR owners do not have a strong *prima facie* proof of infringement. The burden of proof is too high.
- Evidence of possible destruction is rarely available and Anton Piller orders cannot be obtained when the crop is not under threat of destruction¹⁰¹.
- Evidence of past infringement activity is not taken into account when applying for an Anton Piller order.
- In close rural communities third parties are reluctant to provide details of any perpetrators breaching PBR, as this would harm their business and/or social relationship with the perpetrators. This makes it difficult to build a strong *prima facie* case.
- Anton Piller orders incur significant costs and so are not suited to an industry which may have marginal and/or irregular profits.

Inspection orders through contract

ACIP was informed by parties in the horticultural and nursery sectors that, under the current regime, if a breeder wants to inspect a farm then they must rely on the provisions of a licence/non-propagation agreement which allows for inspections. If an alleged infringer refuses to allow inspections, this forces the PBR owner to go to court to enforce its contractual rights and get an inspection order, making it difficult to obtain evidence quickly. Such agreements are also of limited use, as they usually only allow access to legitimately obtained plants, not the infringing plants. In addition to the constraint of access to evidence, many alleged infringers have no commercial dealings with the breeder/licensee and are highly unlikely to do so in the future. In the

¹⁰⁰ Some submissions provided details of the practical steps, costs and risks in the Anton Piller process.

¹⁰¹ For example, BSES Limited said 'It is unlikely that Anton Piller orders would be issued in the Australian sugarcane industry because sugarcane is a perennial crop and is only ploughed out once every 5-6 years. Therefore, sugarcane is unlikely to satisfy a requirement for granting an Anton Piller order that evidence be destroyed.'

absence of a contractual agreement, there is no realistic opportunity for breeders to inspect properties¹⁰².

7.3 Options

It was suggested to ACIP that a statutory requirement to permit inspection of properties and/or obtain information concerning plant parentage (provided the legitimate interests of innocent third parties are taken into account) may facilitate more effective enforcement in these circumstances. Some submissions argued that, for enforcement to be possible, the onus of proof should be reversed and variety users should be required to disprove infringement had taken place. However, others argued strongly against this and believed it would lead to resentment on behalf of growers. For example, the Victorian Farmers Federation said:

Under no possible circumstance should there be a presumption of guilt. Presumption of guilt is unfair, unethical, and contrary to every fibre of the judicial system. Also, provisions to allow entry on to private property will be giving too many rights to the breeders [and] can easily lead to an abuse of power.

Submissions received by ACIP supported further investigation of two foreign actions believed to be capable of assisting breeders obtain evidence for initiating infringement proceedings. The actions referred to are the UK Information Notice and the French *Saisie Contrefaçon*. A brief description of the framework of these actions follows, and a fuller description is in Appendix 2.

United Kingdom Information Notice

In the UK, if a PBR owner suspects an infringement and has not commenced infringement proceedings, an information notice seeking confirmation of the source of the harvested material and products made from harvested material may be served by the PBR owner on an alleged infringer. If the alleged infringer does not provide the information within 21 days, infringement proceedings may begin and, unless the alleged infringer can demonstrate a reasonable excuse for not supplying the information, it is presumed that:

- the material was obtained through unauthorised use of propagating material and
- the PBR owner did not have a reasonable opportunity to exercise its rights in relation to the material.

The notice must be in the prescribed form and contain three parts:

1. the ‘prescribed particulars’, including details of the protected variety, the PBR owner and the date the notice was served,
2. the ‘specified material’ to which the notice relates, and
3. the ‘prescribed information’ that the recipient must supply, including the recipient’s details, the source of the specified material, date the material was acquired and the size of the consignment the material formed part of.

¹⁰² For example, Bywong Nurseries said ‘Evidence collection is very difficult...If the offender learns of your interest there is unlikely to be any evidence to collect when you arrive.’

Where a PBR owner obtains information pursuant to an information notice, the PBR owner owes an obligation of confidence to the person who supplies that information. However, information may be disclosed for the purposes of establishing whether PBR have been infringed or as part of any PBR infringement proceedings.

At this stage ACIP is unaware of any UK reviews or industry opinions on the effectiveness of the UK system.

French *Saisie Contrefaçon*

In France, a *saisie* order may be used in relation to a range of IP rights, including PBR, patents and trade marks. Specific provisions exist for its application to PBR. A *saisie* order may be used by a PBR owner to secure evidence prior to proceedings or to provide proof for infringement proceedings that have been initiated. If an order is granted prior to proceedings, the applicant must file an action within 15 days from the date of the seizure, otherwise the *saisie* is void.

There are two types of *saisie* order - a *saisie descriptive* which is an order to allow inspection of the described material, and a *saisie-réelle* which is an order to allow seizure of the material.

A PBR owner or applicant may submit a request for a *saisie* order to the President of the Tribunal de Grand Instance (TGI) of the place of alleged infringement. An order will only be issued based on a PBR application if a copy of the application has been served on the alleged infringer and he/she continues with infringing activities. The request must include a precise description of the plant material and the name of the alleged infringer or, if this is unknown, a description of where the material may be found.

The President of the TGI cannot refuse a request for a *saisie* order if the applicant fulfils the formal requirements, but can limit its application to certain material or require a deposit equal in value to the material to be seized. The applicant also may need to provide a bond in case the order is annulled or declared abusive, or if the infringement action fails.

A *saisie* is carried out by a bailiff who may be accompanied by a representative of the police or one or more experts chosen by the plaintiff. If material is seized, the bailiff must deposit samples with a person who has been chosen by the court to keep the material alive. Documentation may also be seized if it contains information about the origin of the alleged infringing material and the extent of the alleged infringement.

Any person may file a *demand en rétractation* which limits or reverses the order. *Saisie* orders may also be considered abusive if, for example, they are exerted under excessive conditions and, as a consequence, compensation may be awarded. However, such an eventuality would not affect the infringement proceedings.

At this stage ACIP is unaware of any French reviews or industry opinions on the effectiveness of the French system.

OPTIONS

ACIP seeks your views on the following options in relation to the acquisition of evidence.

Option 37. No change

This option is appropriate if current Anton Piller orders and contractual arrangements are considered adequate in enabling PBR owners to obtain evidence of infringement. ACIP seeks any reasons why no changes should be made to current laws on the acquisition of evidence, including any unintended consequences of a change.

Option 38. Introduce a system based on the UK Information Notice

This option has the benefit of speed, as it enables the PBR owner to serve a notice on the alleged infringer without first having to apply to a court, and of the burden of proof being placed on the alleged infringer. However, this system may enable PBR owners to unreasonably harass variety users. It is also only able to provide the PBR owner with information, not samples, and the PBR owner may not know whether the alleged infringer has provided correct information. For these reasons this option may be best when combined with Option 39 below.

Option 39. Introduce a system based on the French *saisie* order

This option has the benefits of enabling samples to be seized and of having a legal officer present when the order is served on the alleged infringer. However, this system may take longer than Option 38 and so it may be best to combine the most relevant features of both.

8 Customs provisions for PBR

8.1 Current situation

The Australian Customs Service (Customs) has the power to seize goods that allegedly infringe copyright and trade marks, but not patents or plant breeder’s rights.

For example, for Customs to seize goods that allegedly infringe trade marks, the trade mark owner must lodge with Customs¹⁰³:

- a notice of objection to importation setting out the nature of the IP owned and
- a written undertaking, or paid security, to repay Customs seizure expenses.

The Notice must be renewed every four years. The undertaking covers Customs’ costs and any liability it might incur to an importer as a consequence of any seizure. Customs officers will seize and store any goods which have a trade mark or brand which is substantially the same as the notified trade mark. Customs will notify the importer and the trade mark owner of any seizures. Customs will release the goods to

¹⁰³ *Trade Marks Act 1995*, Part 13.

the importer if, within 10 days, the trade mark owner does not initiate legal proceedings against the importer and obtain an appropriate order from a court.

8.2 Concerns

A small number of submissions identified the lack of Customs seizure provisions in the PBR Act as a weakness in the legislation. These same submissions supported investigation of a seizure system and/or notice of objection system similar to that currently available for infringement of registered trade marks and copyright infringements.

Grandiflora Nurseries' submission stressed the importance of catching infringement at the border and questioned why PBR, unlike other kinds of intellectual property protection, does not have Customs seizure provisions.

This area would be the largest area of loss that is sustained by the breeders that we act as agents for. ...The amount of damage to the breeders far exceed the concerns of the local market as they see the need to prevent the end sale markets such as Australia, Japan, Europe, USA etc of varieties grown on a mass scale in countries like India and China that have not paid the breeder their royalties. It makes no sense to me that customs can make a seizure of product for all areas of Intellectual property with the exception of PBR.

Grandiflora Nurseries also indicated that although the volume of flower production in Australia is relatively settled or stagnant, consumption of flowers in Australia, i.e. roses, is going up. This suggested that greater importation of cut flowers would result in an increased volume of infringing material being imported.

CIOPORA stated in their submission that s.11 of the PBR Act provides the title holder with an import/export right and that he/she should be able to enforce these rights. CIOPORA highlighted that, in the European Community, holders of Community Plant Variety Right titles have been able to apply for Customs action since 2004. CIOPORA also claimed that during the past three years, several successful Customs actions against the illegal import of plant material (mainly cut flowers and fruit) have taken place and that the Customs provisions have proven to be an effective tool for the enforcement of PBR.

However, PBRAC and the Australian Customs Service identified difficulties associated with seizing potentially infringing plant imports at the border:

The PBRAC accepts that Customs and Quarantine officers may not necessarily have the skills to recognise protected varieties on sight.

Resourcing, prioritisation and expertise considerations stand as a potential barrier to efficient use of Customs to block infringing material at the border. (Customs)

8.3 Options

PBRAC suggested that it might be possible to design a workable system for seizing suspected unauthorised imports of PBR protected material at the border. PBRAC suggested that ACIP investigate a system based on the notification system used for trade marks and copyright. It was also suggested that such a system may require the

involvement of PBR owners providing DNA samples and identifying markers as part of a notice of objection scheme.

The Australian Customs Service indicated in their submission that a regime similar to the new Infringement Notice Scheme recently introduced for copyright offences could be considered, however, it noted that such a scheme will require consideration of the:

- availability of appropriate technical expertise to identify plant material;
- responsibility for cost and storage, and
- disposal of seized goods (risks and sensitivities).

Another approach suggested, in the context of the Australian Customs Service submission, was that it may be effective to have authorised officers with the necessary qualifications undertake post-importation examinations and audits. During consultations it was suggested to ACIP that an expert in roses could readily identify rose varieties on appearance characteristics. Roses constitute the vast majority of imported cut flowers. The ease of varietal identification for roses may not be true for other species of cut flowers imported into Australia.

European model

An alternative approach is the one used in the European Union¹⁰⁴. This system has some similarities to that used for trade marks in Australia. Where goods are suspected of infringing plant variety rights, the PBR owner may lodge a written application for action with the relevant customs authorities. This must include:

- an accurate and detailed technical description of the goods in question,
- any information concerning the nature of the infringement,
- agreement to bear all costs of keeping the goods under customs control;
- acceptance of liability towards the persons responsible for the infringing goods in the event that the detaining of goods is discontinued owing to an act or omission by the PBR owner, or in the event that the goods are subsequently found to not infringe PBR, and
- proof that the applicant holds the rights for the goods in question.

Where an application is accepted, customs will detain the goods and provide the rights owner with relevant details of the goods, an opportunity to inspect the goods and take samples of the goods strictly for the purpose of analysis. When granting an application for action, customs authorities must take action within a set period (up to one year). This may be extended at the request of the rights owner.

If no application for action has been lodged by the rights owner but customs authorities have sufficient reason to suspect that goods are infringing an IP right, they may retain goods for three working days, during which time the rights owner must submit an application.

The European system appears to enable the matter to be resolved quickly by allowing customs authorities to have the goods destroyed without it being determined that an IP right has been infringed¹⁰⁵. This is done at the expense of the rights owner and after samples have been taken. For this to occur the rights owner must inform customs

¹⁰⁴ Council Regulation (EC) 1383/2003. See <http://europa.eu/scadplus/leg/en/lvb/111018c.htm>

¹⁰⁵ Article 11.

within 10 working days (three in the case of perishable goods) that the goods infringe an IP right and the owner/receiver of the goods must agree in writing to have them destroyed.

If customs is not notified within 10 working days of detaining the goods (three days in the case of perishables) that proceedings to determine whether an IP right has been infringed have been initiated, or that there is agreement to destroy the goods, the goods will be released¹⁰⁶. The owner of goods suspected of infringing IP rights can obtain the release of the goods on provision of a security sufficient to protect the interests of the rights owner and provided that a procedure to determine whether there has been infringement has been initiated¹⁰⁷.

CIOPORA provided the following comments in support of the European system:

During the last three years several successful customs actions against the illegal import of plant material (mainly cut flowers and fruit) have taken place and the customs provisions have proven to be an effective tool for the enforcement of Plant Breeder’s Rights.

According to CIOPORA, in most cases the three day limit for perishable goods is sufficient for the PBR owner to clarify the status of the seized goods.

OPTIONS

ACIP seeks your views on the following options in relation to Customs.

Option 40. No change

This option is appropriate if it is considered unnecessary or impractical for the Australian Customs Service to identify and seize PBR protected material.

Option 41. Introduce PBR seizure powers for Customs based on the notice system used for trade marks

This option could involve introducing new provisions in the PBR Act for Customs to administer. These provisions may enable a PBR owner to lodge with Customs a notice of objection which identifies the PBR protected material and a written undertaking, or paid security, to repay Customs’ expenses.

However, plant material is perishable and has a limited life span, which poses problems with regard to its storage and handling. Also, Customs have limited resources and lack relevant expertise in plant identification. Possible ways of overcoming this are:

- obtaining appropriate expertise, such as by employing Qualified Persons, particularly during high risk periods such as Valentine’s Day.
- using a DNA marker system if one were available, such as for roses, administered by an appropriate expert.

¹⁰⁶ Article 13.

¹⁰⁷ Article 14.

Option 42. Introduce PBR seizure and destruction powers for Customs based on the European system

This may involve many of the steps in Option 41, with the addition of enabling customs to destroy goods if a PBR owner has within 10 days (three for perishable goods) declared the goods to be infringing its right and has obtained the written agreement of the owner/receiver of the goods for the goods to be destroyed. This may have the advantage of speeding up the process and reducing costs in circumstances where there is clear infringement and a willingness on behalf of the importer to cooperate. However, such circumstances may be too rare to justify introduction of the system.

9 Exemplary damages

9.1 Current situation

At present, a PBR owner who has instigated civil proceedings may seek from the court an injunction ordering the person to stop the infringement and either damages or an account of profits.

Exemplary damages are those awarded against a guilty party, to be paid to the plaintiff, for flagrant or wilful breaches of the law. The usual aims of exemplary damages are to compensate for more than just the damage or economic loss suffered by the plaintiff, to further punish the guilty party and to provide a greater deterrent to breaches of the law. Provisions for such damages exist for copyright, trade marks and more recently patents, but not for PBR.

In regards to patents, a court may include an additional amount in the assessment of damages for an infringement of a patent, depending on:

- the flagrancy of the infringement,
- the need to deter similar infringements of patents,
- the conduct of the infringing party, and
- any benefit to the infringing party as a result of the infringement¹⁰⁸.

9.2 Concerns

Many submissions supported the introduction of exemplary damages for PBR so as to provide more deterrence for potential infringers and fairer compensation for the infringed party. For example, Bywong Nursery said that exemplary damages would have a dramatic effect as a deterrent. PBRAC approved of bringing PBR into line with other IP rights. The Australian Seed Federation said:

The resources (staff & financial) required to investigate a PBR breach are often well beyond what most breeders can afford, especially when the benefits of the action are difficult to quantify and subject to uncertainty. The inclusion of exemplary damages in the PBR Act would almost certainly provide the necessary incentive for PBR owners to pursue a claim.

¹⁰⁸ *Patents Act 1990*, Section 122.

However, some submissions remained cautious about the extent to which exemplary damages could act as a suitable deterrent to PBR infringement and doubted whether full damages to PBR owners could be recovered.

If the probability of being caught infringing a PBR is small then deterrents or penalties alone, no matter how severe, may do little to discourage people from infringing. (PBRAC)

NSWFA would not support the introduction of an exemplary damages clause... [W]e are supportive of the use of [ADR] as we believe they offer a more effective remedial solution to PBR matters involving growers. We believe that the focus should instead be on improving the current EPR collection system rather than tightening the legislation. The proposed introduction of such clauses demonstrates that the current system is not working. (NSW Farmers’ Association)

Wrong way to go. (Hugh Roberts)

9.3 Options

Some submissions said that the New Zealand system of exemplary damages had merits¹⁰⁹. Section 17(4) of the New Zealand PVR Act states:

The rights of a grantee under a grant are proprietary rights, and their infringement shall be actionable accordingly; and in awarding damages (including any exemplary damages) or granting any other relief, a Court shall take into consideration

- a) Any loss suffered or likely to be suffered by that grantee as a result of that infringement; and
- b) Any profits or other benefits derived by any other person from that infringement; and
- c) The flagrancy of that infringement.

Similarly, another suggestion was to provide the following examples to the courts on those situations warranting the awarding of exemplary damages:

- where a person deliberately misdeclared a variety in circumstances where they knew or ought to have known its true status.
- where a person ignored notification that material was subject to PBR and the conditions attached by the PBR owner, in circumstances where the notification states reasonable grounds for the variety being subject to PBR.

OPTIONS

ACIP seeks your views on the following options in relation to exemplary damages.

Option 43. No change

This option is appropriate if it is considered that exemplary damages are unlikely to be effective due to the low risk of infringing behaviour being identified and brought to court and/or the degree of evidence required to prove that exemplary damages are warranted - flagrant infringement, conduct of the party etc.

¹⁰⁹ For example, Grandiflora Nurseries Pty Ltd.

Option 44. Introduce exemplary damages provisions

This option may be based on the system of exemplary damages recently introduced for patents. This may provide increased deterrence for potential infringers, fairer compensation for PBR owners, make pursuing infringements more attractive and encourage other forms of resolution, such as ADR. The New Zealand system may provide a model. However, the total number of successful court actions may remain relatively small, reducing the effect of such provisions.

ACIP seeks your views on whether exemplary damages are necessary and how they should be determined.

PART V – Sector-Generated Support

Part V examines the capacity for *Sector-Generated Support* as a means of assisting Australian plant breeder's rights holders to enforce valid rights more effectively (i.e. greater education and awareness, central body/third party involvement, varietal ID and end point royalties (EPR), standardised contracts).

A note on Sector-Generated Support:

A number of options for improving the implementation of the PBR Act in Australia were suggested in the submissions and consultations in response to the Issues Paper. ACIP has considered these options as they may be an integral component of the matrix of initiatives that would enhance the Australian plant breeding industry and the public good. It is stressed that, while ACIP may make comments and suggestions on these matters, the responsibility for action and implementation is primarily a matter for the relevant industry sectors. ACIP expects that the Government's role, if any, would be mainly incidental or facilitative.

10 Central information and collective peak body

10.1 Current situation

At present, peak bodies and industry associations exist for some sectors of the PBR industry. Examples include CIOPORA, ASF and various farmer's federations. There is also the National Licensing Association of Australia (NLA-AU), a body which represents the interests of, and takes action on behalf of, some PBR owners. The feasibility of a central EPR collection agency is currently being examined by some in the industry.

10.2 Concerns

There was a significant amount of interest in the idea of a central coordinating organisation independent of Government, which could represent the breeder's interests. Many submissions from the breeder's perspective were supportive of a central body capable of providing independent investigation and specialist skills appropriate to the enforcement of PBR in close communities. Others, including those from the grower's perspective, also believed a central body had merit, particularly if it could contribute to improving the current fragmented royalty collection system and build goodwill between breeders and the farming community. Several models were proposed. The perceived success of similar bodies overseas was cited in support. For example, Dr Bill Angus, head of wheat breeding for the UK at Group Limagrain (the largest plant breeding and seed development company in the European Union) is very supportive of the British Society of Plant Breeders (BSPB).

However, some submissions doubted whether a single system could encompass all sectors of the plant breeding industry. DAFWA believed that a central body should recognise the differing structures and needs of various sectors, rather than provide a standard approach for all. CIOPORA said that separate organisations should support the separate specialties of ornamental and fruit businesses and agricultural businesses.

Some submissions had reservations over the capacity of the plant breeding industry to support a collective body, given that returns to PBR owners are quite modest. It was noted that the federal Department of Agriculture, Fisheries and Forestry (DAFF) has a very high compliance rate for collecting government levies and it was questioned whether DAFF, instead of a central body, should be given the power to collect EPRs. A small number of submissions believed that a central body would not be required if relevant changes were made to make the Act enforceable.

One or more central bodies could have one or more of the following roles:

- represent PBR owners and the industry to Government and provide specialist education and advice,
- facilitate mediation,
- collect royalties on behalf of PBR owners,
- enforce PBR on behalf of owners, or provide assistance.

Representation and advice

There was support from most industry sectors for a body which would represent industry interests and provide advice and education. PBRAC and Benny Browne thought this could include standardising contracts. Bywong Nurseries said it would be useful if a central body could provide advice on applying for PBR and on enforcement options. Others such as Pacific Seeds believed that further education would not improve enforcement, as those in the industry are aware that it is very unlikely they would be prosecuted for breaching the Act.

Facilitate mediation

The ASF and NSWFF suggested that offering alternative dispute resolution services should be one of the main functions of a central body. Similarly, Biddulph Consulting Group said:

The body should have a cooperative outlook... Prosecutions should be avoided...such that they should only occur for blatant and flagrant breaches of the Act, and not minor indiscretions or mistakes. You need to build goodwill amongst the farming community.

Royalty collection

Several submissions supported a body which collected royalties on behalf of PBR owners. For example:

A collecting society for plant breeders' rights would be able to bring infringement action on behalf of its members. There is a need to amend the [Act] to provide for statutory licence in respect of end-point royalties. A collecting society for plant breeder's rights would be an appropriate independent body to administer statutory licenses in respect of end point royalties. (Dr Matthew Rimmer)

However, Bywong Nurseries, DAFWA and others were not in favour of such a role. For example:

...DAFWA would not support such a body having responsibility for royalty collection, or any aspect of commercialisation, which should remain with the breeders. Separating these areas [commercialisation and enforcement] would allow the body to remain independent, rather than become an agent for the breeders...

Enforcement

Several submissions supported a body which could undertake enforcement actions on behalf of PBR owners. For example:

DAFWA sees the primary purpose of this body as being a central agency with the power to investigate alleged PBR offences. ...An independent body would provide an impartial method of obtaining detailed, valid information, which could be used to commence legal action (similar to the role of the ACCC in administering the Trade Practices Act). ...The process for parties to provide information should be simple and non-confrontational, and parties should be able to remain confidential if they wish.(DAFWA)

Such bodies could undertake high profile enforcement actions in an effort to discourage potential infringement. (PBRAC)

Pacific Seeds submitted that overseas organisations such as the BSPB¹¹⁰, CPTA¹¹¹ and CIOPORA all reportedly work very well in enforcement activities, and that use of third party investigators would help remove perceptions of big PBR owners being hard on small struggling farmers.

10.3 Overseas experience on collective enforcement

The Issues Paper identified some examples of collective action undertaken domestically and in overseas jurisdictions. The examples were the British Society of Plant Breeders (BSPB), the Canadian Plant Technology Agency (CPTA) and the National Licensing Association (NLA-AU). Details on these are provided below.

British Society of Plant Breeders (BSPB)

The BSPB¹¹² is the largest representative body for the UK plant breeding industry. It was formed in 1966 and currently represents more than 50 members, comprising virtually 100% of the public and private breeding activity in the UK¹¹³. The BSPB is a non-profit organisation, funded by fees and managed by an elected board of senior executives from member companies¹¹⁴. Its core functions are royalty collection and industry representation, but has recently expanded into education programs.

The BSPB licenses, collects and distributes certified seed, royalties and farm-saved seed payments on selected agricultural and horticultural crops such as cereals, field peas and beans, oilseeds, linseed, yellow lupin, potatoes, forage grasses, vining peas, soft fruit and some rootstocks. A PBR owner grants a Head Licence to BSPB, which then issues sub-licences for the production and sale of seed of that cultivar. Under terms of the sub-licence, royalties must be paid to BSPB by certain dates and are then

¹¹⁰ British Society of Plant Breeders. See Chapter 10.3.

¹¹¹ Canadian Plant Technology Agency. See Chapter 10.3.

¹¹² <http://www.bspb.co.uk/about.html>

¹¹³ In the UK, another breeders' organisation called the British Association of Rose Breeders (BARB) undertakes advocacy and royalty collection on behalf of roses and ornamentals plant varieties. Further information on this organisation is available at <http://www.rosesuk.com/barb/>

¹¹⁴ Out of 13 staff that BSPB employ, four of them work full time on audit and enforcement, two predominantly from the office and two mainly out on the road auditing at licensees and processors' premises". Dr P. Maplestone, Chief Executive BSPB, in November 2007.

passed on to Head Licensors, less a small percentage to cover operating costs¹¹⁵. Central to the enforcement regime is a farmer database, designed to record and interrogate cropping details of individual farmers with the express purpose of ensuring compliance on farm saved seed.

Much of the enforcement work undertaken by BSPB appears connected to the return of information about farm saved seed use and the audit of certified seed declarations and payments from merchants and farm saved seed processors.

Canadian Plant Technology Agency (CPTA)

The CPTA was formed in 1997 and is a non-profit organisation that has consisted of small companies and large multinational agri-businesses with membership numbers ranging from 21 companies to four. The CPTA was set up to educate, advocate, monitor, and enforce Plant Variety Rights for its members and focus on representing breeders of non-hybrid field crops varieties, i.e. wheat, oats, barley and lucerne¹¹⁶.

Although CPTA's focus in the past has included representation and lobbying for strengthening the IPR law in Canada, its Executive Director advised that its primary focus is now enforcement, education and monitoring, with the CPTA having referred the advocacy role to the Canadian Seed Trade Association (CSTA)¹¹⁷:

- Education - information about PBR is provided to CPTA members, producers and the general public. It includes presentations at industry meetings and member company staff functions, advertisements in farm newspapers and press releases.
- Monitoring - right holders must identify illegal seed sellers to enforce their PBR. Common seed¹¹⁸ cannot be advertised by variety name in Canada, therefore the CPTA set up a service which reviews advertisements for seed and places mystery shopper calls to those ads. The results of those calls are reported to the variety rights holder.
- Enforcement - right holders play a direct role in deciding whether a potential infringer faces enforcement action. The CPTA provides a service to members consisting of managing and coordinating civil lawsuits. This involves hiring private investigators to make covert purchases of the illegal seed, working with legal council to prepare documentation for the lawsuit and in most cases, negotiating a settlement with infringers once the case has been filed with the court. No cases of alleged PBR infringement have gone to trial in Canada. The

¹¹⁵ Donald S. Loch 1996, p.21, Churchill Fellow, *The Samuel and Eileen Gluyas Churchill Fellowship to study the effects of Plant Breeder's Rights on the breeding of new cultivars of herbage species.*

¹¹⁶ Ornamental varieties in Canada are the focus of another organisation called the Canadian Ornamental Plant Foundation (COPF). Information on COPF is available at: <http://www.copf.org/index.htm>.

¹¹⁷ The Canadian Seed Trade Association (CSTA) represents the interests of 138 corporate members engaged in all aspects of seed research, production and marketing, both domestically and internationally. It is a voluntary association composed of seed companies from across Canada. Further information on the CSTA is available at <http://cdnseed.org/>

¹¹⁸ Common seed is farm saved seed.

CPTA may find that an infringer is stealing from two or three companies and the CPTA can operate separate lawsuits at the same time, thus providing some cost saving for the companies¹¹⁹.

In Canada, under UPOV 78¹²⁰, royalties are due only on certified seed¹²¹ and not on common (farm saved) seed unless otherwise agreed under contract¹²². This situation differs markedly from the UK's BSPB model of collective action where royalties are due on the farm saved seed, creating a role for the BSPB in monitoring who is conditioning seed and which growers owe breeder royalties.

10.4 Domestic experience on collective enforcement

The National Licensing Association – NLA-AU

The NLA-AU¹²³ is another example of an organisation that joins industry members together to enforce intellectual property rights. The NLA-AU has been credited by some breeders with providing PBR owners with an independent, 'arms length' approach to actions against infringing growers. The NLA-AU states that its ultimate goal is to foster ethical behaviour in the agricultural community. Its strategy for achieving its goal is as follows¹²⁴:

The NLA promotes and facilitates the licensing of...plants through voluntary compliance by growers, while at the same time educating the growing community regarding the legal and economic benefits of purchasing licensed plants to begin with. NLA is showing infringers that it costs much less to buy legal trees in the first place than to buy "bootleg" or illegal trees, and then defend themselves in an intellectual property infringement law suit later.

The NLA-AU says that IP rights owners are reluctant to enforce rights against infringers, as the infringers are often customers who purchase some legal plants and so the IP rights owner would risk losing that business. To alleviate this, the NLA-AU relieves individual members of the decision-making authority when it comes to enforcement. Members transfer their enforcement rights to the NLA, and can honestly tell their customers that the decision to enforce is out of their control.

The NLA takes action as necessary to enforce the members' IP rights, through investigation of plantings, contact with growers, settlement discussions and resolution, when necessary, through litigation. In bringing enforcement actions for intellectual property infringements, the NLA looks not only to the infringing grower

¹¹⁹ Information provided to ACIP by Lorne Hadley, Executive Director of CPTA, August 2007.

¹²⁰ Canada has not yet ratified UPOV 91 and Canada's PBR Act remains based on the UPOV 78 Convention.

¹²¹ Certified seed has been certified as passing certain quality standards, such as level of impurities.

¹²² Lorne Hadley, Executive Director of CPTA, November 2007. While Canada's PBR legislation still operates under the UPOV 78 convention, grantees of PBR can not 'go after' third parties like the owners of seed conditioning plants who may be cleaning farm saved seed in preparation for further sale.

¹²³ The NLA-AU concept started in the United States in 2002 as the NLA-US. The NLA-AU was established as a separate company in Australia in 2005.

¹²⁴ NLA-AU information provided to ACIP by Australian Nurserymen's Fruit Improvement Company.

but also to the entities that are in business with the infringing grower, such as farm management companies, real estate companies, banks and others that directly infringe, or who indirectly infringe, by aiding and abetting infringement through inducement of or contribution to infringing activities.

In return for the assignment of enforcement rights, each member receives a percentage of the proceeds from enforcement of that member's intellectual property rights (60% of net recovery). Additionally, all NLA members share equally 10% of the net recovery obtained by the NLA in the enforcement of all member intellectual property rights, regardless of whose rights are enforced.

10.5 Role for Government

Although the three models of collective action highlighted above have aspects in common, they also have key differences in terms of their size, industry sector specialisation and functional emphasis. For example, the BSPB is directly involved in licensing, monitoring and collecting breeder royalties, while CPTA and NLA-AU are more focused on the education, monitoring and enforcement of breeder rights. The CPTA and BSPB also focus largely on agricultural field crops and cereals, while the NLA-AU focuses primarily on horticultural varieties.

Other differences include members of the NLA-AU assigning their enforcement rights over to the collective body, while members of the CPTA exercise executive decision themselves on whether to enforce rights against specific cases of alleged infringement.

According to the submissions received by ACIP, each of these models of collective action is likely to appeal to different sectors of the Australian plant breeding industry. A single model may not be an appropriate solution.

Question Q1.

What role should Government play in this area? Should the Government facilitate the plant breeding industry in developing one or more models of collective/peak bodies?

11 Education and awareness

11.1 Current situation

At present, members of the plant breeding industry can obtain information on PBR from a variety of sources. These include:

- Contracts and conditions of sale
- Government - IP Australia
- ACIPA
- Industry associations

IP Australia's PBR education program currently includes an advertising campaign with Australian Horticulture magazine, new application kits and sponsorship of industry conferences such as the National Garden Industry Conference. PBR was also a focus of IP Australia's sponsorship of the 2007 Floriade flower festival in Canberra. In recent years IP Australia has helped to develop IP modules for universities based on its *IP Toolbox* and *Smart Start* publications and is currently developing similar content for the Vocational Education and Training (VET) sector.

ACIPA is currently running education and training programs for the horticulture and grains industries which include seminars, classes and communiqués.

11.2 Concerns

Enhancing the education and awareness of PBR stakeholders was identified in many submissions as an important aspect of improving PBR enforcement:

There is a need to improve the literacy of plant breeders, technology developers, and business managers in respect of plant breeders' rights. Similarly, there is scope for further education programmes for farmers, growers, researchers, and scientists. Moreover, there is a need for a better knowledge of plant breeders' rights amongst rural advisors – including solicitors, accountants, and consultants. (Dr Matthew Rimmer, ACIPA)

There needs to be additional education of breeders, researchers, growers and industry. A number of R&D Corporations have contracted with ACIPA to provide such training, but it is not something which occurs quickly and it is not a "one-time" activity if it is to have the desired impact across the whole agribusiness sector. (Kathryn Adams, ACIPA)

Other submissions also provided suggestions on how education and awareness activity might be undertaken, and by whom:

An appropriate delivery mechanism (for any industry) – is likely to be a small group actually visiting rural areas and answering specific PBR queries, in addition to the provision of general information. (DAFWA)

The Australian Seed Federation supports a more concerted education/awareness campaign to be driven by the Plant Breeders Rights Office with assistance from appropriately qualified legal, business and technical people to ensure a truly 'apolitical campaign' and to provide much needed skills in the area of commercialisation of PBR rights to IP owners. (ASF)

The PBRO should have the ability and willingness to assist in the protection of PBR and enforcement of the rights when infringements occur. At the very least they should have a documented process or procedure to assist PBR holders on how to tackle infringements. (Peter Vaughan, Value Added Wheat CRC)

A formal checklist as to the steps and the order of those steps required [for enforcement] would be a good start. The PBRO has been reluctant to provide anything useful to date. (Crop and Food Research)

In the cut flower industry it would be beneficial to supply information through magazines such as a national trade publication, the Australian Flower Industry magazine and possibly in the international magazine 'Floraculture International'. (Grandiflora)

Other submissions received suggested that education programs should target specific stakeholders, such as traders and direct end users¹²⁵, and focus on specific concepts and terms in the Act¹²⁶. PBRAC emphasised the need to educate PBR grantees about the role that a registered PBR plays in the process of commercialising a new plant variety.

Other submissions suggested that, given the extent of bad faith infringement in sectors of the industry, awareness campaigns are unlikely on their own to be an effective solution. Enforcement was considered to be the most effective way of raising awareness and compliance.

ACIP's experience is that IP law is complex and one-off education seminars allow insufficient time for growers to properly understand the field.

11.3 Role for Government

The majority of submissions to ACIP called for enhancing sector- and stakeholder-specific information on PBR. This would need to be designed to reach a wide community of people. Such information may need to be provided through a variety of fora, ranging from one-off events to adult education courses run over a period of time. These may include:

- industry conferences
- courses or seminars at agriculture and horticulture colleges, TAFEs and other educational organisations.
- campaigns – newspapers, journals, direct mail
- websites.

Information would need to be provided or coordinated by experienced stakeholders such as ACIPA, IP Australia, industry peak and collective bodies and in an on-going and coordinated fashion. The content itself must be consistent, accurate and accessible.

¹²⁵ DAFWA, PBRAC.

¹²⁶ Victorian Farmers Federation.

Question Q2.

What would be the most effective ways of improving education and awareness of PBR for each industry or stakeholder group?

Question Q3.

What role should Government play in this area? What particular educative programs or course curricula should the Government develop or facilitate? Should Government develop detailed PBR curricular for agricultural colleges and TAFE?

12 Standard contracts

12.1 Current situation

At present, in the plant breeding industries there are a large number of different types of contracts which change over time. Until recently there appeared to be few, if any, ‘standard’ contracts. A study by the GRDC into the management of IP rights in plant varieties found that existing contracts were poorly drafted and that a standard contract would be desirable¹²⁷.

Members of the breeding community, including breeding organisations, the GRDC, the seed industry and variety users recently developed a standardised contract for the use of PBR protected varieties by the grains industry. The aim of standardising this contract was to avoid confusion and reduce the number of different contracts currently being used to licence proprietary varieties to growers. The standardised agreements are expected to be increasingly used by breeding organisations and their commercial agents to licence new varieties in the future. Documents available on the GRDC website include¹²⁸:

- the four page industry standard PBR licence agreement, including a glossary of terms. Details such as EPRs, reporting obligations and governing law are to be entered on a case by case basis.
- a PBR agreement fact sheet.
- a tag for bags of seed which outlines the conditions of sale and use.
- a four page standard bag licence.

To date, feedback on these agreements from industry and researchers has been positive.

12.2 Concerns

Some submissions expressed concerns about the wide ranging, evolving and confusing nature of contracts in the plant breeding industry. In the grains industry the large number of different contracts for use with PBR protected varieties which impose

¹²⁷ Renolds, R., *Managing intellectual property rights in plant varieties*, RIRDC Project No. UTS-8A, GRDC.

¹²⁸ http://www.grdc.com.au/director/events/grdcpublications/pbr_epr.cfm

different obligations on growers was cited as a major source of frustration with the end point royalty system. For example:

The peak body should be looking at creating singular systems for the industry per crop or industry type. There is a [myriad] of commercial arrangements that are being used that only frustrates the industry. Standardization and compliance with Industry input are essential (Australian Agricultural Crop Technologies).

The NSW Farmers Federation also saw a need to reduce the number of EPR collection methods and different contracts used. The GRDC noted that it was taking steps to better protect PBR rights and to reduce confusion about PBR and its implementation in the grains industry, resulting in the standardised contracts outlined above. Other submissions appeared to be in support of simpler contracts, such as “plain English” standard contracts¹²⁹.

12.3 Role for Government

ACIP notes that standard contracts are not necessarily simple contracts, as they need to cover all possible circumstances in order to be widely applicable. Simpler contracts might be more suited to specific circumstances.

Question Q4.

What else needs to be done on this issue? What role should Government play?

13 End point royalties

13.1 Current situation

At present, royalties on PBR protected plant varieties may be collected in a number of ways, including on:

- the propagating material, such as seed (under s.11), or
- the harvested material (s.14), or
- products made from the harvested material (s.15), or
- a combination of these.

The second and third of these options are known as end point royalties (EPR). This is a royalty placed on each unit of harvested material produced by a grower (s.14) or products made from the harvested material (s.15). Some EPR systems are currently in place in the grains and horticultural industries.

13.2 Concerns

Submissions to the ACIP Issues Paper identified a number of issues that compromised the PBR owner’s ability to derive an equitable return on the investment in plant breeding. Among these were:

- quantifying the grower’s and/or user’s obligations to PBR owners,
- high transaction costs in identifying these obligations,

¹²⁹ For example, Benny Browne.

- user's frustration in dealing with the large amount of paper work that is required to report the user's obligations to PBR owners, and
- identifying and quantifying unreported use of the protected variety.

Several submissions argued that an EPR system can be a more appropriate way of collecting royalties as it appears able, with some changes to the Act, to address the concerns listed above. An effective EPR system requires a point in the value chain where the bulk of the harvested/manufactured produce passes through a limited number of easily identifiable entities. These would be required to report on the growers' obligations to PBR owners or to meet these obligations on behalf of the grower by deducting royalty payments from the amount due to the grower. Other advantages of such systems include lower compliance costs, the promotion of better grower/breeder relations and sharing of the risks associated with growing a particular variety by the PBR owner and the grower.

Southern Cross University stated that DNA testing on which an EPR system could be based is currently available at acceptable costs for a range of major crop species, and that costs will continue to fall for more obscure species. Value Added Wheat CRC said that there has been a significant breakthrough in variety identification in recent years with the development of portable equipment which provides quick results.

Human consumption broad acre crops

The above problems have the potential to be addressed through the implementation of an industry-wide EPR system for grains such as wheat, barley and canola. This is due to a large proportion of these crops being accumulated by a relatively few entities.

There are currently some concerns about the utility of such a system. These include:

- requiring the accumulators and purchasers to quantify and report on the user's obligations to the PBR owner. This issue has been addressed previously in this paper in Chapter 3.1, with the option of making additions to the rights of PBR owners under s.11 (pages 13-14, Options 1-3).
- the uncertainty associated with the interpretation of 'reasonable opportunity' in s.14 and 15. In the absence of a contract between the PBR owner and grower, EPR systems rely on PBR owners not having had a reasonable opportunity to exercise their rights over the propagating material. This issue is addressed in Chapter 3.2 (pages 17-18, Options 4-7).
- mendacious variety declaration, where a user deliberately declares a variety as one which is not protected by PBR or one which attracts a lower royalty rate. This issue is addressed below.

Crops used for animal consumption

It appears that an EPR system does not have any utility for those species that are used predominantly for animal feeding, such as:

- forage crops and pasture species used to produce grass and hay for feeding, as it is impossible to quantify the contribution of the forage produced from protected species to the production of meat and wool;
- feed grain species such as oats and triticale that are used for meat and egg production on farms or in small feedlot enterprises.

Horticultural industries

The concerns discussed above are also germane to the horticultural tree crop industries. Many horticultural industries have structures that appear to allow for the implementation of a robust EPR system in which PBR owners would have the opportunity to maximise their returns from their investments in breeding and to reduce the current costs in compliance systems. As shown in Appendix 1, Figure 2, many horticultural varieties are accumulated or sold to a few easily identifiable entities. These include:

- capital city markets
- major retail chains such as Coles, Woolworths and IGA
- limited number of exporters
- limited number of juice manufacturers.

There appears to be similar concerns over the implementation of an effective EPR system in the horticultural tree crop industries as in the broad acre human consumption industries, and therefore perhaps the same solutions are applicable.

Horticultural industries appear to have an additional concern over the implementation of an effective and efficient EPR system. The harvest from illegally obtained trees cannot be distinguished from the harvest produced from legally obtained trees. According to the *Cultivaust* judgement, the growers' obligations to the PBR owner on harvested product (G1) have been met by paying a royalty at the time of purchase of the propagating material (s.23). This concern may be addressed by contractually overriding this provision. s.23 has been addressed previously in this paper (Chapter 3.6, Options 23-24).

Nursery industries

The limited number of submissions from the nursery breeding industry suggested that there is widespread infringement of PBR, even to the extent of breeders deciding to curtail their investment in the breeding of ornamental species.

The structure of the Australian nursery industry suggests to ACIP that the opportunities to establish an EPR system to address compliance issues may be similar to those in the horticultural tree crop industries and the broad acre crops for human consumption, as there are points in the value chain where an EPR could be effectively implemented (see Appendix 1, Figure 3). This would have the same implementation problems as for the other industries and, possibly, the same options for addressing these may be relevant.

The nursery industry would appear to have the same additional concern as the horticultural industry has in the implementation of an effective and efficient EPR system. That is, a majority of the harvested product is produced from propagating material that has been acquired legally and for which royalties have been paid. This makes it difficult to identify the product for which royalties have not been paid. However, the nursery industry can distinguish product that has been produced with the PBR owner's consent by attaching a tag which identifies the product, its PBR status and the PBR owner.

Mendacious variety declaration

Information provided to ACIP on the level of mendacious variety declaration was inconclusive. Anecdotal evidence from Crop & Food Research and others suggested that it is quite high, but quantitative evidence from AWB, Value Added Wheat CRC, NLA-AU and others suggested the opposite¹³⁰. It appears to be a significant issue, as two large investors in plant breeding (GRDC and BSES) consider mendacious variety declaration to be a major threat to their business.

13.3 Role for Government

Options for addressing mendacious variety declarations include:

- use of visual identification of grain samples at delivery to grain accumulators. This is far from robust, as the grain from a number of varieties can be very similar in appearance. However, this method could be the first step in identifying incorrect variety declaration.
- use of molecular-based variety declaration. The technology for this is available for major crop species. Based on the information provided by VAW CRC, this technology may currently be too expensive for routine deployment. However, it may be appropriate for:
 - when variety declaration is in doubt, such as after visual identification, or
 - random audits, such as that undertaken by AWB.
- introduction of an infringement and/or criminal offence liability for mendacious mis-declaration of varieties. At present, it is an infringement to use a name of a PBR protected variety in relation to any other plant or variety of the same plant class (s.53(1)) and it is a criminal offence to incorrectly claim to be the PBR owner of a variety or that a plant is a PBR protected variety (s.75). However, it is not illegal under the *PBR Act* to deliberately declare a PBR protected variety to be a non-PBR protected variety.

It may not be appropriate for the Government to play a role in implementing the first and second options.

¹³⁰ AWB Limited conducts molecular marker based audits to validate variety declaration in wheat. The level of mis-declaration is 3.4% but the loss of royalty to AWB is in the order of 1.7%, as it includes mis-declarations of varieties for which a royalty is payable when this is incorrect. Heritage Seeds noted that a 2% loss of royalty on a 21 million tonne wheat production with a royalty of \$2 per tonne amounts to a significant \$840,000. A study conducted by the Value Added Wheat CRC to evaluate the utility of varietal identification systems demonstrated a 98.8% level of correct variety declaration. This was a small survey of about 250 deliveries in southern New South Wales and northern Victoria. Grain Trust checked varietal declarations for the barley variety Corvette and two Corvette derivatives which could be easily confused with Corvette. Grain Trust estimated that the loss of royalty through mis-declaration was less than 5%, although the level of mis-declaration was much greater.

Question Q5.

One of the problems with implementing an equitable EPR system is that harvested product is often a mix of material on which the growers' PBR obligations to the breeder have been met and material on which those obligations have not been met. Can this issue be dealt with through use of contracts? Are there other options for addressing this issue?

Question Q6.

Do you have any major concerns, other than those listed above, about the implementation of an effective EPR system in your industry?

Option 45. No changes to infringements and offences under the *PBR Act* in regards to identification of protected varieties.

This option is appropriate if it is considered that making mendacious declaration of a PBR protected variety an infringement or an offence under the Act would not significantly discourage such behaviour.

Option 46. Amend the *PBR Act* so that mendacious variety name declaration is an infringement of PBR

This option may involve expanding s.53(1)(c) and/or s.75 to include as an infringement and/or an offence the act of deliberately not using the correct name of a PBR protected variety. Making mendacious declarations an infringement of PBR would enable PBR owners to instigate civil proceedings in such cases to recover damages and act as a deterrent. Making such behaviour a criminal offence may provide a significant deterrent, as it enables a court to impose fines and/or a prison sentence. However, it is unlikely that the Australia Federal Police and Commonwealth Department of Public Prosecutions will investigate such cases and bring them to court – see Chapter 6.

ACIP emphasises that the intent of this option is not to make inadvertent varietal misdeclaration an infringement or offence.

Question Q7.

Establishing EPR systems is primarily the responsibility of industry. However, is it appropriate for the Government to facilitate this?

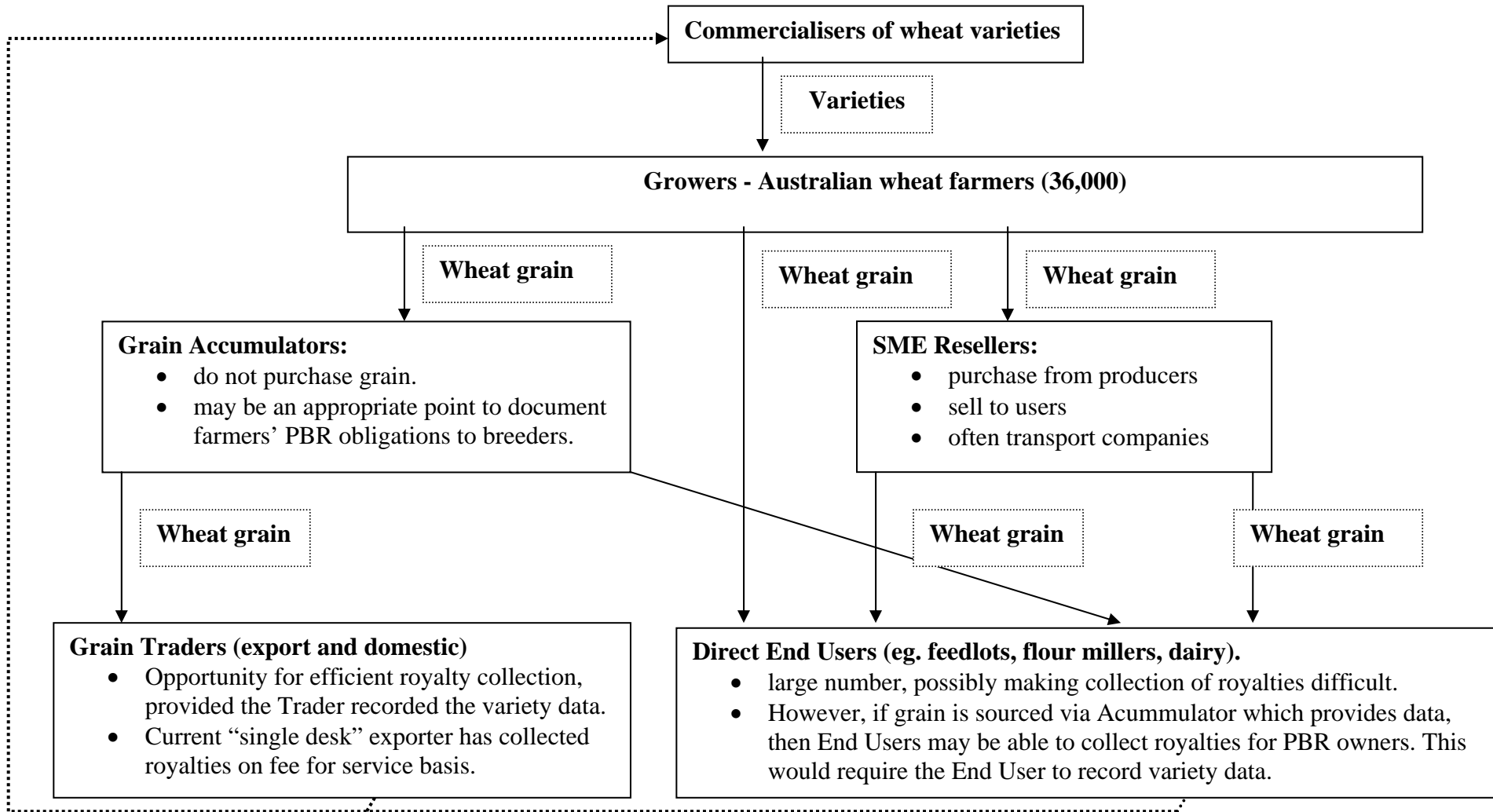
Appendices

14 Operation of PBR in industry

Figures 1 to 3 on the following pages approximate the current supply chains and PBR royalty systems in typical agricultural, horticultural and ornamental / amenity industries.

ACIP would appreciate any feedback on the figures.

Figure 1. Wheat industry supply chain and options for royalty collection



Possible flow of royalties paid on behalf of growers based on information collected by accumulators, SMEs or own records of purchase from producers.

Figure 2. Apple industry supply chain

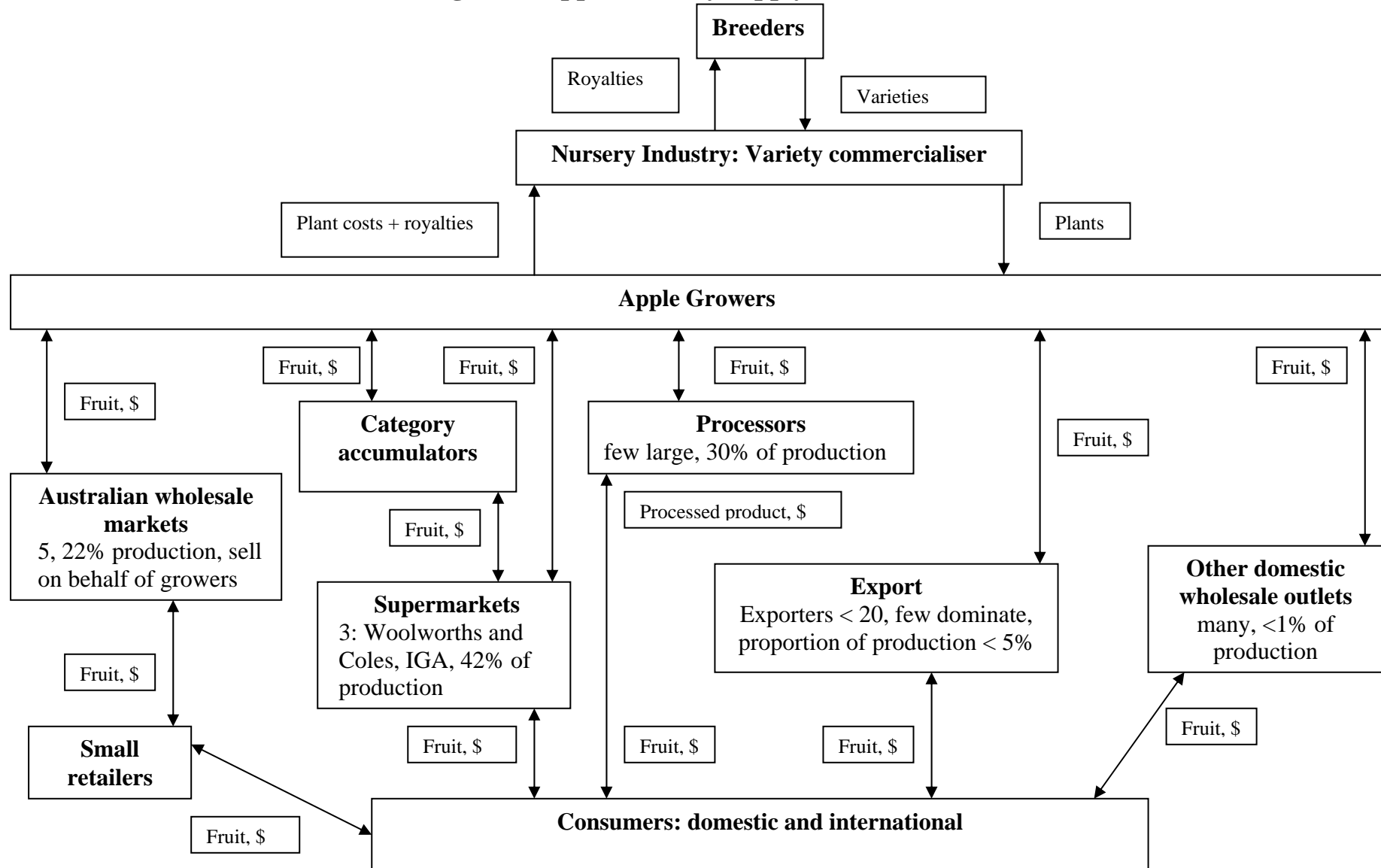
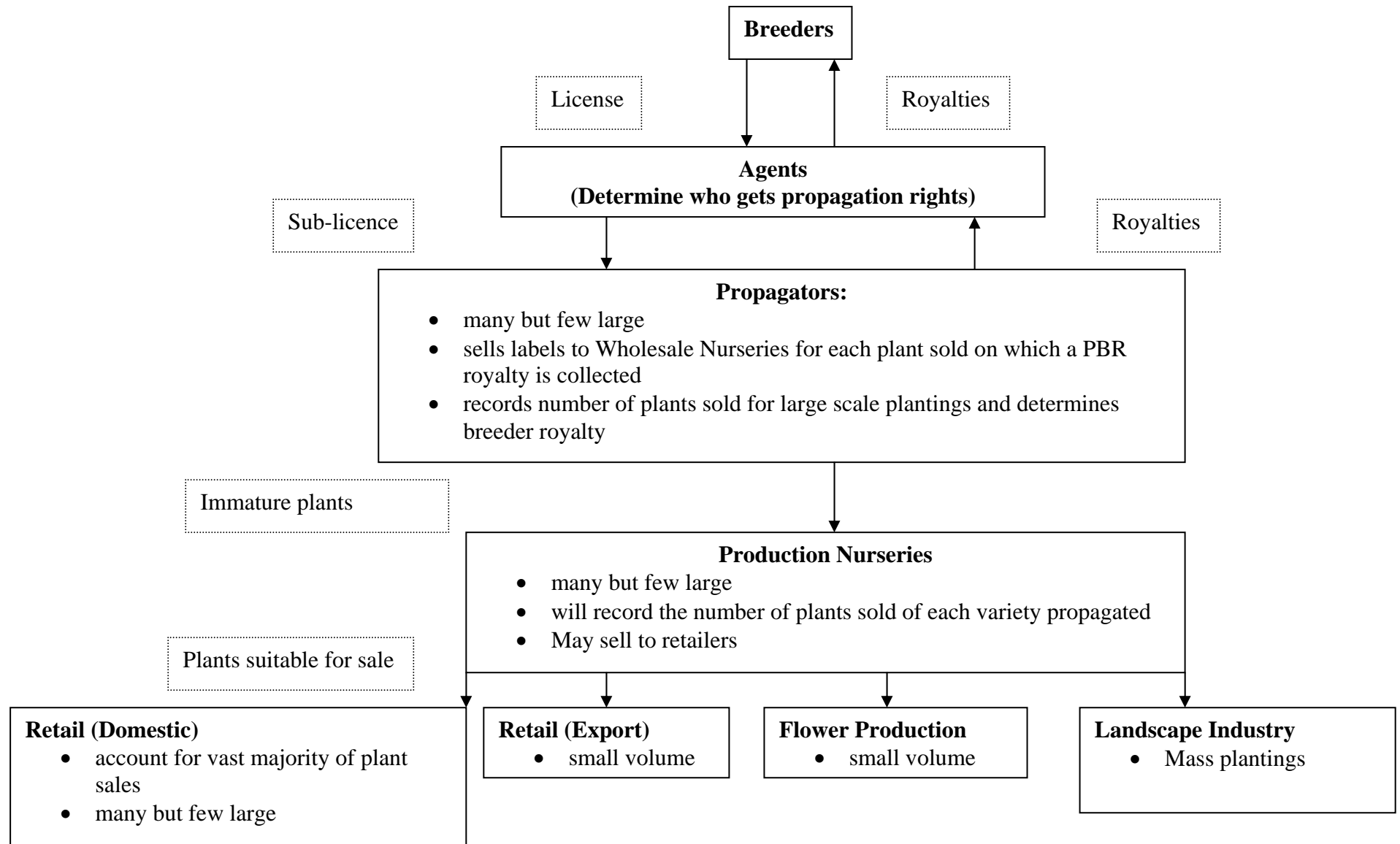


Figure 3. Ornamental / amenity industry supply chain



15 UK and French actions for obtaining evidence

The following provides further details on the UK and French systems that PBR owners may use to obtain evidence of infringement of plant variety rights.

15.1 United Kingdom Information Notice

The Legal Framework:

Range of application

An information notice is specific to the enforcement of PBRs.

Nature of the action

An information notice may be served by a PBR owner seeking confirmation of the source of the harvested material of his/her variety. If the alleged infringer does not provide the information within 21 days, infringement proceedings may proceed¹³¹.

Sections 14 and 15 of the Plant Varieties Act 1997 (UK) provide for certain presumptions to apply where a PBR owner proves, in infringement proceedings, that any product to which the proceedings relate has been the subject of an information notice given to the defendant, and the defendant has not provided the information requested in the notice within the prescribed time. The presumptions apply unless the contrary is proved or unless the defendant demonstrates he/she has a reasonable excuse for not providing the information¹³².

Pursuant to s.14(3) and 15(3) of the 1997 (UK) Act, the presumptions are:

- (a) *that the material was obtained through unauthorised use of propagating material, and*
- (b) *that the holder did not have a reasonable opportunity before the material was obtained to exercise his rights in relation to the unauthorised use of the propagating material.*

Who may apply

An information notice may be served by any PBR owner.

Material covered

An information notice may relate to harvested material and products made from harvested material.

Timing

An information notice must be served before the commencement of an infringement proceeding.

¹³¹ Plant Breeders' Rights (Information Notices) Regulations 1998, regulation 4.

¹³² Department for Environment, Food and Rural Affairs (DEFRA), 'Guide to Guide to the Plant Varieties Act 1997' (2005), 39, available at <http://www.defra.gov.uk/planth/pvs/guides/pvsact-20050317.pdf>.

What does the action require?**Application process**

There is no application process– a PBR owner must serve an information notice on an alleged infringer in the prescribed form. According to the Plant Breeders' Rights (Information Notices) Regulations 1998, an information notice must contain three parts – i) the 'prescribed particulars' a plant breeder must provide, ii) the 'specified material' to which the information notice relates, and iii) the 'prescribed information' a recipient of an information notice must supply.

The 'prescribed particulars' a plant breeder must provide in Part 1 of an information notice are¹³³:

- (a) the registered name of the variety;*
- (b) the species of the variety;*
- (c) the date on which plant breeders' rights were granted in the variety;*
- (d) confirmation that the rights were granted under the Act;*
- (e) the name and address of the holder of rights;*
- (f) the name and address of the agent of the holder of rights, if one has been appointed; and*
- (g) the date on which the information notice was served.*

The 'prescribed information' that must be supplied in Part 3 of an information notice is¹³⁴:

- (a) the name and address of the recipient of the information notice;*
- (b) the name and address of the person from whom the recipient of the information notice acquired possession of the material specified in the information notice;*
- (c) the date on which the recipient of the information notice acquired possession of the material specified in the information notice; and*
- (d) the size of the consignment of which the material specified in the information notice formed part.*

Burden of proof

There is no burden of proof.

How does the action work?**How the action is carried out**

An information notice is served on the alleged infringer if a PBR owner suspects infringement.

Rights of the defendant

Under s.34 of the 1997 Act, where a PBR owner obtains information pursuant to an information notice, he/she owes an obligation of confidence to the person who supplies the information. According to s.34(2), this does not have the effect to restrict disclosure of information:

¹³³ Plant Breeders' Rights (Information Notices) Regulations 1998, regulation 3(2).

¹³⁴ Plant Breeders' Rights (Information Notices) Regulations 1998, regulation 3(3).

- (a) for the purposes of, or in connection with, establishing whether plant breeders' rights have been infringed, or
- (b) for the purposes of, or in connection with, any proceedings for the infringement of plant breeders' rights.

15.2 French *Saisie Contrefaçon*

Legal Framework

Range of application

While a *saisie* order is applicable to a range of IP actions (including infringement of PBRs, patents and trade marks), the French Intellectual Property Code contains specific provisions for the application of a *saisie* order in relation to the infringement of PBRs.

Nature of the action

There are two types of *saisie* order - a *saisie descriptive* and a *saisie-réelle*. A *saisie descriptive* is literally a precise description of the accused product – an inspection of the infringing material must take place. A *saisie-réelle* is a seizure of the alleged infringing material that is sought.

Who may apply

The order may be based on an application for grant of a PBR as well as a granted PBR¹³⁵. However, the former case only applies if a copy of the application has been served on the infringer and he/she continues with infringing activities after the date of service.

Material covered

If the order is for a *saisie descriptive*, only an inspection of the alleged infringing plant material is required. If the order is for a *saisie-réelle* and material is seized, the bailiff must deposit samples with a person who has been chosen by the court to keep the material alive. Other documents, such as technical specifications, descriptions, drawings and commercial papers may also be seized if they contain information about the origin of the alleged infringing material and the extent of the alleged infringement.

Timing

A *saisie* order may be used to secure evidence or provide proof in infringement proceedings that have been initiated or are pending with other courts. If the order is being used to secure evidence and the order is granted, the applicant must file an action on the merits 15 days from the date of the seizure, otherwise the *saisie* is void¹³⁶.

¹³⁵ Code de la Propriété Intellectuelle (CPI), Article L623-26. This is a mechanism that may assist in regards to pre-grant protection as discussed in Chapter 3.8.

¹³⁶ CPI, Article L623-27 paragraph 2, CPI (Partie Réglementaire), Article R623-53.

What does the action require?

Application process

In order to obtain a *saisie* order, an application must be made to the President of the Tribunal de Grand Instance (TGI) of the place of alleged infringement¹³⁷. A request for a *saisie* order has to include ‘a precise description of the plant material which should be seized’¹³⁸. In addition, the accused infringer must also be named. If the accused infringer is unknown, an exact description of the location where the material may be found is adequate.

According to Article L623-27 of Code de la Propriété Intellectuelle (CPI), the aggrieved person may cause with the court’s authorisation:

...a detailed description to be made, with or without effective seizure, of any plants or parts of plants or any elements of reproduction or vegetative propagation alleged to have been obtained in violation of his rights.

Burden of proof

The President of the TGI cannot refuse a *saisie* order if the applicant fulfils the formal requirements. However, as the President determines the conditions of the order, he/she can limit its application. According to Würtenberger et al., he/she¹³⁹:

may request the applicant to post a bond in case the saisie order is subsequently annulled or declared abusive, or if the infringement action fails. In addition, the order can be limited to only certain allegedly infringing material or may require a deposition of an amount which is equal to the value of the objects to be seized.

How does the action work in practice?

How the action is carried out

A *saisie* is carried out by a bailiff who may be accompanied by a representative of the police force and one or more experts (e.g. a photographer, a lawyer) chosen by the plaintiff. For both types of *saisie*, the bailiff must prepare a report describing the allegedly infringing material, the operations carried out and his/her observations. The bailiff’s report must also include photographs of the infringing plant material.

Rights of the defendant

Non-compliance with legal formalities when enforcing a *saisie* order may lead to it being held invalid. In addition, any person may file a *demand en rétractation* which limits or reverses the order¹⁴⁰: Some *saisie* orders may also be considered abusive if, for example, they are exerted under excessive conditions. An abusive *saisie* may lead

¹³⁷ CPI (Partie Réglementaire), Article R623-51.

¹³⁸ Gert Würtenberger, Paul Van der Kooij, Bart Kiewiet and Martin Ekvad, *European Community Plant Variety Protection*, Oxford University Press, Oxford, 2006, 213.

¹³⁹ Gert Würtenberger, Paul Van der Kooij, Bart Kiewiet and Martin Ekvad, *European Community Plant Variety Protection*, Oxford University Press, Oxford, 2006, 213.

¹⁴⁰ NCC, Article 96, paragraph 2.

to compensation for the person seized but it does not affect the infringement proceedings¹⁴¹.

¹⁴¹ See Cabinet Chaillot, 'La Saisie-Contrefaçon du Droit Français comme Moyen de Preuve', available at <http://chailot.com/Fr/pages/p9.html>. (For an English translation of the website, see <http://translate.google.com/translate?hl=en&sl=fr&u=http://chailot.com/Fr/circ/c25.html&sa=X&oi=translate&resnum=1&ct=result&prev=/search%3Fq%3Dsaisie%2Bcontrefa%25C3%25A7on%2B%26hl%3Den.>)

15.3 Table 1 – Comparison of UK and French actions for obtaining evidence

	FRANCE	UNITED KINGDOM
Range of application	Applicable to a range of IP actions.	Specific to PBRs.
Nature of the action	S.D. – inspection of allegedly infringing material. S.R. – seizure of allegedly infringing material.	Served by a PBR owner seeking confirmation of the source of the harvested material of his/her variety. If the alleged infringer does not provide the information within 21 days, infringement proceedings may proceed.
Who may apply	PBR applicants & owners.	PBR owners.
Material covered	S.D. - plant material. S.R. - plant material & documents.	Harvested material & products made from harvested material.
Timing	Used in infringement proceedings that have been initiated or are pending.	Served at outset of infringement proceedings.
Application process	Application made to the President of the Tribunal de Grand Instance of place of alleged infringement.	No application process – serve on alleged infringer in the prescribed form.
Burden of proof	Cannot be refused if applicant fulfils formal requirements.	No burden of proof.
How the action is carried out	Bailiff prepares a report describing the plant material (with photos), operations & observations.	An I.N. is served on the alleged infringer if a PBR owner suspects infringement.
Rights of the defendant	Non-compliance with legal formalities when enforcing may lead to it being held invalid.	Applicant owes obligation of confidence to I.N. recipient.

