



Australian Government

Advisory Council on Intellectual Property

A review of enforcement of Plant Breeder's Rights

ISSUES 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 27 April 2007

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Abbreviations

ACIP	Advisory Council on Intellectual Property
ADR	Alternative Dispute Resolution
ASF	Australian Seed Federation
BSPB	British Society of Plant Breeders
CPTA	Canadian Plant Technology Agency
CIOPORA	International Community of Breeders of Asexually Reproduced Ornamental and Fruit Tree Varieties
EPR	End Point Royalty
FCA	Federal Court of Australia
FMC	Federal Magistrates Court
FMS	Federal Magistrates Service
IP	Intellectual Property
NLA-AU	National Licensing Association - Australia
PBR	Plant Breeder's Rights
PBR Act	Plant Breeder's Rights Act 1994
PBRO	Plant Breeder's Rights Office
PVR	Plant Variety Rights
PVR Act	Plant Variety Rights Act 1987
QP	Qualified Person
SME	Small to Medium Enterprise
TRIPS	Trade Related Aspects of Intellectual Property
UPOV	International Union for the Protection for New Varieties of Plants
WTO	World Trade Organisation

1 Introduction

The Advisory Council on Intellectual Property (ACIP) is an independent body appointed by the Australian Government to provide advice to the Minister for Industry, Tourism and Resources and IP Australia on matters of IP 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, government, the tertiary and research sectors, and technology and commercialisation groups. The Hon Bob Baldwin MP, Parliamentary Secretary to the Minister for Industry, Tourism and Resources has responsibility for intellectual property matters within the portfolio. IP Australia is the federal agency responsible for administering the patent, trade mark, design and plant breeder’s rights systems.

1.1 Terms of Reference (TOR)

In response to concerns raised regarding the enforcement of plant breeder’s rights¹ the Hon Bob Baldwin MP, Parliamentary Secretary to the Minister for Industry, Tourism and Resources, 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.

The review was advertised in Australia’s major newspapers and select industry publications in May 2006.

1.2 Scope of the Review

The scope of the inquiry will encompass a broad range of issues that may impact on the enforcement of plant breeder’s rights. ACIP however, would like to make it clear from the outset that this is not a general review of the plant breeder’s rights legislation, but more precisely it is a review established to identify difficulties in enforcement of the PBR Act being experienced by users of the Act and to recommend solutions to these difficulties where appropriate.

¹ In recent years, sectors of the plant industry 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 a PBR market research project designed to determine key factors (in the short and long term) which drive and influence the filing rates of PBR applications. A key aspect of this project was to obtain a better understanding of the perceptions users, and potential users, had of the enforcement environment pertaining to the PBR system. The report confirmed that many respondents identified, both spontaneously and when prompted, that the ‘lack of enforcement’ is a key issue reducing the desirability of PBR.

In this context, ACIP interprets the ToR to encompass:

- the scope of plant breeder's rights and their limitations as provided by the substantive law (*Plant Breeder's Rights Act 1994*); and
- factors external to the Act that may impact on plant breeder's rights holders effectively enforcing valid rights.

1.3 The Review Process

ACIP has developed this Issues Paper after preliminary consultation with some sectors of the Australian plant variety industries and those industries dependent on plant varieties. ACIP does not intend this paper to be a consolidation of all plant breeder's rights enforcement issues.

The purpose of the Issues Paper is to elicit written submissions on the points raised in this paper, and any other matters or issues that respondents feel are relevant to the terms of the inquiry, that have not been identified in this paper. Any empirical information or data would be particularly valuable.

ACIP expects to undertake additional consultations in June 2007 to assist in clarifying or expanding on the responses to this Issues Paper. **Please indicate in your submission if you are interested in participating in the proposed consultation process and include your contact details to assist the Secretariat to make follow up arrangements.**

After considering submissions and consultation input, ACIP will prepare and release an options paper for comment. Once responses have been considered, ACIP will prepare a final report and expects to submit the report and recommendations to Parliamentary Secretary Baldwin in late 2007.

Written comments may be made in electronic form or in hard copy and should be provided to the following address by **27 April 2007**.

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

Please address your advice, comments, written submission and any queries to the address above.

2 Background

2.1 Aims and Objectives of Plant Breeder’s Rights

In October 1986, the Government’s objective in introducing legislation for a plant variety rights scheme was to stimulate plant breeding efforts in Australia and to encourage the development of new varieties of plants for our domestic industries and for export². The Government of the day recognised the need for a *sui generis*³ system of monopoly rights for plants to ensure that there was:

- protection for the food supply to customers;
- provisions for the use of plant material for further breeding and research programs;
- encouragement of public sector plant breeding, particularly in the major crop species, to ensure that Australia continues to have well adapted varieties suited to our principal markets; and
- provision for farmers and home gardeners using protected varieties to continue to be able to retain seed or other propagating material for their own use.

Plant Breeder’s Rights (PBR) are intended to provide a balance between the opportunity for the plant breeder to obtain a reward for the production of a new plant variety, and the benefits to growers and society from having access to new and improved plant varieties. Plant breeders benefit by having the exclusive right, subject to certain caveats, to do, or to licence others to do the following:

- produce or reproduce the material;
- condition the material for the purpose of propagation;
- offer the material for sale;
- sell the material;
- import the material;
- export the material; and
- stock the material for the purpose of sale.

Growers and society benefit by having access to improved plant varieties that produce higher yields and/or have better disease and pest resistance, are more environmentally friendly and/or have improved levels of consumer satisfaction.

2.2 Brief History of Plant Breeder’s Rights

At least as early as 1892, legislation was proposed to grant patent rights for plant-related inventions⁴. By the early 20th century a number of European nations considered patent law to be unsuitable for protecting new plant varieties created using traditional and well known breeding methods as many plant variety fail the criteria for

² Plant Variety Rights Bill 1986: Second Reading.

³ ‘Literally unique, one of a kind’, ‘constituting a class of its own’.

⁴ Justice Rich in *Imazio Nursery Inc v Dania Greenhouses* 69 F.3d 1560, (Federal Circuit 1995).

patentability⁵. The outcome of many plant improvement processes was considered to be both ‘obvious’ and ‘non-inventive’⁶. Both of these are fundamental criteria for patentability.

A growing interest in the protection of new plant varieties led to the formation of the *International Convention for the Protection of New Varieties of Plants (UPOV Convention)* in 1961. The primary purpose of the UPOV Convention is to ensure that the member states acknowledge the achievements of breeders of new plant varieties by making available to them an exclusive property right, on the basis of the principles set out in the UPOV Convention.

Lobbying for plant variety rights in Australia began in the late 1960s⁷ and resulted in the introduction of the *Plant Variety Rights Act 1987* (the PVR Act). In 1994, the PVR Act was replaced by the *Plant Breeder’s Rights Act 1994*⁸ to harmonise with the international obligations included in the updated UPOV Convention of 1991.

2.3 International Conventions

Australia is a signatory to a number of international treaties relevant to plant breeder’s rights and any developments on enforcement must, as a consequence, be consistent with those treaties.

2.3.1 International Convention for the Protection of New Varieties of Plants (UPOV Convention)

The UPOV Convention is a multilateral international agreement that provides a *sui generis* form of intellectual property protection, which has been specifically developed with the aim of encouraging breeders to develop new varieties of plants. The Convention aims to ensure harmonised international protection for new plant varieties developed in member countries and it requires that protection be available to all botanical genera and species. It acts to encourage investment and innovation in, and multiplication and release of, new plant varieties in and among member countries. Australia acceded to UPOV in 1989 and as a signatory it is obliged to provide enforcement for plant breeder’s rights. In particular, Article 30(1)(i), [UPOV 1991] requires that Contracting Parties “provide for appropriate legal remedies for the effective enforcement of breeder’s rights”.

2.3.2 Trade-Related Aspects of Intellectual Property Rights (TRIPS)

The World Trade Organisation (WTO) agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) came into force in 1995. This agreement

⁵ It is acknowledged that some varieties will meet the criteria for patentability, especially those that arise from new and inventive breeding methods. This paper does not deal further with these varieties, though it is noted that dual protection, i.e. PBR and patent for the same variety, is available in Australia.

⁶ Inventive and non-obvious are two of the statutory requirements of patents.

⁷ Hindmarsh, Richard, “Consolidating Control: Plant Variety Rights, Genes and Seeds”, *Journal of Australian Political Economy*, 1999, Vol. 44 p.58.

⁸ The 1994 Act contains more detailed provisions defining the acts concerning propagating material in relation to which the holder’s authorisation is required.

mandates that member states must establish minimum standards of intellectual property protection. TRIPS requires member states of WTO to ensure that effective enforcement procedures are available for intellectual property rights.

The TRIPS agreement is intended to harmonise the way IP rights are protected around the world and to bring them under common international rules. Article 41(1) of the TRIPS Agreement sets out general principles on enforcement which include:

- implementation of effective enforcement strategies;
- expeditious remedies to prevent infringement; and
- effective deterrents to further infringement.

Article 41 (2) requires that any enforcement procedures are:

- fair and equitable;
- not unnecessarily complicated or costly; and
- not involving unreasonable time limits or unwarranted delays.

Articles 41 (3) and (4) require that parties to the Agreement have decisions concerning enforcement made on the merits of the case, without undue delay, and that parties to the proceedings will have an opportunity for a review by a judicial authority of final administrative decisions.

2.4 Current Australian Law

Australia’s legislative basis for granting intellectual property rights to new varieties of plants is the *Plant Breeder’s Rights Act 1994* (the PBR Act). Plant Breeder’s Rights are granted under the PBR Act through powers delegated to the Plant Breeder’s Rights Office (PBRO). The rights are granted after an exhaustive examination process.

2.4.1 Subject Matter Protection (Plant / Plant Variety / Breeding)

Australia’s PBR Act covers all plants including fungi and algae but does not include bacteria, bacteroids, mycoplasmas, viruses, viroids and bacteriophages⁹.

The PBR Act defines ‘plant variety’ to mean a plant grouping contained within a single botanical taxon of the lowest known rank. The complete definition provided by the PBR Act¹⁰ defines plant variety to mean a plant grouping (including a hybrid):

- (a) that is contained within a single botanical taxon of the lowest known rank; and
- (b) that can be defined by the expression of the characteristics resulting from the genotype of each individual within that plant grouping; and
- (c) that can be distinguished from any other plant grouping by the expression of at least one of those characteristics; and
- (d) that can be considered as a functional unit because of its suitability for being propagated unchanged.

⁹ Section 3 of the PBR Act.

¹⁰ Section 3 of the PBR Act.

Section 5 of the PBR Act broadly defines breeding as including a reference to the ‘discovery’ of a plant together with its use in ‘selective propagation’ so as to enable the development of the new plant variety.

In December 2002, an expert panel on breeding produced a report entitled ‘Clarification of Plant Breeding Issues under the Plant Breeder’s Rights Act 1994’, which provided the following views on ‘discovery and ‘selective propagation’.

The Panel's view regarding 'discovery' is that:

- (a) it has its normal meaning (as there is no relevant jurisprudence in the PBR Act context);
- (b) it can occur on more than one occasion;
- (c) it does not occur if the variety is commonly known;
- (d) in the absence of information to the contrary, the 'discoverer' is the first to file for PBR protection; and
- (e) a person cannot normally be considered the 'discoverer' of a plant if someone else provides the particulars of its existence to that person.

The Panel's view regarding 'selective propagation' is that:

- (a) 'selective propagation' has its normal biological meaning; and
- (b) the scientific basis for assessing whether 'selective propagation' has occurred is a comparison, between the candidate plant variety and the population/parents from which it was developed, that demonstrates a clear difference in at least one characteristic¹¹.

2.4.2 Requirements for Protection

To be a registrable plant variety, the variety must have a breeder¹², be distinct¹³, uniform¹⁴, and stable¹⁵, and not have been exploited, or if so, only recently¹⁶. The variety need not necessarily be inventive or non-obvious¹⁷, just ‘distinct’ from known varieties. A variety must be uniform within each generation and stable in its

¹¹ ‘Characteristics’ means traits that result from the expression of a genotype or combination of genotypes.

¹² 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.

¹³ 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’.

¹⁴ 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.

¹⁵ A variety is stable if its relevant characteristics remain unchanged after repeated propagation (PBR Act s. 43(4)). 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.

¹⁶ Section 43(1)(e) of the PBR Act.

¹⁷ Inventive and non-obvious are two of the statutory requirements of patents.

distinguishing characteristics across generations and it has to be developed by plant breeding rather than discovery *per se*.

2.4.3 Rights granted

PBR is the right of the breeder to exclude others from using a PBR registered variety for a range of commercial activities. Moreover, PBR comprises the rights to exclude others from doing certain specified acts in relation to the propagating material of a variety, i.e., production, reproduction, conditioning, sale, import, export and stocking of the material (Section 11 of the PBR Act). They extend to essentially derived varieties and certain dependent plants (Section 12 and Section 13 of the PBR Act). In certain circumstances, such as where there has been unauthorised propagation and the grantee has not had a reasonable opportunity to exercise their right, harvested material or products made from harvested material are covered by the same right as propagating material (Section 14 and Section 15 of the PBR Act)¹⁸.

The duration of plant breeder's rights is 20 years for all varieties, with the exception of trees and vines where the term is 25 years (Section 22 of the PBR Act). For grants made under the previous *Plant Variety Rights Act 1987* all varieties were protected for 20 years. Once the PBR or PVR has expired the variety reverts to the public domain and is publicly available¹⁹.

Section 53 of the PBR Act provides that the plant breeder's right in a plant variety is infringed when:

- a person carries out an act in relation to propagating material of a plant variety as defined by Section 11 of the PBR Act (see section 2.1) or erroneously claims to have authorisation from the plant breeder's rights' grantee; or
- a person uses the name of the variety that is entered in the register in relation to any other plant variety; or
- a person carries out an act as defined in Section 11 of the PBR Act in relation to an essentially derived variety²⁰.

2.4.4 Exemptions, Defences, Limitations

2.4.4.i Exemptions

The PBR Act contains important exemptions that are specifically designed to protect users of the system so that PBR, by definition, cannot be infringed by users acting within the bounds of the exemptions. The important limits to PBR are to be found in Sections 16 and 17 of the Act. These are:

¹⁸ Rimmer, M., *Plant Breeder's Rights: An Australian commentary* ACIPA Faculty of Law, the Australian National University 2003, p.38-39.

¹⁹ Rimmer, M., *Plant Breeder's Rights: An Australian commentary* ACIPA Faculty of Law, the Australian National University 2003, p.38-39.

²⁰ A plant is taken to be an essentially derived variety of another plant variety if it is predominantly derived from that other plant variety; and it retains the essential characteristics that result from the genotype; and it does not exhibit any important (as distinct from cosmetic) features that differentiate it from that other variety (Section 4 of the Act).

- the possible use of protected plant varieties privately and for non-commercial purposes; to experiment with them; and/or to use them for breeding other varieties (Section 16 of the PBR Act)²¹; and
- the ‘farm-saved seed exemption’ or so-called ‘farmer’s privilege’ allows farmers to harvest and legitimately use propagating material derived from the crop grown from the original and legitimately obtained propagating material for subsequent cropping cycles on their own farm (Section 17 of the PBR Act).
- *PBR interacts with contracts in facilitating commercialization*

The Australian PBR Act provides a ‘negative’²² right to prevent others undertaking a specified list of commercial activities. The PBR legislation does not determine the conditions for a variety’s commercialisation. Similarly, the PBR does not guarantee enforcement of the right simply by means of it having been granted. Rather, PBR holders employ legal mechanisms outside the PBR Act to establish commercial arrangements, enforce the grantee’s rights and, in some cases, limit the use of the statutory exemptions.

One common method is through the use of a common law contract. Contracts can be used to set conditions to limit the use of seed and identify the type of royalty payment to be paid. For example, specific contract conditions and/or closed-loop contracts²³ may be used to annul breeding and experimental use exemptions and/or restrict the sale of particular varieties. Users who enter into contracts need to be aware of provisions and exemptions available in the PBR Act that may be forfeited as a result of signing terms of the contract.

2.4.4.ii Defences

Section 57 of the PBR Act states that a court may refuse to award damages, or to make an order for an account of profits, if the person satisfies the court that, at the time of the infringement, the person was not aware of, and had no reasonable grounds for suspecting the existence of that right²⁴. This is known as “innocent infringement”. A combination of labelling of the propagated plants, and the sale of the plants to a substantial extent before the date of infringement, will generally remove the defence of innocent infringement²⁵.

²¹ Giving seed away for free has been claimed as a non-sale and allowable under Section 16(1), however, some advice received from Attorney-General’s Department indicates that potentially gifts of plant material which affects the commercial value of the variety would not be allowable under Section 16(1).

²² A negative right is a right to stop others infringing. For instance, a right to clean air is a positive right, as compared to a right to be free from pollution, which is a negative right.

²³ Exploitation of PBR can occur by way of a ‘closed-loop’ contract. This type of arrangement exists where one party imposes restrictions on another party’s freedom to choose with whom, in what, or where they deal. For example, in a closed-loop agreement, a seller may require a buyer to deal with certain parties nominated by the seller.

²⁴ Innocent infringement is not a defence against an injunction.

²⁵ Rimmer, M., *Plant Breeder’s Rights: An Australian commentary* ACIPA Faculty of Law, the Australian National University 2003, p.46.

2.4.4.iii Limitations to the rights

- *Restriction on PBR in certain circumstances (Section 18 of the PBR Act)*

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. In such a situation, Section 18 of the PBR Act²⁶ provides that if, before the person does that act, the person either pays ‘equitable remuneration’²⁷ to the grantee in respect of the act 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 act.

- *Statutory Licences (Section 19 of the PBR Act)*

Reasonable public access to varieties is guaranteed under the PBR Act. Reasonable public access is satisfied by making propagating material of reasonable quality available to the public free or at a reasonable price in sufficient quantities to meet demand. If this is not available it is possible for a party whose interests are affected to make a written application to the Secretary for a compulsory licence to be granted to him/her. For a compulsory licence to be granted, an applicant must show that within two years of the rights being granted, the PBR owner has not taken all reasonable steps to ensure reasonable public access to that plant variety. 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. The Secretary specifies the amount that should be paid (in ‘equitable compensation’) to the PBR owner²⁸.

- *Exhaustion of PBR (Section 23 of the PBR Act)*

Once propagating material has been sold by the rights owner or with the rights owner’s consent, PBR is ‘exhausted’ 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.

There has been some confusion associated with the concept of ‘exhaustion’ surrounding a product that is capable of generating itself. The confusion appears to be derived from a lack of clarity in the PBR Act as to when the grantee’s rights are exhausted, and when they continue with full effect when the farm saved seed caveat is in operation. This has been clarified in case law (*Cultivaust Pty Ltd v Grain Corp Pty Ltd*).

²⁶ The Plant Breeder’s Rights Amendment Bill 2002 repealed the previous Section 18 which limited the legislation to allow for propagating material to be used as a food, food ingredient or fuel, or any other purpose that does not involve production or reproduction of this material. The aim of the amendment was to clarify existing provisions so as to remove the scope for misinterpretation of the PBR Act.

²⁷ Equitable remuneration, in relation to an act done in relation to propagating material of a plant variety, means an amount: a) that is agreed between the person proposing to undertake the act and the grantee of PBR in the plant variety; or b) if agreement cannot be reached under paragraph (a) – determined by a court of competent jurisdiction to constitute equitable remuneration in relation to the act.

²⁸ *Plant Breeder’s Rights, A Guide for Grain Growers*. Information Booklet No.2 Prepared independently by Australian Centre for Intellectual Property in Agriculture (ACIPA) 2005, p.12.

- *Case law*

A relatively recent full Federal Court decision, *Cultivaust Pty Ltd v Grain Pool Pty Ltd* [2004] FCA 638 highlighted key issues concerning farmer saved seed and the exhaustion of the grantees rights. In this case, Cultivaust Pty Ltd was the holder of an exclusive licence, granted by the State of Tasmania, in relation to its barley variety "Franklin" as allowed under the *Plant Breeder's Rights Act 1994*. Cultivaust Pty Ltd and the Tasmanian Government contended that the Grain Pool of Western Australia had infringed their plant breeder's right in relation to the Franklin barley variety.

The Federal Court decision identified that the commercialised grain arising from farm saved seed is subject to PBR. The key findings identified that:

- farm saved seed that is sold, traded or bartered and is to be used for the growing of further crops is to be treated as if it were propagating material to which Section 11 operates, that is, it is treated as propagating material the subject of PBR;
- the authorised sale of the initial seed does not exclude from the operation of PBR all subsequent generations of crop from seed originally purchased from the grantee; and
- exhaustion of PBR by the sale of initial seed applies to the first generation only and does not extend to the second and subsequent generations of that variety grown from farm saved seed.

2.4.5 Remedies for protection

2.4.5.i Process and jurisdiction

The PBR Act provides for an enforcement system based on:

- public enforcement through criminal actions for infringement²⁹; and
- private enforcement through civil actions for infringement³⁰.

PBR protection is issued provisionally on acceptance of an application, and finally at grant. Actions to enforce PBR can only be commenced in a court once the PBR is granted³¹.

A person will infringe PBR if they do something that falls within the exclusive rights of the owner (Section 11 of the PBR Act). These rights can be infringed if a person, without permission from the owner, does or claims to be able to:

- produce or reproduce the propagating material;
- condition the material for the purposes of propagating;
- offer the propagating material for sale;
- import or export the propagating material;

²⁹ Section 74 and 75 of the PBR Act.

³⁰ Part 5 of the PBR Act.

³¹ Section 39 (6) of the PBR Act.

- stock the propagating material for the above purposes; or
- use the name of the protected variety for any other plant of the same class.

For example, a person who sells seed of a PBR protected variety without the permission of the owner will, unless they fall within one of the exemptions, infringe a grantee's PBR. A person who infringes PBR may face both civil and criminal proceedings for infringement.

2.4.5.ii Civil proceedings

As a general rule, civil proceedings under the plant breeder's rights statutes may be commenced in a 'prescribed court' defined to mean the Federal Court of Australia. These proceedings include:

- actions for infringement; and
- actions for non-infringement declarations³².

Section 75 of the Act covers actions for non-infringement declarations (offences other than infringement offences), providing that a person must not intentionally or recklessly:

- make a false statement in an application or other document given to the Secretary or the Registrar;
- represent to another person that they are the grantee of plant breeder's rights in that variety;
- represent to another person that plant breeder's rights extends to cover another plant variety that is not a dependent variety or an essentially derived variety; and
- represent to another person that a plant variety in which plant breeder's rights has not been granted is a plant of a variety in which plant breeder's rights has been granted.

Infringement proceedings may be instituted in the prescribed court and in the High Court (under Section 75 of the Constitution) and not, as in the case of patent infringements, in a State Supreme Court. The relief that the Court may grant for infringement of PBR includes an injunction (subject to such terms, if any, as the court thinks fit) and, at the option of the plaintiff, either damages or an account of profits. The burden of proof in civil actions is decided on the 'balance of probabilities'.

The defendant in such an action may apply, by way of counterclaim, for revocation of the PBR on the ground that facts exist which, if known to the PBR Office before the grant of the rights, would have resulted in a refusal of the grant³³. The court may make an order revoking the plant breeder's rights if it is satisfied with the counterclaim³⁴. An appeal lies in any of these proceedings to the Federal Court or, by special leave, to the High Court.

³² Section 75 of the PBR Act.

³³ Section 54 (2) of the PBR Act.

³⁴ Section 54 (3) of the PBR Act.

2.4.5.iii Criminal proceedings

Most PBR infringements in the private sphere will also be subject to public enforcement (Section 74), particularly for those who flagrantly abuse the PBR scheme. A criminal prosecution can be commenced, potentially even if a private action is current³⁵, possibly resulting in both damages (civil) and a court fine (criminal).

Prosecution of any criminal offence can only be undertaken at the discretion of the Commonwealth Director of Public Prosecutions (DPP). The burden of proof in criminal actions requires proof ‘beyond reasonable doubt’.

The Australian Federal Police investigates crimes and the DPP prosecutes offenders according to its own guidelines. An offence under Section 74 for infringement of the breeder’s right allows 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 complaints concerning the ‘costs’ and ‘difficulties’ of enforcing rights under the 1987 PVR Act.

There is a perception that infringements of PBR may be considered a lower priority by the DPP, and as a result, interest in referring cases to the DPP to undertake a prosecution has been limited. In addition, a successful prosecution under criminal provisions needs to satisfy a higher burden of proof than is the case in civil actions, which could make a successful prosecution under the criminal provisions more difficult.

ACIP is not privy to details of criminal proceedings in Australia concerning PBR but would be interested in receiving relevant information where available.

3 Matters pertaining to PBR

3.1 The changing PBR/PVR environment

Significant developments are occurring at a national and an international level in plant variety development and exploitation that have increased the importance of plant intellectual property rights and their enforcement. These include:

- significant advances in plant breeding techniques and developments in biotechnology;
- institutional change and increasing privatisation and de-regulation of plant breeding services and supply chains³⁶;
- significant private sector investment in plant breeding;
- decreasing public investment in plant breeding;
- globalisation of world markets;
- increasing interest in use of patents to protect plant intellectual property; and

³⁵ Section 74 (2) of the PBR Act.

³⁶ Kingwell, R., ‘Institutional Change and Plant Variety Provision in Australia’, *Australasian Agribusiness Review* – Vol. 13 – 2005, University of Melbourne.

- increasing importance of royalties as a source of revenue for investors in plant breeding.

These broad and high level trends are contributing to the growing importance of plant intellectual property rights in commerce, technological development and competitiveness. The increasing privatisation of plant breeding services in Australia has resulted in an increase in importance of property right protection for many providers of varieties. There is also recognition by state and federal governments in Australia that plant varieties are a private good and, providing there is no market failure³⁷, the private sector should have the investment responsibility for plant breeding.

3.2 Pre-existing environment and systemic concerns

3.2.1 Culture and History of PBR in Australia

To varying degrees, the scope, duration and exercise of PBR rights is not well understood by many in the Australian plant breeding industry and those industries dependent on plant varieties. One reason for this may be the lack of understanding and inexperience with the obligations and limitations of proprietary rights due to the relatively recent introduction of PVR/PBR and the even more recent availability of protected varieties for Australian primary industries. It may also stem from the inherently subjective and problematic nature of abstract rights. To a large degree, these difficulties are common to other areas of intellectual property rights, including patents, copyright and trade marks. Clearly plant breeder's rights do involve specific concerns that are not reflected in other kinds of property rights. Specific issues are associated with the use of an abstract legal right to protect an innovation that is capable of regenerating itself. There are also issues derived from the nature of the protection offered by the PVR/PBR Acts³⁸.

Propagating material, once sold to a user, is, in most cases, easily reproducible and does not require repeated purchasing³⁹. Moreover, as breeders and growers deal with living material, one plant of a particular variety may not always look exactly like its neighbour due to the sensitivity of plant appearance to small variations in the growing environment (although the variety is homogenous)⁴⁰. This may generate difficulties for the breeder in unequivocally identifying by appearance the variety for which he/she is the grantee for the PBR rights. As such, the unauthorised propagation and sale of plants of protected varieties may pose considerable problems for breeders without adequate IP protection tailored to suit innovation in self-generating and environmentally variable commodities such as plant varieties.

The PBR Act is still relatively young in Australia and there has been inadequate awareness by the community in general (and the farming community in particular) of

³⁷ "Market failure" occurs when markets do not effectively allocate goods and services.

³⁸ Funder, J, 1999, 'Rethinking patents for plant innovation', *European Intellectual Property Review* Vol. 21, No.11.

³⁹ Koch, Michael A., 'The legal protection of plant biotechnological inventions and plant varieties in light of the EC Bio patent directive', *IIC: International Review of Intellectual Property and Competition Law* Vol. 37 No.2, 2006 pp.135-156.

⁴⁰ Krieger E., (2006), 'The Enforcement of Breeders' Rights: The Necessity, Theory and Practice'.

the nature of the rights conferred, and the obligations that are a consequence of using PBR protected plant varieties. Up until the late 1980s the public sector was largely responsible for developing and/or providing access to new varieties. As a result, there is a limited history in Australia of breeders requiring growers to identify varieties so that royalty obligation can be met. Consequently, there exists an understandable lack of familiarity with and, in some cases, hostility to the detail and potential nuances of plant variety laws.

3.2.2 Common misconceptions

There are some commonly held misconceptions concerning the enforcement of intellectual property rights. As with other areas of intellectual property rights, there is a misunderstanding concerning the responsibility for enforcing plant breeder rights. Many PBR owners believe that the Plant Breeder’s Rights Office (PBRO) within IP Australia, is responsible for the enforcement of their PBR right. The PBRO, however, is responsible for administering the PBR Act and, as with many other plant breeder’s rights and plant variety rights granting authorities and offices around the world, it has only a very limited role to play in respect of enforcement.

It is the responsibility of the right holders to protect their rights against infringers and it is the legal possibilities to enforce the rights that determine the effectiveness and the real value of the PBR in practice⁴¹. PBR rights are private rights and, as such, enforcement is primarily the responsibility of the grantee.

3.2.3 Limited legal precedent

In terms of available legal precedent, there has been a limited number of PBR or PVR related court decisions since plant proprietary rights were implemented in Australia. According to the Federal Court of Australia (FCA), which is the prescribed court for PBR matters, there have been nine proceedings brought under the PBR Act and the PVR Act⁴². The limited number of proceedings, when compared to the volume of proceedings associated with other areas of intellectual property rights, provides a limited amount of practical legal precedent in respect of PBR enforcement matters. It is not unreasonable to suggest that this lack of legal precedent could make undertaking prosecution more uncertain and could increase the risks involved in securing a satisfactory result from the judicial system.

Limited jurisprudence is not unique to Australia⁴³. There appear to be very few PBR cases world-wide. Also, most infringement cases appear to be settled out of court with consequent limited or no public access to the terms of the settlement.

The *Cultivaust Pty Ltd v Grain Pool Pty Ltd* case provides guidance on the operation of the key enforcement-related provisions of farm saved seed (Section 17) and

⁴¹ ‘Evolution of the legal environment of plant breeders’ rights’, *Bio-Science Law Review* Vol.7 No.1, 2004/2005, p.23.

⁴² Eight of these proceedings were dealt with under the PBR Act.

⁴³ The International Community of Breeder’s of Asexually Reproduced Ornamental and Fruit-Tree Varieties (CIOPORA) suggest that, ‘as the PBR/PVR field is rather small and when a judgment is made it should be made visible to the international community. This would be possible if an international body such as UPOV would compile the results of all plant breeder’s rights court cases’.

exhaustion (Section 23). The judgement in this case provide interpretations of the PBR Act in relation to the exercising and extension of PBR rights to harvested materials and products obtained from harvested material.

Other relevant PBR related matters dealt with by the FCA were *Buchanan Turf Supplies v Premier Turf* concerning 'passing-off and misrepresentation of a PBR variety' and *Sun world v PBR Registrar* concerning 'what constitutes a sale under the PBR Act'⁴⁴. *Zee Sweet v Magnom Orchards* was dealt with by the Supreme Court of Victoria and concerned the 'enforceability of grower contracts'. The remaining cases did not reach trial.

3.3 Overseas developments / parallel jurisdictions

The need for more effective enforcement measures for plant variety/breeder's rights is not unique to Australia and has been recognised by other countries, and at a regional and international level.

3.3.1 UPOV

Many countries, including developing countries and countries in transition to a market economy, are considering the introduction of a system for the protection of new varieties of plants. Most countries that have already introduced a system for the protection of new plant varieties have chosen to base their system on the International Convention for the Protection of New Varieties of Plants (UPOV Convention). UPOV is an intergovernmental organisation that administers the UPOV Convention. UPOV currently has 63 members with approximately 20 other countries being bound by arrangements that are consistent with the 1991 UPOV Convention.

UPOV advocates the importance of effective enforcement mechanisms for breeders. In 2005 and 2006, UPOV held, or was significantly involved in, a series of workshops and events aimed at educating and advocating effective enforcement mechanisms for users of plant varietal rights.

3.3.2 Collective action - UK and Canada

Non-government organisations exist in the UK and Canada whose responsibilities include education for breeders/users, assistance in enforcement, collection of royalties and undertaking enforcement activities on behalf of their members. It has been suggested that a similar agency with these responsibilities could have utility in Australia.

The UK entity, the British Society of Plant Breeders (BSPB) is a non-profit organisation that has, among others, the following functions⁴⁵:

- undertake the exploitation (of PVR rights) by granting licences;

⁴⁴ These cases were heard in the FCA and are available from the Australasian Legal Information Institute (Austlii) website at <http://www.austlii.edu.au/>

⁴⁵ BSPB (1986) Memorandum of Association: The British Society of Plant Breeders Limited, BSPB (2004), BSPB strategic plan 2004 – 2009.

- enforce grantee's rights;
- promote and protect the welfare and prosperity of PBR grantees;
- act as a central coordinating body for plant breeders;
- advise on the UK PBR Act;
- establish licence arrangements with users; and
- represent the UK plant breeding industry on technical, regulatory and IP matters.

The Canadian entity, the Canadian Plant Technology Agency (CPTA), formed by a group of companies, educates the industry on the need to support innovation through legitimate seed sales. CPTA is a non-profit agency that has successfully undertaken civil action to protect the interests of its members.

3.3.3 Collective action – International

CIOPORA (International community of breeders of asexually reproduced ornamental and fruit-tree varieties) is an international non-governmental organization, representing the interests of breeders of asexually reproduced ornamental and fruit-tree varieties worldwide.

A top priority for CIOPORA is the development of systems of protection which both international state organizations and single states have provided for the protection of the intellectual property concerning ornamental and fruit-tree plants.

4 Issues

Following preliminary consultations, ACIP has identified a number of issues of concern regarding the enforcement of PBR. ACIP does not consider that these issues are a comprehensive collation of the PBR enforcement concerns in Australian plant variety-based industries or that they represent the scope of each issue as it may impact in Australia. The purpose of the initial consultations was to provide information to stimulate informed discussion and subsequently to elicit responses from all sectors of the Australian plant varieties industry and amongst those concerned with plant varieties.

ACIP welcomes views on any of the following issues and/or any other issues not highlighted in the next section. ACIP is particularly interested in how enforcement is an issue for you and how it impacts on you and/or your business. Any empirical information or data would be particularly valuable.

4.1 Matters concerning the PBR Act

4.1.1 Farm saved seed and reasonable opportunity

It was suggested to ACIP that the 'farm saved seed' provisions of the PBR Act do not always allow the grantee to generate a sufficient return to meet the reasonable financial expectations on an investment in plant breeding. Specifically, ACIP was informed that the farm saved seed provision prevents rights holders for some

agricultural varieties from realizing a fair return from the commercial exploitation of his/her variety.

The ‘farm-saved seed exemption’ allows farmers to harvest and legitimately use propagating material derived from the crop grown from the original and legitimately obtained propagating material for subsequent cropping cycles on their own farm (Section 17 of the PBR Act). The farm saved seed exemption does not, however, allow a farmer to **sell, exchange, share, or barter** the harvested material to another grower, without the further authorisation of the grantee. If this occurs, the grantee is entitled to exercise the PBR rights and require a royalty to be paid as specified in Sections 14 and 15.

The grains industry has nominated the farm saved seed provision as a major concern as breeders cannot effectively track seed of a protected variety after the first sale. These difficulties arise from the equivocal nature of variety identification in a cost effective manner and the cost of auditing the amount of product produced by a particular user of a particular variety. It is claimed these auditing costs extinguish breeder value for a variety.

ACIP has also been informed that ‘reasonable opportunity’ (Section 14 of the PBR Act) is often considered subject to argument or an unresolved point. One of the elements identified in the *Cultivaust* judgement is the test for whether or not the grantee had **reasonable opportunity** to exercise the right over the propagating material (Section 14) or the harvested material (Section 15).

It was suggested that a clearer and more definite understanding of what constitutes ‘reasonable opportunity’ in this context would assist breeders in building a sound commercialisation strategy and assist in developing robust actions against infringers.

Question 1: Is the farm saved seed exemption of the PBR Act causing your business difficulties in achieving the desired level of compliance in royalty payment and/or any other difficulty? If yes, please supply details including estimates of loss if possible.

Question 2: Has the *Cultivaust* judgement provided sufficient clarification on the operation of the farm saved seed exemption particularly as it relates to “reasonable opportunity” to generate a return on farm saved seed? If not, please outline your concerns for the inquiry.

Question 3: Is there a need for more education and awareness for users of protected varieties? Please identify the industry sectors requiring more information and how this may be achieved.

4.1.2 Essentially Derived Varieties

It was suggested to ACIP that sections of the ornamental and garden industry were experiencing rights enforcement issues due to the essentially derived variety (EDV) provision of the PBR Act (Section 12). ACIP was informed that there are certain acts done for experimental or breeding purposes that discourage investment in plant

breeding. The issues generally involved the scope under the PBR Act for a second breeder to ‘piggy back’ or ‘free ride’ off the investment of a first or original breeder.

A PBR owner may apply to the Secretary for a declaration that another variety is an EDV of the owner's variety⁴⁶. If the Secretary makes such a declaration then the PBR rights in first variety extend to that other variety⁴⁷. A variety will be an EDV of the first variety if it is predominantly derived from the first variety, retains the essential characteristics that result from the genotype of the first variety, and does not exhibit any important (as distinct from cosmetic) features that differentiate it from the first variety⁴⁸. The alleged problem with the EDV provision concerns whether or not the EDV declaration provides sufficient utility for the nursery, ornamental, recreational and horticultural sectors. This is because a merely ‘cosmetic’ change to the first variety will take the second variety outside the definition of an EDV and yet may be sufficient to render a commercial gain at the expense of the first variety. A breeder may invest heavily in developing a new variety that has significant commercial advantage from which a competitor is able, by using this variety and minimal investment, to develop a new variety that mimics the commercial attributes of the original variety.

ACIP is aware that the EDV provision may not provide sufficient protection to the first breeder because an application for declaration of an EDV can only be made in respect of a second variety that is protected by PBR or that is the subject of an application for PBR⁴⁹. That is, a new variety, being an EDV, that does not enter the PBR scheme cannot be declared to be an EDV and the breeder of the first variety has no power to prevent third parties from exploiting the new variety⁵⁰.

During the preliminary consultations it was also argued that the application process for declaration of an EDV was too slow to provide sufficient utility to protect the investment of the breeder of the first variety⁵¹. One respondent claimed that by the time one commences or undertakes a declaration process, the money is in the market, and the comparative trials used to measure the differences are too expensive.

Unfortunately, the lack of cases invoking an EDV declaration in Australia or across any UPOV-led jurisdictions means there is little guidance in relation to how the provision impacts on the scope of protection afforded to the first breeder of a new variety.

⁴⁶ Section 40 of the PBR Act.

⁴⁷ Section 12 of the PBR Act.

⁴⁸ Section 4 of the PBR Act.

⁴⁹ Section 40(1)(b) of the PBR Act.

⁵⁰ The 2002 report entitled ‘Clarification of Plant Breeding Issues under the Plant Breeder’s Rights Act 1994’, recommended that the PBR Act enable an application for a declaration of EDV to be made over all varieties irrespective of their PBR status.

⁵¹ As stated by Section 40 of the PBR Act, grantees must lodge their application for a declaration of essential derivation with the Secretary and establish a *prima facie* case that the second variety is an EDV of the initial variety. The grantee of the second variety then has 30 days to respond to the Secretary’s claim which can lead to a ‘test growing’ conducted in accordance with Section 41 of the PBR Act.

Question 4: Does the provision of EDV provide breeders with a sufficiently defensible remedy to protect the scope of their investment in breeding? If not, please outline your specific concerns addressing the EDV provision/process and, if possible, how they may be improved within the context of this enforcement review.

4.2 Process and mechanisms for protecting PBR

4.2.1 Federal Magistrates Service and PBR

The Federal Magistrates Service (FMS) 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. It is designed to provide a quicker, less expensive option for litigants and is intended to ease the workload of both the Federal Court and the Family Court. The Federal Magistrates Service has developed procedures which aim to be as streamlined and as user-friendly as possible, reducing delay and cost to litigants.

The widening jurisdiction of the Federal Court has led to an increasing number of routine matters coming before that Court. This has the effect of diverting judicial resources from more complex areas of the law. Having the Federal Magistrates Court (FMC) deal with some of the less complex cases means a better use of judicial resources and reduced costs to litigants.

ACIP has previously examined the utility of using FMC to adjudicate on other IP matters. That study determined that there could be cost savings using the FMC rather than the Federal Court due to:

- legal counsel are required for a shorter period;
- filing and other fees are lower;
- actions in the FMC are generally settled more quickly;
- less delay in commencing proceedings; and
- the less intimidating nature of the FMC.

It is emphasised that Government has yet to determine its response to the ACIP recommendations concerning the role of the FMC in adjudicating on IP matters⁵².

ACIP has been informed that the resources (staff and financial) required to undertake legal action for infringement are often well beyond the means of most breeders. This is especially true when the benefits of the action are difficult to quantify and subject to uncertainty. The FMC maybe more suited to PBR enforcement if the less expensive and faster proceedings identified by ACIP for other IP matters, can be realised for PBR enforcement.

When considering the suitability of the FMC in prosecuting PBR infringements, it is useful to consider areas of difference between patent rights and PBR rights and the consequent impacts on an extension of FMC jurisdiction. For example, from the

⁵² At the time of publication of this Paper, the Government is still considering the ACIP recommendations and its decision on the matter is yet to be resolved.

perspective of the court, issues such as examination of validity and the volume of legal cases may be less demanding for PBR matters.

It is possible that the smaller volume of PBR judicial cases may not practically require the pooling of technical expertise in a specific court. This is supported by the quite low number of PBR enforcement actions to date. It is anticipated that the importance of PBR may continue to grow as a consequence of the increase in private sector investment in plant breeding and the consequent increase in disputes.

Question 5: Is the cost of legal (including judicial) redress too onerous for you to undertake action against non compliers? Please document the nature of these concerns including where cost would cause the cessation of continuing legal redress.

Question 6: If the FMC had the jurisdiction to hear PBR matters, would this influence your decision on whether or not you pursued a PBR enforcement action?

Question 7: Please inform ACIP of any limitations you perceive in extending the jurisdiction of the Federal Magistrates Court to cover PBR matters.

4.2.2 Evidence collection

ACIP has been informed that evidence to support prosecutions is often difficult to obtain. Examples include:

- mechanisms to allow entry onto private property to gain evidence (Anton Piller orders⁵³) are often considered, or at least perceived to be, too onerous⁵⁴; and
- seed traders in a small rural community may be aware of evidence to support action but do not wish to be involved in legal action as it may harm their commercial and social activities.

Some respondents informed ACIP that the legal advice they had received to date generally highlighted the fact that the evidence presented was often inadequate and

⁵³ To enable intellectual property rights owners to preserve evidence prior to trial the courts have developed the so-called *Anton Piller* order. In essence an *Anton Piller* order 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 a ‘search’ 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 an extremely strong *prima facie* 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.

⁵⁴ At least one Attorney firm has successfully used an *Anton Piller* order to gain access to a grower’s property for purposes of obtaining evidence of infringement.

that the chain of evidence usually broke down at some point before there was a reasonable basis to proceed.

It has been suggested to ACIP that the following statutory⁵⁵ measures may enhance the grantee’s options for gaining evidence:

- provisions in the PBR Act to require the parties in dispute to participate in alternative dispute resolution processes such as mediation;
- provisions in the PBR Act to allow entry onto private property to gain evidence⁵⁶; and
- to have presumption of guilt provisions or procedures (reverse the onus of proof) included in the PBR Act⁵⁷.

Question 8: Is evidence collection constraining your ability to undertake effective legal redress in PBR matters? Please document your concerns.

Question 9: What changes would assist breeders (and their legal advisers) in obtaining sufficient evidence to successfully undertake appropriate enforcement measures? What other ideas may help alleviate the difficulties in obtaining evidence?

4.2.3 Burden of Proof

It has been submitted to ACIP that the burden of proof on the plaintiff is such that a successful prosecution is very difficult to achieve. Similar to the difficulties PBR users experience in collecting evidence, many PBR users claim that in general terms, the degree of onus on the plaintiff and the cost of failure is so high, that their legal advisors have counselled them against proceeding.

Question 10: Is the burden of proof on plaintiffs too onerous in PBR matters to allow effective legal redress? Please document and quantify if possible.

Question 11: Please outline changes you consider may alleviate concerns over the burden of proof requirements on the plaintiff in PBR matters.

⁵⁵ Statutory measures means measures that involve an enactment made by a legislature and expressed in a formal document.

⁵⁶ PBR provides the opportunity to negotiate a contract. Some contracts such as ‘technology use agreements’ can be used to bind growers to specific commitments including access to the farmer’s property to check violations and restrictions on the use of proprietary traits in the creation of new varieties.

⁵⁷ The Plant Varieties Act 1997 (UK), recognised the difficulties some breeders faced in enforcing their rights and Sections 14 and 15 of the UK Act (1997) enable a plant breeder to establish the source of a particular multiplication. These sections provide for an information notice to be served by the breeder seeking confirmation, within a specified period, of the source of the harvested material of his variety. If the information is not provided and civil proceedings ensue, certain presumptions may be made unless the defendant proves otherwise or shows that he/she had a reasonable excuse for not supplying the information. At least one other PBR/PVR office is considering amendments to their legislation that attempts to reverse the onus of proof in which potential infringers are required to submit proof as to the origin of a particular variety.

4.2.4 Lack of clarity in the language used in the PBR Act

During the preliminary consultations ACIP was informed that there is a perceived lack of clarity, or ambiguity, surrounding certain definitions used in the PBR Act. For example, the phrase ‘essential characteristics’, which is a term used in the context of what constitutes an essentially derived variety, was used to highlight the difficulties and limits to the language in the PBR Act. This arises in part because there have been so few PBR court cases from which the definitions and meaning of terms used in the PBR Act could be distilled.

Question 12: Are there terms used in the PBR Act causing difficulties for grantees and their legal advisers when undertaking, or considering undertaking enforcement action? What actions could be undertaken to improve the understanding of specific terms used in the PBR Act?

4.2.5 Exemplary Damages

It has been suggested to ACIP that PBR enforcement would benefit from the inclusion of ‘exemplary damage’ provisions in the PBR Act. If exemplary damages were available to PBR grantees, some stakeholders suggest that it would act both as a strong deterrent to parties who may be considering infringing PBR and an encouragement for PBR grantees to undertake infringement proceedings. If an ‘account of profits’ or ‘damages’ are the only available compensatory remedies to grantees following a successful civil infringement case, the perception may be that undertaking a PBR infringement proceeding is not economically justifiable. This may lead to PBR owners electing not to undertake infringement proceedings, in turn, devaluing the PBR and providing incentive to potential infringers.

There currently exists a trend in IP rights toward the implementation and/or consideration of exemplary damage provisions. The following extract is taken from the Official Notice⁵⁸ of the Intellectual Property Laws Amendment Bill 2006 that received Royal Assent on 27 September 2006.

The Bill amends the Patents Act to allow for exemplary damages to be awarded by a court in patent infringement actions, for example, in the case of flagrant or wilful infringement of a patent. Allowing the award of exemplary damages will serve as a deterrent against patent infringement, which will in turn strengthen patent rights. This amendment implements a recommendation of the IPCRC report [Intellectual Property Competition Review Committee].

Similarly, exemplary damages are available under the New Zealand Plant Variety Rights (PVR) Act 1987 if, ‘the defendant’s behaviour is reprehensible’⁵⁹. The

⁵⁸ Available at:

<http://www.ipaustralia.gov.au/pdfs/news/Intellectual%20Property%20Laws%20Amendment%20Bill%202006.rtf>.)

⁵⁹ New Zealand Infringement of Plant Variety Rights No. 99, September 2005, Case Law p.3.

objective of exemplary damages is that they ‘are punitive and intended to punish the defendant’⁶⁰.

In respect of copyright and trade mark rights, the *Copyright Act 1968* contains provisions for the award of additional damages by a court and the 2004 ACIP Review of Trade Mark Enforcement raised the possibility of reviewing the penalty provisions for trade mark enforcement including provisions for exemplary damages in the trade marks legislation for cases of ‘wilful damage’.

Question 13: Would the introduction of ‘exemplary damages’ in the PBR Act enhance the incentives for grantees seeking judicial relief and facilitate more effective enforcement mechanisms? If yes, please provide your reasons and, if possible, suggest criteria for determining exemplary damages.

4.2.6 Criminal sanctions v civil sanctions

Several of those consulted by ACIP considered that the cost to them of seeking judicial relief would be considerably diminished if the Federal Police were to initiate a prosecution. The PBR Act provides for such a prosecution (Section 74).

From a rights holder’s perspective, criminal proceedings appear to have advantages over civil proceedings as the State incurs much of the cost of the enforcement proceedings. In addition, criminal sanctions, including imprisonment, may be a greater deterrent against infringement than civil remedies, particularly if the infringer is unable to pay costs. A major disadvantage, however, is that there is no financial compensation to the PBR owner for the loss of profits as any fine remains with the State. Correspondingly, the State incurs the greater expense which will rarely be compensated for by any fines imposed.

In the past, police forces such as the Australian Federal Police have rarely become involved in IP enforcement because it is generally given a lower priority compared to other crimes.

Other considerations/impediments relevant to the protection of PBR via criminal sanctions include:

- PBR is a private right and, as such, it is not appropriate for the Federal Police to prosecute;
- the burden of proof and quantum of evidence required for success is higher in criminal proceedings; and
- not all infringements have significant national economic consequences.

Question 14: Please provide your views and/or experiences concerning the utility of criminal sanctions available to PBR rights owners to protect their rights.

⁶⁰ New Zealand Infringement of Plant Variety Rights No. 99, September 2005, Case Law p.3.

4.2.7 Alternative Dispute Resolution (ADR)

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, alternative dispute resolution 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 them⁶¹. ADR may involve a spectrum of approaches from negotiated settlement through to arbitrated judgment (the latter is akin to a private court). Mediation is a proven dispute resolution process that ultimately assists in:

- finding common ground;
- identifying the real differences/dispute; and
- helping to solve some of the differences.

The following was submitted from the Australian Seed Federation during preliminary consultations:

...there needs to be a constructive, neutral way of resolving breaches, with a structure that demands both parties provide information in order to correct the problem. This could be based on an arbitration model, but would need legislative support to ensure that failure to cooperate could be penalised to the extent that it is better to cooperate e.g. failure to cooperate is deemed as guilt, etc.

Much of the cost of litigation can be avoided if genuine efforts towards mediation are made prior to the dispute entering the full trial stage. Mediation and other alternative dispute resolution procedures are being adopted for the settlement of a range of legal disputes. Mediation has the following advantages:

- may provide creative and innovative solutions;
- allows those in dispute to have more control over the process;
- the mediator is independent and impartial;
- significant attorney fees and litigation costs can be saved;
- may reduce the time taken for parties to resolve their disputes;
- provides flexibility, as the mediation procedures can be tailored to suit the needs of each case;
- enables parties to avoid publicity and keep disputes confidential;
- parties can avoid undesirable precedents;
- may occur at any stage in the litigation process;
- particularly suitable to disputes arising in the context of an existing business relationship (due to its non-confrontational nature); this enables relationships to be preserved; and

⁶¹ For example, under section 53A of the *Federal Court of Australia Act 1976*, the Federal Court may refer the whole or any part of a proceeding to a mediator, with or without the consent of the parties. Mediation is a dispute resolution process which is part of the current procedures of the Federal Court of Australia (FCA).

- allows the laws of different jurisdictions to be taken into account which magnifies the benefit of mediation in disputes abroad.

However, there are times when mediation may not be appropriate; for example, where an urgent interim injunction is required. Other examples of cases that are not suitable for mediation include matters involving complicated issues that need detailed analysis, or where a party requires full disclosure and/or an examination of evidence to understand their position. In addition, some parties will not accept anything less than an outright victory in court. Mediation, which requires the cooperation of both sides, may not be appropriate where deliberate ‘bad-faith’ PBR infringement is involved. Similarly, where the objective of the parties, or of one of them, is to obtain a neutral opinion on a question of genuine difference, or to establish a precedent or to be publicly vindicated on an issue in dispute, then mediation is not the route to be followed. Where the goal of a party is actually to impede prompt resolution, then voluntary and efficient mediation is also not desirable.

On 3 April, 2006, the United Kingdom Patent Office launched a new mediation initiative aimed at encouraging more use of alternative dispute resolution in IP. It enables opposing parties to discuss the problems causing the dispute with the help of an independent person or mediator without resorting to a court hearing. Apart from possibly settling disputes at low cost, an incentive for a party to participate in some form of ADR is that the court may consider this when it is time to determine the award of costs to the parties at the end of the litigation process.

Similar sentiments to those in the UK on mediation have been expressed by the Australian judiciary. However, the idea of *mandatory* mediation can be a double-edged sword. On the one hand it may lower the net cost of resolving PBR disputes and on the other hand it may add a further layer of time and cost in what is already a complex area if litigation still eventuates.

Question 15: Would mediation be of net benefit in plant breeder’s rights disputes? Please provide reasons for your views and, if possible, the mechanisms in which mediation could be introduced (mandated?) for PBR enforcement matters.

4.2.8 Customs provisions for imported goods infringing PBR

In consultations, rose cut flower growers stated that there may be a low compliance with royalty payment to Australian licence holders on importation of flowers at peak demand times. Many of the presenters at a recent UPOV meeting on enforcement highlighted the importation of PBR protected plants and plant parts (flowers) without the licensee’s consent as a priority PBR enforcement issue.

The UPOV Convention mentions import and export under Articles 14 and 18, and Section 11 and Section 23 of the PBR Act mention export or import provisions in relation to the exclusive rights afforded to PBR holders. However, there is no mention of Customs seizures in either the PBR Act or UPOV Convention.

One option that may assist businesses to protect their PBR is to implement a system of Customs border seizure for goods that allegedly infringe PBR. In Australia there are currently legislative provisions relating to Customs seizure of imported goods which infringe registered trade marks or copyright materials. Such provisions are primarily designed to temporarily stop the importation and distribution of goods which allegedly infringe the IP owner's rights, while the IP owner seeks orders from a court to address the perceived infringement.

The owner of the trade mark must lodge a notification (which sets out the nature of the IP owned) and provide to the Customs CEO a written undertaking to repay expenses to cover any costs that Customs might incur to an importer, arising from seizure. In other words, if Customs suffers any costs or loss as a result of the seizure, the rights owners will be obliged to pay the costs. Customs officers will seize any goods allegedly infringing the trade marks covered by the notification. The owner/exclusive licensee/authorised user then has 10 days to take action against the importer. During that time, Customs will detain the products. At the end of 10 days the goods will be released to the importer unless the owner/ exclusive licensee/authorised user has initiated legal proceedings and has obtained an appropriate order from the court.

There would be difficulties implementing such a system for PBR when the goods to be seized are perishable within the ten day impounding period. Cut flowers would be an example of this.

Question 16: Is the importation of PBR protected plant or parts of plants (flowers) infringing your PBR right to a significant extent? Please provide details of your concerns and, if possible, quantitative estimates of the losses you sustain.

Question 17: Please suggest options for addressing your concerns regarding the importation of PBR protected plants or plant parts

4.2.9 Varietal identification and End Point Royalties (EPR)

End Point Royalties (EPR) are royalties paid on every tonne of product produced (usually grain) by growers. EPR are established by contracts and often create the commercial environment in which breeders and growers operate. They are a popular method of collecting payment for PBR protected materials as they allow the grower and breeder to share the risks associated with producing a harvest.

The lack of robust and cost effective varietal identification can often cause collection and attribution challenges concerning the payment of royalties on delivered product. ACIP has been informed that this is considered a priority causal factor in variety users not complying with royalty collection systems such as EPR.

ACIP has also been informed that a number of factors may contribute to inaccurate or mis-declaration of grain variety at point of delivery. Factors include industry structure, end point use (animal or human food) and lack of incentive for growers to

accurately declare variety identity. Mis-declaration may also be inadvertent due to the complexity of variety audit systems. Other specific factors include:

- difficulties associated with tracking and establishing ownership of the seed⁶²;
- grain from several varieties may be mixed on farms during harvest and storage activities;
- grain is often intermingled with other grain soon after delivery at the accumulation point based on the variety declared and some physical and chemical characteristics of the grain;
- many grain varieties are closely related, have many attributes in common and are particularly difficult to distinguish on appearance;
- considerable paper work is often required by growers and/or others making it too difficult/onerous to comply with multiple EPR systems;
- errors in varietal declaration occur due to the exercise of farm saved seed provisions on a variety for several years;
- the current differences in the level of EPR among varieties would appear to encourage flagrant misdeclaration of variety identity; and
- some 660,000 deliveries of grain are made by farmers to grain accumulation entities around Australia each year⁶³.

Subsequently, enforcement measures against infringers may be very difficult because of the structure and practices of receival systems (and lack of a robust varietal identification).

Biotechnologies, similar to those used in forensic examinations, are available for varietal determination for some species. Such tests may have utility where there is dispute concerning variety declaration. The cost of these procedures would likely be prohibitive for routine application. They may be used randomly to act as a deterrent to mis-declaration. Also the cost may become less onerous over time as technologies develop and demand for the service increases.

Similarly, time constraints need not be a significant impediment if retrospective actions can be taken. Knowing that a sample has been stored and may be tested is likely to represent a disincentive to mis-declaration.

Question 18: Are difficulties in varietal identification constraining your ability to enforce your PBR right effectively? Please document your concerns and, if possible, provide quantitative estimates of losses.

Question 19: Would you suggest alternative variety identification options that may address your concerns?

⁶² These can include issues associated with original purchase on behalf of a number of sharefarmers, sharefarmer ownership arrangements and contamination of the seed with other varieties (variety integrity) as well as providing seed to an unauthorised third party.

⁶³ Blowes, W. M. and Jones, S. M. (2005). *Situation analysis of end point royalties for wheat, barley, canola and chickpea in Australia*, a Grains Development & Research Corporation (GRDC) commissioned report.

Question 20: Do molecular technologies have significant utility for reducing low compliance rates in variety identification? Do these technologies require additional development to improve their utility? Please document your reasons.

4.2.10 Central information and collective peak body

There are organisations, independent of Government, which represent breeders' interests in the UK (BSPB) and Canada (CPTA) and internationally (CIOPORA). These organisations undertake some or all of the following: educating breeders and users; helping to enforce PBR; collecting PBR royalties and undertaking enforcement activities on behalf of their members.

It appears to ACIP from preliminary consultations that there is a lack of coordinated sharing of knowledge and experience in the plant breeding industry, and between this industry and the legal profession in respect of protection and enforcement of PBR.

Similarly, the Qualified Persons⁶⁴ (QP), as currently specified, do not hold the expertise to provide legal advice of the kind that may assist a breeder to effectively and efficiently protect their investment in plant breeding. Rather, the QPs specialise in the technical requirements of a PBR application and they are not trained to provide legal advice *per se*.

As there appears to be an absence of practical and useful information and advice to breeders it has been suggested that an agency or peak body with responsibilities similar to those for BSPB in the UK and CPTA in Canada would have utility in enhancing PBR enforcement in Australia.

Such an agency might provide breeders with a coordinated information exchange and an enforcement-related education service, and possibly even standardize growers' contracts and licence arrangements prior to farmers signing those agreements. Such an entity could also improve rights holders understanding of their own role in enforcement and generally work to resolve the uncertainties that surround enforcement of PBR.

West⁶⁵ asserted that not spreading the high cost and risks of innovation is one of the greatest weaknesses of the Australian system. It could be argued that enforcement is one example of this and that an industry body may be an appropriate vehicle for achieving this cost spreading.

The utility of establishing an industry organisation with a mandate similar to that of the BSPB and CPTA in Australia is likely to require industry consideration of the following factors:

⁶⁴ A qualified person, or QP, acts as a PBR applicant's technical consultant. They accept responsibility for overseeing the comparative trial and for providing evidence that a variety is distinct, uniform and stable.

⁶⁵ West, Jonathan, "The Mystery of Innovation: Aligning the Triangle of Technology, Institutions and Organisations", *Australian Journal of Management*, 2001, Vol.26, available at: www.agsm.unsw.edu.au/eajm/0108/pdf/west.pdf

- should such an organisation be statutory or a specialist/independent body;
- should such an organisation be 'for profit' or 'not for profit';
- is an educational role an integral function of such a body;
- should membership be voluntary or mandatory;
- should it enforce grantees rights;
- should it collect royalties to reduce costs to breeders;
- would it be effective in minimising the transaction costs associated with royalty collection; and
- would it allow the Australian plant variety industry greater enforcement capacity through:
 - the provision of advice to members,
 - the achievement of judicial relief on behalf of its members,
 - undertaking selective judicial actions to create a deterrent to infringers,
 - cost spreading, and
 - potentially more enforceable contracts.

Question 21: Would you support the establishment of a central coordinating body for plant breeders to assist with enforcement? Please provide reasons for your view and indicate which of the above functions should be undertaken by such an entity.

Question 22: Please document any other activities that would be appropriate for such a body and the reasons for including these activities.

4.2.11 Evidence collection and close communities

ACIP has been informed that difficulties associated with the collection of evidence do not simply stem from the challenges in obtaining search orders (refer *Anton Piller* order) but are also a result of social and cultural factors relevant to small rural communities. Also, breeders are often reluctant to take infringement action when the infringer is also a customer of the breeder.

One approach that may ease this problem is for breeders to source another body to take the lead in managing infringement. If a peak body or other entity takes the primary role in an infringement investigation and/or prosecution this may provide a useful distance between the breeder and the grower/licensee. This method may reduce the tension, discomfort and risks breeders or third parties may experience in instigating or contributing to enforcement measures, particularly in small communities.

Evidence collection arrangements do not necessarily have to be driven solely by a peak body, but rather, other specialist bodies could, and do, perform this role. One example is the collecting society arrangements undertaken by the National Licensing Association 'NLA-AU'. The NLA-AU is a horticultural-focused body that employs specialist strategies to protect the rights of its members. This type of collecting society is relatively new both in Australia and in the United States (from which the model originated) but it represents a model that may provide some distance between the breeder and the accused infringer to mitigate against the issue of taking a friend,

business partner etc to court. It could also provide significant expertise to the breeding industry in the enforcement of plant breeder’s rights.

Question 23: What methods or mechanisms would assist PBR owners in obtaining evidence in small communities, where the holder of the evidence does not wish to be involved in infringement actions?

Question 24: Would a peak/specialist body provide an effective means for deterring infringement and undertaking infringement cases while remaining sensitive to specific issues of small rural communities?

4.2.12 Increasing awareness

Enforcement issues may arise simply because of deficiencies in understanding the obligations and constraints imposed on uses of registered IP by both owners and users. Such issues may also arise through a lack of ongoing monitoring of competitors and the early detection of possible infringement.

There is potential for PBR owners to avoid some of the problems associated with PBR enforcement if they are made aware of both the provisions in the PBR Act and the options that may be used in exercising and managing PBR rights.

It has been argued that a PBR rights enforcement strategy should be developed concurrently with research strategies, as some of the features of the variety to be developed may depend on the IP right management strategy to be employed. The development of an effective and efficient IP management strategy requires input from business, technical, and legal staff if it is to serve the overall business objectives. A good enforcement strategy should support the overall business plan of the PBR owner including measures to minimize infringement. This may involve a strategic assessment of the scope of PBR rights, proactive monitoring and setting parameters for beginning (and ending) an infringement action. An infringement strategy could specify:

- limiting the possibility of infringement through early stage monitoring including periodic review of competitors’ products;
- processes that could be used to select targets for infringement action and the type of action against each target;
- the budgets for infringement actions; and
- setting goals for infringement action; these goals can include obtaining injunctions, recovering damages and deterrence through the use of publicity.

Question 25: Is there a need for additional education and awareness programs in particular sections of the plant breeding and/or variety user industries in Australia? If yes, please nominate the sector, the nature of the information program required and an appropriate delivery mechanism.

Question 26: Is there a need for a body to provide relevant information and procedures (e.g. an enforcement hot-line) for breeders wanting information on enforcement matters? Who should perform this role? Please provide reasons.

Question 27: Are you aware of any effective and efficient IP management strategies that may have utility to the Australian plant breeding industry? If so, would you supply the details and/or where the information may be obtained?