

**SUBMISSIONS OF BENNY BROWNE AND BELINDA MUIR ON THE ACIP OPTIONS
PAPER ON THE ENFORCEMENT OF PLANT BREEDERS RIGHTS**

10 JULY 2008

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Mr Browne has drafted the submissions but has been assisted in these submissions by Ms Belinda Muir whose assistance is hereby acknowledged

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OPENING

1. These submissions adopt the definitions set out in the Glossary of Terms set out in the ACIP Review of Enforcement of Plant Breeders Rights Option Paper dated June 2008 (Options Paper).
2. The purpose of these submissions is to identify options that may be open to plant breeders to enable them to enforce the rights afforded to them under the PBR Act;
 - a. in a manner that is most expedient;
 - b. in a manner which is least costly;
 - c. in a manner which will produce the desired results as efficaciously as possible; and
 - d. in a manner which is fair, just and equitable for all parties concerned in the enforcement process.
3. The difficulties which arise from enforcement have been summarised in the Option Paper are as follows:

- Current systems for collecting evidence of infringements are inadequate.
- Current royalty collection processes are expensive and not well implemented.
- Appropriate enforcement mechanisms and statutory rights need to be tailored to deal with different types of infringing behaviour (i.e. flagrant/wilful infringement and unintentional/inadvertent infringement).
- A culture of non-compliance and a lack of understanding about the PBR system exists among plant variety users.
- Significant uncertainty exists over the interpretation of parts of the PBR Act.¹

¹ Para 1.4.3 Options Paper

4. The Options Paper also spelt out concerns with the current enforcement environment relative to specific industries as follows:

- The ‘farm saved seed’ exemption presents an obstacle to obtaining a sufficient return on investment in breeding (Agriculture).
- Breeders of essentially derived varieties obtain an unfair share of the benefits of PBR protected varieties (Horticulture).
- The Australian Customs Service lacks the necessary powers to seize imported illegally propagated cut flower varieties (Ornamental).
- Breeders need to be able to begin infringement proceedings prior to grant of PBR (Horticultural).
- PBR owners are unable to secure a fair return following their investment in a successful enforcement action. (Horticultural, legal fraternity and Government).²

5. Before the options themselves are dealt with and for the elucidation of the reader it is necessary, it is submitted, to spend some time looking at the PBR Act and the definitions contained in it.

Certain sections of the PBR Act are, it is submitted, difficult to interpret for the reasons set out below. The Second Reading Speech of the Plant Breeders Rights Bill 1994 given by Senator Faulkner on 24 March 1994 contains the following words:

*The plain English used in the PBR bill should promote a better understanding of, and a wider interest in, the legislation on which the plant breeder’s rights scheme will be based.*³

² Para 1.4.3 Options Paper

³ Plant Breeder’s Rights Bill 1994, Second Reading Speech, Mr Faulkner, Senate Hansard, 24 March 1994, 2306

Obviously, given the experience of legal practitioners in trying to interpret the PBR Act over the past 14 years, one is forced to the conclusion that in some cases, plain English, or what passes for plain English does not work.

In the judgement delivered by the full Court in *Cultivaust* the judges stated⁴

Such convoluted language indicates the difficulties that arise when ‘*plain English*’ is employed in legislation. In his speech on the second reading of the bill for the Plant Breeder’s Act, the relevant minister, somewhat fatuously, said that ‘*the plain English used... should promote a better understanding of... the legislation on which the Plant Breeder’s Rights Scheme will be based*’.

The definitions in any Act are always important as a court will always rely on these in order to interpret the Act and hence the conduct of the parties under the Act. Accordingly, if the definitions are ambiguous or obtuse they can lead to many difficulties. Anecdotally, a number of cases that might otherwise have been litigated under the Act have not been because of the difficulty with the definitions

6. Mr Browne’s response to the Issues Paper published by ACIP listed the following as sections and definitions of concern

Section No.	Section Title	Comment
3	Definitions	The following definitions are not clear considering that this Act applies to all manner of plants, seeds, grains, fruit, flowers and other plants: “conditioning”, “essential characteristics”, “genetic resource centre”, “propagating material”.
11	General Nature of PBR	The acts which are set out in this section which are the inalienable right of the plant breeder are affected by the definitions.

⁴ *Cultivaust Pty Limited v Grain Pool Pty Limited* [2005] FCAFC 223 at para 6

14	Extension of PBR into harvested material in certain circumstances	The way the section has been drafted, it appears to refer to seeds. There is great difficulty in dealing with it in relation to fruit cultivars because it is affected by the terms set out as troublesome in the definitions. The UPOV Convention defines “harvested material” in Article 16 as including entire plants and parts of plants. The Act does not include this description.
15	Extension of PBR to products obtained from harvested material in certain circumstances	The same comment as applies to 14 applies to this section.
23	Exhaustion of PBR	The Cultivaust case sought to clarify this section but has not produced any clarity in relation to it.
43(10)	Registrable Plant Varieties	The definition of “plant material” causes problems because it imports the definitions from the definition section which themselves are not clear.
53	Infringement of PBR	Because this section deals with and is subject to section 16, 17, 18, 19 and 23 and because it imports section 11 it causes difficulties.
57	Innocent Infringement	The onus in this section is on the innocent infringer and the tests for innocent infringement are not specific enough. The tests are based on objective ground yet section 57(2) is based on a subject of ground. This inconsistency causes confusion.
70	Genetic Resource Centres	It is difficult to know where one finds a genetic resource centre for any particular plant.
74	Infringement Offences	Although infringement offences are able to be prosecuted by the Australian Federal Police, query whether any prosecution has ever taken place in Australia? In other words are the Australian Federal Police interested in bringing such prosecutions. ⁵

OPTIONS

Dealing now with the Options set out in the Options Paper

SECTION 11 OF THE PBR ACT

This section reads as follows:

⁵ Addendum to the Submissions of Mr Browne on the ACIP Issues paper

11 General nature of PBR

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

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

Note: In certain circumstances, the right conferred by this section extends to essentially derived varieties (see section 12), certain dependent plant varieties (see section 13), harvested material (see section 14) and products obtained from harvested material (see section 15).

The importance of this section to enforcement is that, the section which deals with infringement, ie section 53 of the PBR Act, bases infringement on a breach of section 11.

Section 53 of the PBR Act reads as follows:

53 Infringement of PBR

- (1) Subject to sections 16, 17, 18, 19 and 23, PBR in a plant variety is infringed by:
 - (a) a person doing, without, or otherwise than in accordance with, authorisation from the grantee of the right, an act referred to in a paragraph of section 11 in respect of the variety or of a dependent variety; or (*my underlining*)
 - (b) a person claiming, without, or otherwise than in accordance with, authorisation from the grantee of that right, the right to do an act referred to in a paragraph of section 11 in respect of that variety or of a dependent variety; or
 - (c) a person using a name of the variety that is entered in the Register in relation to:
 - (i) any other plant variety of the same plant class; or
 - (ii) a plant of any other variety of the same plant class.
- (1A) To avoid doubt, an infringement of PBR in a plant variety under paragraph (1)(c) can include using a synonym in relation to the name of a plant variety, if that synonym is entered in the Register under paragraph 46(1)(b).
- (2) If a plant variety (the *derived variety*) has been declared to be an essentially derived variety of another plant variety (the *initial variety*), the reference in paragraphs (1)(a) and (b) to authorisation from the grantee of the right means, in relation to the derived variety,

authorisation from both the grantee of PBR in the derived variety and from the grantee of PBR in the initial variety.

- (3) In this section, a reference to the grantee of PBR in a plant variety includes a reference to a person who has, by assignment or transmission, become the holder of that right.

The Options Paper suggests the following options relative to section 11

Section 11

Option 1 No change to the rights of PBR owners

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

Response to Option 1 No charge to the right of PBR owners

From what follows below, it should be obvious that we do not believe that Option 1 should be followed.

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

This option is to introduce into s.11 a new right for “use of the material”. The aim of this would be to provide PBR owners with the clear right to obtain royalties from end users such as feedlotter, millers, ethanol producers and juice manufacturers and therefore provide a more effective and efficient collection process. This option may increase royalty payment compliance, reduce complexities in the system and minimise compliance auditing costs. However, such a significant change may impact on the public good objective of the system and may be unnecessary if robust commercialisation and contractual arrangements were established at point of first sale. It may also enable PBR owners to ‘double dip’ by requiring royalties from both sellers and buyers.

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

In addition to the benefits set out above, if “use” were to be included, breeders would be able to enforce their rights prior to having obtained evidence of the acts referred to in section 11. Evidence in these cases is quite difficult to gather as a result of the fact that the PBR Act does not, as of right, allow a breeder to enter into the property of a grower to inspect and take samples. The difficulty is compounded by the fact that Australian Courts do not grant *Anton Piller* Orders readily and without strong evidence of suspected infringement. Without a statutory right of access and/or without the Anton Piller Order the breeder faces the proverbial “Catch 22” of not being able to gather the evidence and consequently not being able to enforce his or her rights

It is submitted that it is within the ‘public good’ objective if breeders are encouraged to constantly develop new varieties. Breeders are neither able nor willing to develop new varieties unless they are paid to do so. A “use” provision would, it is submitted, assist breeders in this regard. The ‘double dipping’ aspect could always be dealt with by suitable wording in the PBR Act

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

This option is to introduce into s.11 a new right for “purchase of the material”. The aim of this would be to provide PBR owners with the choice of what point in the value chain to collect a royalty. For example, accumulators who are acting as agents for buyers would by law be considered to be purchasing the material and would therefore require a licence from the PBR owner. Again, such a change may assist PBR owners to obtain royalties, particularly for grain varieties, but may have other impacts on the PBR system. This option may require significant changes to s.23 regarding exhaustion of rights in order to be effective. At present, a new purchase right would be limited to sales done without the consent of the PBR owner. This option may enable PBR owners to ‘double dip’ by requiring royalties from both sellers and buyers, although this is not necessarily a bad thing

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

It would be relatively easy for parties such as accumulators to be licensed or indeed exempted from this “purchase” provision. The benefit that it would produce is similar to the benefit of a

“use” position as outlined above ie it would give breeders more certainty that they would find it easier to enforce their rights

OPTIONS IN RELATION TO ‘REASONABLE OPPORTUNITY’ TO EXERCISE RIGHTS UNDER SECTIONS 14 AND 15

In practice and because of Section 14(2), legal practitioners often have to deal with (in particular) section 14 and section 17 (farmer saved seed exemption) together. Notwithstanding this however, because of the way in which the Options Paper has been structured, we will deal with sections 14 and 15 only insofar as they relate to reasonable opportunity

The Options Paper makes the following suggestions in relation to the reasonable opportunity to exercise rights

Sections 14 and 15 of the PBR Act are as follows:

14 Extension of PBR to harvested material in certain circumstances

- (1) If:
- (a) propagating material of a plant variety covered by PBR is produced or reproduced without the authorisation of the grantee; and
 - (b) the grantee does not have a reasonable opportunity to exercise the grantee’s right in relation to the propagating material; and
 - (c) material is harvested from the propagating material;
- section 11 operates as if the harvested material were propagating material.
- (2) Subsection (1) applies to so much of the material harvested by a farmer from propagating material conditioned and reproduced in the circumstances set out in subsection 17(1) as is not itself required by the farmer, for the farmer’s own use, for reproductive purposes.

15 Extension of PBR to products obtained from harvested material in certain circumstances

- If:
- (a) propagating material of a plant variety covered by PBR is produced or reproduced without authorisation of the grantee; and
 - (b) the grantee does not have a reasonable opportunity to exercise the grantee’s rights in relation to the propagating material; and
 - (c) material is harvested from plants grown from the propagating material but the grantee does not have, in the circumstances set out in section 14, a reasonable opportunity of exercising the grantee’s rights in the harvested material; and

(d) products are made from the harvested material; section 11 operates as if those products were propagating material.

Option 4 No change to Sections 14 and 15

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

Response to Option 4: No change to Sections 14 and 15

The term “reasonable” is well known to the law as the application of an objective criterion to any circumstance eg the reasonable man who is oft referred to as ‘the man on the Clapham omnibus’.

Consequently, it is submitted that, because the law has, over many centuries, developed the meaning of ‘reasonable’ in any given set of circumstances, it ought not be interfered with now. The real hub of the matter seems to be, what constitutes a reasonable opportunity to exercise the grantee’s rights in relation to **propagating material**. It should be noted that, in relation to **propagating material**, a breeder only has rights under sections 11 and 53 of the PBR Act and not under sections 14 or 15.

The single judge decision of the Federal court in *Cultivaust* in relation to ‘reasonable opportunity’ stated:

It is important to notice that the ‘reasonable opportunity’ to which s 14(1)(b) refers is in relation to the exercise of the grantee’s PBR rights. Those rights are exclusive, but negative, rights: see GPWA v Commonwealth at 513 – 514. The exercise of those rights involves, if necessary, action under s 54 of the PBR Act. The relief which may be sought includes injunctive relief, and damages or an account of profits: s 56(3).⁶

Those latter mentioned sections (ie 14 and 15) only deal with **harvested material** which the law will deem to be **propagating material**. Thus, for example, where a breeder say has not been able to gain access to a grower’s property (**a reasonable opportunity**) to exercise the breeders right in **propagating material** (ie the illegal trees) upon which there is growing fruit produced by illegal trees

⁶ *Cultivaust Pty Ltd v Grain Pool Pty Ltd* [2004] FCA 638 at para 196

(**harvested material**) but the breeder is able to track those fruit to the wholesale fruit market where the grower has delivered them for sale, the breeder can rely on section 14, and the fruit (**harvested material**), by virtue of section 14, is deemed to be propagating material. Thus the breeder may exercise his or rights in respect of the deemed propagating material which have been granted to him or her under section 11 of the PBR Act and sue for infringement under section 53 of the PBR Act.

It follows, in our submission that the correct view of section 14 is that it was only intended or was meant only to be relied on where a PBR owner was not able to enforce his or her rights under s 11. It is submitted that the same argument applies to section 15. It is our respectful submission that the language of s14 does not follow what was intended during the UPOV Convention.

Article 14(2) and (3) of the *UPOV Convention* provides as follows:

- (2) [*Acts in respect of the harvested material*] Subject to Articles 15 and 16, the acts referred to in items (i) to (vii) of paragraph (1)(a) in respect of harvested material, including entire plants and parts of plants, obtained through the unauthorized use of propagating material of the protected variety shall require the authorization of the breeder, unless the breeder has had reasonable opportunity to exercise his right in relation to the said propagating material.
- (3) [*Acts in respect of certain products*] Each Contracting Party may provide that, subject to Articles 15 and 16, the acts referred to in items (i) to (vii) of paragraph (1)(a) in respect of products made directly from harvested material of the protected variety falling within the provisions of paragraph (2) through the unauthorized use of the said harvested material shall require the authorization of the breeder, unless the breeder has had reasonable opportunity to exercise his right in relation to the said harvested material.
- (4) [*Possible additional acts*] Each Contracting Party may provide that, subject to Articles 15 and 16, acts other than those referred to in items (i) to (vii) of paragraph (1)(a) shall also require the authorization of the breeder.

Option 5: Clarify the meaning of ‘reasonable opportunity’

Some options for doing this are:

- test the meaning of s.14 and 15 in court. This would provide a high degree of certainty but would be a difficult and expensive exercise.

- seek an opinion from the Australian Government Solicitor. This may not provide the degree of certainty necessary desired.

- seek the opinion of an expert panel, similar to the Expert Panel on

Breeding set up to provide guidance on how a range of PBR issues are intended to operate. Such a group may include representatives from industry, independent experts in plant breeding, the PBR Office and ACIPA and be amore appropriate way to address industry concerns than waiting for court decisions to eventuate. A model for this may be the US system of ‘restatements of law’, although with more emphasis on an agreed understanding and less on case law. To ACIP’s knowledge, such restatements are rare in Australia.

- amend the Act in some way, such as by adding a definition of ‘reasonable opportunity’ in s.3.

Response to Option 5: Clarify the meaning of ‘reasonable opportunity’

It is submitted that this is not necessary. What ought to be done is that sections 14 and 15 be reworded in the way that *UPOV* intended them to be, as to which see above.

Option 6: Reverse the onus of proof

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

Response to Option 6: Reverse the onus of proof

From a legal practitioner’s point of view, it is well known that the most difficult aspect of any case involving PBR infringement is the gathering of sufficient evidence to prove that, on a balance of probabilities, there has been infringement. All sorts of barriers are present eg getting onto the property of the grower to inspect and take samples; getting neighbours of the grower to give evidence; in a relatively small industry, where breeders would rather not sue their growers to get breeders to issue proceedings; the cost of litigation; the retention and cost of suitable experts; the difficulty in conducting experiments and having results from such experiments admitted as evidence in Court.

Thus some relief in the form of a reverse onus would be helpful. Reverse onus is not unknown to our law and if coupled with a requirement to mediate before action was issued, many disputes could be settled much more quickly and with much less cost

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

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

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

This is not supported as it would vary too greatly from *UPOV* and there would be little to gain from it.

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

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

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

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

Articles 14(2) and 14(3) of UPOV define “harvested material” as including entire plants and parts of plants. It is recommended that this definition be imported into sections 14 and 15 and section 3

(definitions). Further that the definition of propagating material include entire plants and parts of plants. These matters would greatly assist in its interpretation.

FARM SAVED SEED: SECTION 17

Option 9: No change to the farm saved seed exemption

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

Response to Option 9: No change to the farm saved seed exemption

From what follows it will be clear as to why this Option is not supported.

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

This option could involve making the exemption only available where it is “within reasonable limits and subject to the safeguarding of the legitimate interests of the breeder” (from UPOV Article 15(2)). This would clarify that the exemption is limited and PBR owners would have a basis to bring infringement actions in circumstances where the practice of saving seed is preventing them from securing a reasonable return. However, this option may create uncertainty for all parties, particularly growers, over when the exemption applies, and may result in more litigation.

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

This option is not supported as the introduction of words such as “legitimate interests of the breeder” will once again lead to uncertainty.

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

This may involve:

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

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

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

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

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

This may be the next best option to removing the exemption as to which see below.

Option 11: Remove the farm saved seed provision

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

However, this option would significantly increase costs for growers, may result in a lower rate of uptake of new varieties and would require new seed production infrastructure. If not enforceable, this option may merely result in increased noncompliance and dissatisfaction with the PBR scheme. Also, it would need to be determined whether removing the farm saved seed provision would contravene

Australia's "farmers' rights" obligations under Article 9 of the International Treaty on Plant Genetic Resources for Food and Agriculture.

Response to Option 11. Remove the farm saved seed provision

Apart from the question raised as to Article 9 of the International Treaty on Plant Genetic Resources for Food and Agriculture it is submitted that the farm saved seed exemption should be removed.

Article 9 may not be such a problem as what maybe thought as Article 9.3 reads:

9.3 Nothing in this Article shall be interpreted to limit any rights that farmers have to save, use, exchange and sell farm-saved seed/propagating material, subject to national law and as appropriate.
(my underlining)

Some 18 years ago, when writing on the farmers' exemption in the 1987 Plant Varieties Act, Dr Noel Byrne commented:

The issue of farmer's exemption relating to farm-saved seed of varieties produced under breeder's rights law is a particularly difficult question in Australia. Farmers and other commercial plant propagators, supported by some consumer groups, tend to be extremely hostile to any suggestion that the traditional practice of saving seed to sow for the next harvest should be restricted, notwithstanding that its restriction could be in the long-term interests of private plant breeding in Australia. If the practice prevents the plant breeder from amortizing his investment in breeding a new variety, what incentive is there to invest private capital in plant breeding in Australia? Alternative investment opportunities are likely to be far more attractive⁷

It seems that not much has changed.

It is submitted that the proposed option to abolish the current farm saved seed exemption should be supported and that that provision be replaced:

⁷ Chapter 7 of the Report by Dr Noel Byrne dated 7 November 1990 entitled "Legal Protection of Plants in Australia under Patent and Plant Variety Rights Legislation"

- (i) with a provision requiring growers to seek authorisation from the PBR owner to use and continue to use harvested propagating material of a PBR protected variety for subsequent cropping cycles and/or stock feed (ie for the grower’s own personal use);
- (ii) If authority in (i) above is sought in respect of prescribed varieties (such as cereals, where farm saved seed is a particularly common practice), such authority must be given on reasonable terms unless in the circumstances it is unreasonable to do so;
- (iii) Authority sought in respect of all other varieties (not prescribed varieties) may be given at PBR owner’s absolute discretion;
- (iv) “Reasonable terms” may include:
 - (a) the payment of a royalty at a rate lower than the price to be paid for licensed production of propagating material of the same variety in the same area⁸;
 - (b) production or reproduction of the propagating material for a specified number of crop cycles; and
 - (c) the keeping and maintenance of accurate records; and
- (v) Authority may be revoked where the grower does not comply with the terms of the authority, or the PBR owner suspects that the grower has breached the terms of the authority, or otherwise where it is reasonable to do so.

The following comments in the Options Paper⁹ in relation to the farm saved seed exemption should be noted:

1. The reference to “*using the saved seed as food for livestock...would constitute an exercise of the PBR owner’s rights*” (paragraph 2, page 19) is correct. However, it should be noted that using farm saved seed

⁸ Options Paper page 21

⁹ Page 19 second and third paras

to produce crops for stock feed is use of the harvested material (further propagating material) by the farmer for the farmer's own use within the meaning of section 16 of the *Plant Breeder's Rights Act* 1994 and consequently does not infringe PBR.

2. The reference to the *Cultivaust* decision, in particular to the fact that “[S]eed saved from subsequent generations, and all non-saved seed, is still subject to PBR” must, with respect, be qualified. The *Cultivaust* decision¹⁰ affirmed that by virtue of section 23 of the Act, the purchaser of propagating material may deal with the propagating material without infringing PBR¹¹. This includes the sale of a first generation crop grown from the propagating material. Section 23 does not contemplate the further production or reproduction of the propagating material. The use of the word ‘further’ in this context discriminates between the first generation crop and the second and subsequent generation crops¹². Although PBR effectively revives upon subsequent production or reproduction of the propagating material, section 17 of the Act provides that harvested material saved from second and subsequent generations of crop for the grower's own use as farm saved seed will not infringe PBR¹³. Accordingly, farm saved seed from subsequent generations will not be subject to PBR.

This was confirmed on appeal by the Full Court.¹⁴

Option 12: No change

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

¹⁰ *Cultivaust Pty Ltd v Grain Pool Pty Ltd* [2004] FCA 638 at 188

¹¹ *Cultivaust Pty Ltd v Grain Pool Pty Ltd* [2004] FCA 638 at 210

¹² *Ibid*

¹³ *Ibid* at 173, 187 and 188

¹⁴ *Cultivaust Pty Limited v Grain Pool Pty Limited* [2005] FCAFC 223 at 9 and 10

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

Response to Option 12: No change.

If anything is to be changed then this would be an excellent place to start ie in relation to asexually propagated varieties.

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

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

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

Agreed

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

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

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

Given the present heading to the section and given the wording of section 14(2), it is submitted that this option may be beneficial to breeders of asexually propagated taxa. With respect, the high cost of

enforcement is due to several factors, one of which is the uncertainty surrounding the wording of the PBR Act.

EDV PROVISIONS: SECTIONS 12 and 40: EXTENSION OF RIGHTS

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

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

Changes to the EDV provisions may not be warranted as the low number of applications for an EDV declaration may indicate that there is limited need for the provisions. However, this may instead indicate that the provisions are too impractical to be useful. Also, the uptake of GM technology may increase concerns in the future. ACIP seeks any reasons why the EDV provisions should not be changed, including any unintended consequences of a change.

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

In practical terms and insofar as enforcement is concerned, the necessity to deal with the EDV provisions is rare. Consequently we have not commented on any of the options which relate to EDV.

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

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

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

varieties. Another question is whether the appropriate remedy would continue to be to extend the rights on the original variety to the derived variety.

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

No comment

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

This may speed up the process, but if the original variety is subsequently not granted, the breeder of the derived variety would have unnecessarily incurred the cost of disputing the EDV application and lost revenue from the derived variety. The unsuccessful applicant for the original variety may be liable for these costs. It has been presented to ACIP that the PBR Act should mirror UPOV Article 14(5)(b) by removing the test for ‘importance’ in s.4(c)F

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

No Comment

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

This would increase the scope for the PBR owner of the original variety to exercise their right. The majority of submissions made to ACIP requested greater protection for the original variety, and this may go towards meeting their needs. It would also better enable the PBRO to determine EDV declarations. However, it may mean that a derived variety could be declared to be essentially derived despite contributing substantially to the public good. An example would be the insertion of a gene for disease resistance into a disease-susceptible original variety through backcrossing.

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

No comment

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

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

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

No comment

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

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

Response to Option 19B: Replace “cosmetic” with “of no commercial value”

No comment

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

This would enable a fuller explanation of “important features” to be provided which better addresses issues such as cosmetic and commercial. Some submissions advocated moving the responsibility for determining EDV from the PBRO to another body, such as the courts

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

No comment

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

This option was recommended by the Expert Panel on Breeding and accepted by the Government, however it is yet to be implemented. Moving the responsibility for deciding whether a derived variety

is an EDV from the PBRO to the courts may have the benefits of greater expertise in this area and discourage any frivolous actions from being taken in the future. It may also compel disputing parties to use ADR. However, many respondents emphasised that legal recourse to settling PBR disputes is beyond the financial resources of many breeders due to the relatively small profit margins from many plant breeding investments. Moving responsibility for EDV declarations to the courts may make such determinations too slow and expensive for many in the industry, and be counter to a general shift towards alternative dispute resolution mechanisms.

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

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

No Comment.

Option 21: Improve the PBRO's ability to make determinations on EDV

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

Response to Option 21: Improve the PBRO's ability to make determinations on EDV

No Comment

Option 22: Develop benefit sharing arrangements

A process that allows the breeders of the original and the derived varieties to find common ground on sharing the benefits of the derived varieties may be appropriate. The PBR Act could provide a framework for agreement to be reached among the contesting breeders. Such a process could be

tiered, beginning with negotiation but with the option to seek recourse through alternative dispute resolution (ADR) procedures and ultimately the courts. The ADR process offered by the Australian Seed Federation to its members may provide an appropriate forum or model. Compulsion to participate in such a process could be provided by having a judicial option that would determine benefit sharing arrangements. The PBRO may have a role in not granting PBR on an affected variety until an agreement on benefit sharing has been reached. Such an option may enable the benefits of original and essentially derived varieties to be shared equitably at low cost and in a non-combative manner. However, such a process may encourage frivolous and/or vexatious claims of EDV in order to obtain some of the benefits of a derived variety.

Response to Option 22: Develop benefit sharing arrangements

No Comment

EXHAUSTION OF PBR: SECTION 23

OPTIONS

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

This option may be appropriate if it is accepted that the courts will have a view on the application of this section and will further develop it as more cases come to court. ACIP seeks any reasons why the exhaustion provisions should not be changed, including any unintended consequences of a change.

Response to Option 23: No change to the provisions on exhaustion of PBR

If there is to be any change then the language of 23(1)(c) should be changed to clarify the meaning of the words “further production or reproduction of the material” (my underlining).

Option 24: Clarify the meaning of s.23

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

- amending s.23 in some way. ACIP is open to suggestions on how this may be achieved.
- seeking the opinion of the Australian Government Solicitor.

- seeking the opinion of an expert panel, such as that outlined in Option 5.

Response to Option 24: Clarify the meaning of s.23

See Response to Option 23 above

MEANING OF TERMS AND SECTIONS OF THE PBR ACT.

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

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

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

There a recurring theme throughout these submissions which suggests that it is imperative to clarify the meaning of certain sections and definitions within the Act. The Full Court in *Cultivaust* expressed the view as follows:

Such convoluted language indicates the difficulties that arise when ‘plain English’ is employed in legislation¹⁵

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

Some options for this are:

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

Response to Option 26: Clarify the meaning of particular terms in the Act

¹⁵ *Cultivaust Pty Limited v Grain Pool Pty Limited* [2005] FCAFC 223 at 6

This is essential.

PRE-GRANT ENFORCEMENT PROVISIONS

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

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

Response to Option 27: No change to the pre-grant enforcement provisions

To our knowledge there is no Australian IP Legislation which allows an action to be commenced pre grant. Indeed the Australian Legislation condemns the making of idle threats pre action where the rights are not yet extant.¹⁶ If this were to be pursued there may well be cases where damage is done to “infringer’s” where the right is ultimately not granted. Secondly, because the PBR Act contains criminal sanctions, irreparable harm may be done to “infringer’s” where the right is subsequently not granted.

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

This option may enable breeders to better defend their (subsequently granted) PBR rights. It may be appropriate to restrict it to a particular sector such as horticulture. However, there are considerable risks involved in providing infringement provisions to an applicant of a new variety that has yet to establish its registrability through the granting process. For example, taking an alleged infringer to court based on a right that has not been granted may require from the plaintiff a substantial compensation or indemnity bond to cover the defendant’s damages costs in a case where the PBR application proved to be invalid.

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

See Response to Option 27 above.

¹⁶ eg the Patents Act and the Trade Marks Act.

FEDERAL MAGISTRATE'S COURT

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

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

Response to Option 29: No change to jurisdiction of the Federal Magistrates Court

Until such time as the FMC is equipped with Magistrates who are IP practitioners, this option should be followed. Furthermore the costs of the expert witnesses and the lawyers will not be any less as far as the client is concerned and, if successful, the client will only be entitled to its costs on the FMC scale, which is considerably less than the FCA scale.

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

This option would provide an alternate, more accessible venue to those who would possibly not have pursued their dispute through the Federal Court. This option is contingent on the results of the current Government review of the federal court system. The FMC may be suitable for PBR matters because, unlike patent cases, PBR cases may be less vulnerable to time intensive claims and stalling tactics challenging the validity of the registered right.

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

Response to Option 30: Extend the jurisdiction of the Federal Magistrates Court to PBR

The jurisdiction of the FMC should not be extended in this way. We respectfully submit that the fact that there is only one known case where validity of the right is being challenged, is a meaningless

statistic given the number of cases involving PBR infringement that have been before the FCA over the last 10 years.

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

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

Response to Option 31: Simplify expert evidence procedures in the FCA and/or the FMC

This option is supported.

ADR

Option 32: No change to ADR processes

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

Response to Option 32: No change to ADR processes

The majority of PBR infringement/enforcement cases with which we have been involved over the past 10 years have settled as a result of court ordered mediation. The problem is however that a vast amount of money must be expended in order to get to the point where the parties have given each other discovery and a mediation is then possible. It is suggested that pre-trial mediation be engaged upon with each party having to put their case into writing and to provide essential documents to each other (that both hurt and help each party). There could be a sanction whereby any document that is not provided may not be used in any subsequent litigation.

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

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

Response to Option 33: Register of mediators with PBR and plant breeding expertise

This option is supported especially if it is coupled with the response to Option 32 above. WIPO has, over the years, developed a very effective quick and relatively cheap method of resolving domain name disputes where cybersquatting is alleged. It is suggested that a similar set up be introduced for PBR enforcement/infringement matters. It is suggested that a body such as the Institute of Arbitrators and Mediators Australia (www.iama.org.au) could administer the scheme.

CRIMINAL SANCTIONS

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

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

Response to Option 34: No change to the criminal sanctions of the PBR Act

The issue here is that the criminal sanctions of the PBR Act have never to our knowledge been relied upon since the introduction of the Act in 1994. Accordingly, it would seem irrelevant as to whether or not a change to the criminal sanctions should be made.

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

This option is to request that the AFP and DPP give PBR cases a higher priority, at least equal to other IP matters. This may increase the chance of investigations and prosecutions being conducted.

Justification for a higher priority may include PBR being a special case because of the following issues:

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

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

Option supported.

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

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

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

It is submitted that the resource limitation in any policing force does create a barrier but if this were able to be overcome then this option would be supported.

ACQUISITION OF EVIDENCE

Option 37: No change

This option is appropriate if current Anton Piller orders and contractual arrangements are considered adequate in enabling PBR owners to obtain evidence of infringement. ACIP seeks any reasons why no

changes should be made to current laws on the acquisition of evidence, including any unintended consequences of a change.

Response to Option 37: No change

It is submitted that there needs to be a statutory provision which would entitle inspection and the taking of samples from alleged infringers properties. This could be cheaply done by the FMC where the difficulties associated with Anton Piller orders could be negated.

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

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

Response to Option 38: Introduce a system based on the UK Information Notice

This Option would be of great benefit in reducing the amount of cost involved in enforcement. It is submitted with respect that PBR owners would not be likely to unreasonably harass variety users as they are usually the customers of the PBR owners. Consequently, the combining of this Option with Option 39 below is supported.

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

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

Response to Option 39: Introduce a system based on the French *saisie* order

See response to Option 38 above.

CUSTOM SEIZURES

Option 40: No change

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

Response to Option 40: No change

The Australian Custom Service does not have the resources nor the skills necessary to include PBR in custom seizures. For this reason the Australian Custom Service does not have the ability to seize alleged patent infringements or alleged design infringements.

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

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

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

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

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

See response to Option 40 above.

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

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

Response to Option 42: Introduce PBR seizure and destruction powers for Customs based on the European system

See response to Option 40 above.

EXEMPLARY DAMAGES

Option 43: No change

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

Response to Option 43: No change

This Option is not supported.

Option 44: Introduce exemplary damages provisions

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

remain relatively small, reducing the effect of such provisions. ACIP seeks your views on whether exemplary damages are necessary and how they should be determined.

Response to Option 44: Introduce exemplary damages provisions

This Option is supported as it will constitute a greater incentive not to infringe.