

Australian Government Response to the Advisory Council on Intellectual Property report

A review of enforcement of Plant Breeder's Rights

Background

The Advisory Council on Intellectual Property (ACIP) is an independent body that advises the Minister on intellectual property matters. In 2005, the Government asked 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.

On 18 January 2010, the Minister for Innovation, Industry, Science and Research, Senator the Hon Kim Carr, released the ACIP report entitled *A review of enforcement of Plant Breeder's Rights*.

ACIP's recommendations

ACIP believed that there were a number of barriers to the effective enforcement of plant breeder's rights (PBR) and that these discouraged the development of new plant varieties. ACIP recommended a number of legislative and procedural changes. The most significant recommendations were:

- making a new right applying to the purchase of propagating material available to PBR owners, to enable the industry to collect royalties more efficiently;
- including PBR matters within the jurisdiction of the second tier of the Federal Court to provide PBR owners with an appropriate forum for enforcing their rights;
- establishing an Expert Panel to provide guidance and opinions on PBR issues and law;
- introducing an Information Notice system that enables PBR owners to obtain information from alleged infringers on the source of plant material;
- introducing powers to enable Customs to seize goods at the border that allegedly infringe PBR; and
- introducing exemplary damage provisions into the *Plant Breeder's Rights Act 1994* (the PBR Act).

ACIP also recommended that no changes be made to the farm saved seed provisions.

Purpose of plant breeder's rights

In Australia, intellectual property rights are granted for new varieties of plants under 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 UPOV Convention is administered by the International Union for the Protection of New Varieties of Plants (UPOV).

Section 11 of the PBR Act gives to those who breed a new variety of plant the right to exclude others from exploiting the plant variety without the breeder's consent. The plant breeder's right encourages the development of new plant varieties. It does this by controlling how new plant varieties may be produced, reproduced or commercially exploited.¹ Sometimes, PBR can be extended to include harvested material and products obtained from harvested material.²

The PBR Act provides another extension to PBR to allow for an essentially derived variety.³ An essentially derived variety (EDV) is a new PBR-protected variety that is distinct from, but closely resembles and is directly related to, an earlier PBR-protected variety in all important respects. An EDV declaration enables the owner of the earlier PBR-protected variety to have a say in the commercialisation of the EDV.

The PBR Act provides exemptions from infringement of PBR. Actions which include further production of propagating material for private, experimental or breeding purposes are permitted.⁴ Harvested material may be retained by the grower and used for growing subsequent crops provided that other actions set out under section 11 do not occur.⁵ Finally, the PBR owner must grant reasonable public access to propagating material protected by PBR.⁶ These exemptions balance the production and commercial use of PBR-protected material on the one hand with rewarding the developer of a new plant variety on the other.

PBR is exhausted when the propagating material has been legitimately obtained from the PBR owner.⁷ However, subject to the exemptions mentioned above, further production or reproduction of the propagating material remains the exclusive right of the PBR owner. Also, PBR is infringed if the propagating material is exported without the PBR owner's consent to a country where PBR protection is not available, or the material is exported for a purpose other than final consumption.

Production levies and end point royalties

The decision in *Cultivaust Pty Ltd v Grain Pool Pty Ltd* [2004] FCA 638 confirmed that a production levy, end point royalty or other condition can be imposed on harvested material (or products obtained from harvested material) when a farmer or grower buys the propagating material. If the PBR owner has a reasonable opportunity to exercise their right and does not impose a production levy or end point royalty at the time of sale, then sections 14 and 15 of the PBR Act do not extend the scope of section 11 because the PBR has been exhausted at the time of sale.

The PBR owner may also at the time of first sale of propagating material regulate through the purchase arrangement whether or not seed or other propagating material can be saved by the farmer for future use on-farm. Production levies, end point royalties and other conditions of use may also be imposed on subsequent generations

¹ The PBR Act – section 11.

² *ibid* – sections 14 and 15.

³ *ibid* – sections 12 and 40.

⁴ *ibid* – section 16.

⁵ *ibid* – section 17.

⁶ *ibid* – section 19.

⁷ *ibid* – section 23.

of crop grown from farm saved seed. However, due to the exhaustion of PBR, the terms or conditions imposed by the PBR owner on the farmer or grower at the time of first sale are not enforceable under the PBR Act—they are commercial arrangements enforceable under contract or common law.

Provided below is the Australian Government Response to the ACIP report entitled *A review of enforcement of Plant Breeder's Rights*.

Government Response

ACIP Recommendations	Government Response
<p>1. A new “purchase” right be added to s.11. This new right would only apply to those taxa that are specifically declared in the regulations. Industry sectors such as wheat breeders would apply to the PBR Office to have particular taxa so declared.</p>	<p>Not accepted at this stage</p> <p>The effect of this recommendation would be to give plant breeders an additional exclusive right, over and above those already conferred by section 11, to control the purchase of propagating material.</p> <p>The Government does not consider at this stage that the balance between plant breeders and users, which is represented by the PBR Act, should be disturbed by conferring an additional right on plant breeders.</p> <p>While the proposed new right could only be activated for particular taxa after regulation, the potential presence of the additional right could introduce uncertainty into commercial relationships, which could cause damage to industry.</p> <p>There are alternative, contract-based ways which plant breeders can use to address issues of concern in particular sectors. Further, the responses to other recommendations will improve PBR enforcement and the changes resulting from these responses need time to take effect.</p> <p>The Government is not aware of any other jurisdiction which has introduced a purchase right into its equivalent legislation.</p> <p>Finally, the Government notes that end-point royalty arrangements are evolving and are having greater acceptance across the grains industry. The Government will monitor the situation and review its position within five years from the release date of this Response.</p>
<p>2. The PBR Act be amended to clarify that harvested material that is also propagating material is to be considered as propagating material for the purposes of s.11, even if it is not being used for that purpose.</p>	<p>Accept</p> <p>The Government will seek an amendment to the definition of harvested material in the PBR Act so that the definition is consistent with the decision in <i>Cultivaust Pty Limited v Grain Pool Pty Limited</i> [2005] FCAFC 223.</p> <p>Consequently, it will be clear that harvested material—such as grain—that is also</p>

	propagating material is covered by section 11, even if it is not being used for that purpose.
3. No changes be made to extended rights under s.14 and 15.	Accept The Government accepts this recommendation.
4. There be no change to the operation of farmer's privilege under s.17. However, s.17 should be amended to state in easily understood terms that s.17 does not provide the farmer with the right to perform the acts listed in s.11(a) to (g). For example, the farmer will still require the PBR owner's authorisation to sell the reproduced propagating material, the harvested material or the product of the harvested material.	Accept in principle The Government accepts that the interpretation of section 17 is not well understood in some sectors of the plant breeding industry. However, the Government does not believe that legislative change is the most appropriate option to address this issue. Rather, the Government believes that it can work with the plant breeding industry and achieve the recommended result by better explaining the operation of section 17 in education and awareness campaigns. These campaigns will fully address this recommendation without the need to amend section 17.
5. As part of IP Australia's education and awareness programs, raise industry awareness of the opportunity under s.17(2) to have specific taxa excluded from the farmer's privilege exemption.	Accept The response to Recommendation 4 applies.
6. Encourage PBR owners to make clear to growers the conditions of sale of propagating material and their obligations in relation to future generations of it. This includes making clear that growers require the authorisation of the PBR owner to sell crops grown from farm-saved seed.	Accept The Government notes that there are successful business schemes operating within the PBR sector. These schemes make clear to growers the conditions of sale of propagating material and the grower's obligations in relation to future generations. The Government believes that industry could develop and build on these successful schemes.
7. No changes be made to s.17 in relation to asexual propagation at this time.	Accept The Government accepts this recommendation.

<p>8. Enable EDV [essentially derived variety] declarations to be made in respect of any variety.</p>	<p>Accept</p> <p>As currently provided in the PBR Act, an essentially derived variety (EDV) is a new PBR-protected variety that is distinct from, but closely resembles and is directly related to, an earlier PBR-protected variety in all important respects. An EDV declaration enables the owner of the earlier PBR-protected variety to have a say in the commercialisation of the EDV.</p> <p>The Government will seek amendments to the PBR Act so that any plant variety, whether PBR protected or not, can be declared as an EDV if it meets the relevant criteria.</p>
<p>9. Amend s.4(c) by replacing the test for important features with a test for essential characteristics.</p>	<p>Not accept</p> <p>The Government accepts that the interpretation of ‘important features’ in subsection 4(c) is not well understood by some breeders the plant breeding industry. However, rather than legislative change, the Government believes that it can work with the plant breeding industry and achieve the same result by incorporating better clarification of the operation of section 4 into existing education and awareness campaigns.</p>
<p>10. Retain responsibility for EDV declarations with the PBRO [Plant Breeder’s Rights Office] and ensure the PBRO has the ability to assess such applications. This may involve the PBRO seeking advice from an external body or expert.</p> <p>If, in the future, a Patent Tribunal is established and proves successful, consideration should be given to expanding its remit to include declarations of EDV.</p>	<p>Accept</p> <p>The Government accepts that the PBRO will retain responsibility for assessing EDV applications. However, where necessary, advice may be sought from the existing Plant Breeder’s Advisory Committee (PBRAC).</p> <p>The Government’s response to the ACIP Report on the <i>Review of post-grant patent enforcement strategies</i> indicates that the Government will not be establishing a Patent Tribunal at this time.</p>

<p>11. In relation to s.23 and exhaustion:</p> <p>A. No changes be made to s.23 as it applies to the current acts referred to in s.11.</p> <p>B. Section 23 be amended to provide that PBR does not extend to an act of purchase of the material referred to in s.11 that takes place after the propagating material has been sold by the PBR owner unless that act involves <i>any</i> production or reproduction of the propagating material. This includes growing the first generation crop comprising propagating material that is grown from purchased propagating material.</p> <p>C. Clarify in the PBR Act that the mere sale of propagating material G0 for purposes of growing and selling G1 does not necessarily imply a licence to purchase crop G1.</p>	<p>11. A Accept</p> <p>The Government accepts this sub-recommendation.</p> <p>11. B Not applicable – The Government has not accepted that the PBR Act should be amended to add the ‘purchase right’ recommended by ACIP in recommendation 1. Consequently, there is no need to amend section 23 as recommended by ACIP.</p> <p>11. C Accept</p> <p>The Government will seek an amendment to the PBR Act to ensure that growers are able to grow and sell crop G1 without the authorisation of the PBR owner, but that they require authorisation to grow and sell crops G2+.</p> <p>Such an amendment will provide certainty and is consistent with the decision in <i>Cultivaust Pty Limited v Grain Pool Pty Limited</i> [2005] FCAFC 223.</p>
<p>12. An on-going Expert Panel be established to provide guidance and opinions on general issues or specific cases concerning the PBR Act and related law. The Panel should comprise appropriate people with expertise in relevant areas who provide their services as required.</p> <p>Upon request from any person and for a moderate fee, the Panel may provide detailed guidance and opinions on general issues or specific cases concerning the PBR Act and related law. The Panel should focus on the enforcement of granted rights and not provide advice on the registrability of individual applications for PBR. The Panel’s opinions should be made publicly available in a manner that respects commercially sensitive material. The Panel may refer matters to the</p>	<p>Accept in principle</p> <p>The Government notes that the Plant Breeder’s Rights Advisory Committee (PBRAC) already has the powers to investigate technical matters and administrative matters arising under the PBR Act once these matters have been referred to the PBRAC by the Registrar.</p> <p>The Government considers that the PBRAC is able to perform the functions of the Expert Panel as recommended by ACIP.</p>

Government or ACIP as it sees fit.	
13. No changes be made to the pre-grant enforcement provisions.	<p>Accept</p> <p>The Government accepts this recommendation.</p>
<p>14. The jurisdiction of the second tier of the Federal Court of Australia to include PBR matters.</p> <p>Appropriately qualified magistrates must be made available and there should be appropriate measures taken to ensure the processes of the second tier are faster and cheaper than in the first tier. Examples include simplifying and standardising procedures for expert evidence and DNA testing through the issuing practice notes, use of alternate dispute resolution where appropriate, and curtailing of the discovery phase.</p>	<p>Accept</p> <p>The Government has previously agreed that the jurisdiction of the Federal Magistrates Court should be extended to include trade mark and design matters.</p> <p>The Government believes that PBR matters are no more complex than trade mark and design matters. As such, the Government will seek to extend the jurisdiction of the Federal Magistrates Court to include PBR matters.</p>
<p>15. IP Australia facilitates ADR for parties in dispute by establishing, maintaining and making publicly available basic information on the ADR options available to PBR owners and a register of ADR service providers with PBR and plant breeding experience.</p> <p>As part of its review of post-grant patent enforcement strategies, ACIP is currently considering the establishment of an IP dispute resolution centre. The centre envisaged by ACIP would provide mediation, appraisal, and validity and infringement opinion services, delivered by experts drawn from a panel on a case-by-case basis. If such an IP dispute resolution centre is established for patents and proves successful, consideration should be given to extending its services to PBR matters.</p>	<p>Accept</p> <p>As stated in the response to ACIP's <i>Review of post-grant patent enforcement strategies</i>, IP Australia will work with organisations such as the LEADR, the Association of Dispute Resolvers, and the National Alternative Dispute Resolution Advisory Council, to establish a new ADR resource. This resource will include a register of accredited ADR providers with expertise in a range of intellectual property (IP) rights.</p> <p>The Government considers that it is not appropriate for IP Australia, as a regulatory agency, to provide post-grant mediation services. The Government will not be establishing a Patent Tribunal at this time.</p>

<p>The IP dispute resolution centre envisaged by ACIP would also provide non-binding determinative service through a Patent Tribunal. If a Patent Tribunal is established and proves successful, consideration should be given to extending its jurisdiction to PBR matters.</p>	
<p>16. IP Australia to liaise with the AFP and CDPP with a view to increasing the number of investigations and prosecutions of PBR cases due to the special circumstances (including the marginal profitability of some sectors and an apparent widespread lack of compliance) that exist in the plant breeding industry.</p>	<p>Accept in principle</p> <p>The Government notes that it is the IP rights owner who is largely responsible for enforcing their IP right. However, the Australian Federal Police (AFP) and the Commonwealth Director of Public Prosecutions (CDPP) play a role in investigating and prosecuting criminal actions involving PBR. The Government also notes that criminal actions involving PBR are considered in accordance with the AFP practice management guidelines and the <i>Prosecution Policy of the Commonwealth</i>.</p> <p>IP Australia will continue to liaise with the AFP and the CDPP on these matters.</p>
<p>17. Introduce an Information Notice system into the PBR Act based on the UK Information Notice system.</p> <p>This would enable PBR owners to obtain information from suspected infringers on the source of plant material. Where this is not supplied within a reasonable time, legal proceedings may be commenced in which the presumption is made that the plant material was obtained through unauthorised use of propagating material and that the PBR owner did not have a reasonable opportunity to exercise its rights in relation to the material.</p>	<p>Accept in principle</p> <p>IP Australia, in consultation with the Attorney-General's Department, the Department of Agriculture, Fisheries and Forestry and industry stakeholders, will investigate the feasibility of developing a cost-effective Information Notice system to enable PBR owners to obtain information from suspected infringers on the source of plant material.</p>

<p>18. Introduce into the PBR Act PBR seizure powers for Customs which incorporates features of the Australian notice system for trade marks and the European system. The system should minimise the resources and skills required of Customs, enable the PBR owner to identify the imported material and allow cases where there has been infringement to be resolved quickly and without legal action.</p>	<p>Not accept</p> <p>PBR owners already have the power to seek an injunction from a court requiring Customs and Border Protection to suspend the release of a consignment containing suspected infringing goods. This existing power provides an effective mechanism to address the importation of goods which infringe their rights.</p> <p>The Government notes from the ACIP Report that there was only a ‘small number of submissions’ that identified the lack of Customs seizure provisions as a weakness in the legislation.</p> <p>In accordance with Government policy, a Notice of Objection Scheme is provided in the <i>Olympic Insignia Protection Act 1987</i>, the <i>Copyright Act 1968</i> and the <i>Trade Marks Act 1995</i>. The ACIP Report does not provide sufficient evidence of a major problem that would justify extending this policy to include a notice system for PBR-protected material.</p>
<p>19. Introduce exemplary damages provisions for PBR based on s.122 of the Patent Act.</p>	<p>Accept</p> <p>The Government will seek amendments to the PBR Act to implement this recommendation.</p>
<p>20. The Government take no action in establishing an industry peak body or collecting agency at this time. The Government should reconsider this approach should sectors of the plant breeding industry come to an agreement on the structure and function of a central body and seek the Government’s assistance.</p>	<p>Accept</p> <p>The Government accepts this recommendation.</p>
<p>21. IP Australia focus its PBR educational and awareness efforts on the tertiary sector. This should involve increasing its involvement in facilitating PBR education curricula and other information fora. IP Australia should investigate facilitating the inclusion of PBR curricula in university science and science-related courses and at</p>	<p>Accept</p> <p>The Government accepts this recommendation.</p>

agricultural colleges.	
22. The Government take no action in relation to the development of standard contracts and licence agreements at this time.	<p>Accept</p> <p>The Government accepts this recommendation.</p>
23. It is not clear whether sections 52 and 53 of the <i>Trade Practices Act 1974</i> and various State and Territory Fair Trading Acts provide sufficient protection against mendacious variety declaration. If existing legislation does not make it illegal for a corporation or person to knowingly and falsely represent a PBR protected variety, the PBR Act should be amended to make such an act an infringement of PBR.	<p>Not accept</p> <p>The Government considers that existing provisions within the <i>Competition and Consumer Act 2010</i> (formerly known as the <i>Trade Practices Act 1974</i>) adequately deal with mendacious variety declarations. Amending the PBR Act to also deal with such declarations could create confusion due to the duplication of provisions between the respective Acts.</p>