



8 May 2007

Mr Cameron Stack
ACIP Secretariat
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By Email: cameron.stack@ipaaustralia.gov.au

Dear Mr Stack

I am pleased to provide the following submission on behalf of the Australian Seed Federation which addresses the terms of reference for the 'Review into Enforcement of Plant Breeders Rights'.

The Australian Seed Federation is also pleased to confirm that it is interested in participating in the proposed consultation process during June 2007.

All correspondence regarding this submission and the consultation process can be addressed to:

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If you have any questions do not hesitate to contact me.

Yours sincerely

Chris Melham

Christopher Melham
Chief Executive Officer
Australian Seed Federation



Australian Seed Federation
Submission into the
Review of Enforcement of Plant Breeder's Rights

April 2007

1 Introduction

The Australian Seed Federation (ASF) is the peak national body representing the interests of Australia's sowing seed industry which has an estimated annual turnover in sowing seed sales of A\$1.2 billion.

The membership of ASF comprises stakeholders from all sectors of the seed supply chain including: plant breeders, seed growers, seed processors and seed marketers, all of whom were consulted in the preparation of this submission.

The ASF was a key player responsible for the introduction of Plant Breeders Rights legislation into Australia in 1987 and has since continued to represent the interests of plant breeders. Of equal importance to plant breeders is having access to a robust and workable 'PBR enforcement system' to ensure their investments can be protected by pursuing 'seed pirates' through appropriate legal channels.

To date, there has been no work undertaken by Government on enforcement at the 'post-PBR grant stage', and as such the ASF welcomes the current review into PBR enforcement in Australia and appreciates the opportunity to provide comment into the issues paper on behalf of PBR owners.

PBR is the culmination of research and development which in turn delivers economic benefit to the Australian economy – these benefits however are reliant on PBR enforcement in an expedient and cost efficient manner. The costs of an ineffective enforcement system are borne by the economy as well as the PBR owner. It is vitally important for PBW owners to have in place an accessible and effective PBR enforcement system to also sustain and promote further investment in plant breeding.

At the ASF National Conference in 2003, members indicated that PBR breaches in Australia were on the increase and therefore resolved to empower the ASF to develop an industry led campaign/program to provide PBR holders with assistance to manage and enforce their intellectual property rights.

The ASF subsequently developed '*Operation PBR*' which comprised a four staged approach to PBR enforcement:

- to provide education, awareness and assistance to both PBR holders and their consumers e.g. farmers and seed merchants;
- to provide commercial investigative services to PBR holders - this stage sources leads and gathers facts (investigation) regarding alleged breaches through the services of a commercial investigator experienced in evidence collection;
- to provide names of qualified legal firms experienced in IP enforcement to assist PBR owners pursue their rights once an investigation produces a 'file' of evidence; and
- the provision of an 'alternative dispute resolution system' to parties in dispute as an option to the court system.

The ASF can confirm from its experience with Operation PBR that the two main factors contributing to the inability of PBR owners to enforce their rights are:

- deficiencies in certain sections of the Plant Breeder's Rights Act 1994; and
- external factors to the Act mainly relating to evidence collection.

The ASF therefore welcomes the scope of the inquiry which is "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".

2. General Comment about Australia's International Obligations

1991 International Convention for the Protection of New Varieties of Plants

The Australian Seed Federation recognises that the Australian government is a ratifying party to the 1991 International Convention for the Protection of New Varieties of Plants (UPOV Convention) and accordingly is obliged to provide certain measures in relation to plant breeder's rights. In particular, Article 30(1) (i) and (ii) of the 1991 UPOV Convention requires that:

“Each Contracting Party shall adopt all measures necessary for the implementation of this Convention; in particular, it shall:

- (i) provide for appropriate legal remedies for the effective enforcement of breeders' rights;
- (ii) maintain an authority entrusted with the task of granting breeders' rights or entrust the said task to an authority maintained by another Contracting Party
- (iii) ensure that the public is informed through the regular publication of information concerning
 - applications for and grants of breeders' rights, and
 - proposed and approved denominations”.

The ASF does not believe the Australian Government is fulfilling its obligations as required by Article 30 (1) (i) due to the absence of an appropriate legal remedy in Australia that provides for an effective enforcement of breeder's rights.

Trade-Related Aspects of Intellectual Property Rights (TRIPS)

The Australian Seed Federation also recognises that Australia is a member of the World Trade Organisation (WTO) agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) which came into force in 1995 and that this membership also requires the Australian Government to ensure that effective enforcement procedures are available for intellectual property rights.

Article 41 of the TRIPS Agreement sets out the general principles that contracting parties are bound by on enforcement which can be summarised as follows:

- Members shall ensure that enforcement procedures are available under their law so as to permit effective action against any act of infringement of intellectual property;
- Members shall have in place expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements;
- These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

Articles 41 (3) and (4) further requires 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.

Once again, the ASF does not believe the Australian Government is fulfilling its obligations under the TRIPs agreement as it does not have an effective PBR enforcement system in place.

3. Matters Concerning the Plant Breeders Rights Act 1994

Farm saved seed and reasonable opportunity

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.

The Australian Seed Federation believes the ‘farm saved seed’ (FSS) provisions of the PBR Act are a major cause for ‘seed piracy’ as stakeholders at all levels of the seed supply chain illegally produce, condition and market seed without authorisation from the PBR owner. ASF estimates the annual cost to the seed industry of seed piracy in Australia at A\$300 million per annum.

The Australian Seed Federation contends that Section 17 of the Plant Breeders Rights Act 1994 which incorporates the farm saved seed provision is a major reason why there is an ever increasing ‘black market’ in protected varieties after the first point of seed sale of a PBR protected variety. The removal of Section 17 from the PBR Act should therefore be considered as an option as provided for under the 1991 UPOV Convention.

The farm saved seed provisions of the 1991 UPOV Convention (article 15(2)) are optional and require that if adopted by member countries, national legislation should include strict limits so that the PBR holder’s interests are safeguarded and farmers who use PBR protected propagating material can only do so on their own holdings and for their own use.

The ASF supports the view that the cost of auditing a particular variety for illegal activity far outweighs the potential benefit given the high degree of farmer saved seed traded illegally. ASF estimates FSS rates for various cereal crops are as follows:

- wheat 95%;
- barley 90%;
- oats 80%;
- canola 70%.

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.

The Australian Seed Federation does not believe the Cultivaust case has provided sufficient clarification on the operation of the farm saved seed exemption particularly as it relates to “reasonable opportunity” and PBR owners and the end users of their IP remain largely ignorant of the judgement.

It is therefore vitally important for an ‘apolitical figurehead’ such as IP Australia to explain the case to industry which in turn would take the ‘politics’ out of the debate on farmer saved seed.

The most comprehensive explanation of the farmer saved seed provisions of the UPOV Convention and the exemption is the official position paper adopted by the International Seed Federation which is reproduced and supported by ASF in its entirety as follows:

International Seed Federation Position Paper on Farm Saved Seed
(Adopted May 31, 2001)

“From the start of agriculture farmers have saved seed from their own crops for resowing the following year. In fact that practice was normal and indeed is still essential in circumstances where the only seed available to plant a new crop is seed harvested from a prior season on-farm harvest. Seed that is saved by farmers from the growing of cultivars they have selected themselves does not impact the rights of third parties.

Since the end of the 19th Century, but particularly during the 20th Century, scientific plant breeding based on accumulated new genetic knowledge and new technologies has rendered the development of new cultivars much more efficient than in the past leading to the emergence of a new category of people, the professional plant breeders. Those plant breeders have created and are still creating new cultivars used by an increasing number of farmers worldwide. The new cultivars integrating more and more genetic variability, together with improved cultural practices have resulted in a dramatic increase in food and fibre production.

The consequence of that necessary evolution is that plant breeding is no longer a by-product of agriculture, but a separate activity as such. That activity was first undertaken by the public sector. However, progressively during the past century the private sector became increasingly involved, investing heavily in time and money for developing pioneering and inventive new products. The only solutions for the private plant breeders to be paid and to get return on their large investments are either to produce and sell the seed of their varieties themselves or to obtain royalties on seed of their varieties produced by others.

This is the reason why an International Convention, the UPOV Convention, finally recognized the concept of Breeder’s Right in 1961.

In order to evolve step by step the fathers of the Convention proposed to limit the scope of Breeder’s Right to the production, for commercial marketing, of the reproductive or vegetative propagating material of the new variety, and for offering for sale or marketing such material. That was an implicit recognition of the so-called "farmer’s privilege".

Thirty years later, in 1991, the Convention was reviewed and the reference to “commercial marketing” was cancelled, thus suppressing the "farmer’s privilege". However two exceptions to Breeder’s Right in this respect were maintained:

- A compulsory exception for acts done privately and for non-commercial purposes, thus covering farm saved seed produced by subsistence farmers.
- An optional exception, within reasonable limits and subject to the safe-guarding of the legitimate interests of the breeder, of the Breeder’s Right in order to permit farmers to use for propagating purposes, on their own holding, the product of the harvest which they have obtained by planting, on their own holding, of the protected variety.

So, the Breeder’s Right has been introduced progressively and cautiously over the 2nd part of the 20th century, taking into account the evolution of plant breeding, the agricultural and socio-economic situations of farmers, and the requirements for food production and environmental security for society as a whole.

ISF members (of which ASF is a member) consider that a strong and effective intellectual property protection is necessary to ensure an acceptable return on a research investment and to encourage further breeding and research, that will be essential to meet the challenges mankind has to face in the coming years, i.e. feeding an increasing population whilst preserving the planet.

ISF members are strongly against any "farmer’s privilege" going beyond the provision of the 1991 Act of the UPOV Convention, i.e. within reasonable limits in terms of acreage, quantity of seed and species concerned and subject to the safeguarding of the legitimate interest of the breeders in terms of payment of a remuneration and information. The recommendation adopted by the Diplomatic Conference of 1991, indicating that the optional exception “should not be read so as to be intended to open the possibility of extending the practice commonly called “farmer’s privilege” to sectors of agricultural or

horticultural production in which such a privilege is not a common practice on the territory of the contracted party concerned” must also be taken into account.

Finally ISF members consider that any national legislation authorizing farm saved seed without reasonable limit and without safeguarding the legitimate interest of the breeders is not in conformity with the 1991 Act of the UPOV convention. In addition it would not be an effective sui generis system in the meaning of the article 27.3.b of the TRIP’s agreement.

The Australian Seed Federation supports the above ISF position in its entirety and encourages the review to make a judgement as to whether or not the PBR Act 1994 is in compliance with the 1991 UPOV Convention in terms of protecting the breeders right with the current inclusion of farmer saved seed provisions.

Education and Awareness

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.

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

The target market should comprise both seed and related industries including:

- seed growers;
- seed processors;
- seed marketers
- grain growers;
- dairy farmers;
- beef and livestock producers;
- livestock producers;
- seedling nurseries;
- horticultural growers;
- turf and lawnseed consumers;
- supermarkets;
- relevant industry and government policy authorities.

Essentially Derived Varieties

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.

The Australian Seed Federation does not believe the EDV provision provides breeders with a sufficiently defensible remedy to protect their breeding investment. The current state of play is typified by ‘piggy backing’ as defined in the issues paper and is absent of any enforcement provisions as is the case with PBR breaches in general.

In order to develop appropriate strategies for EDV enforcement it is worth restating the UPOV Convention clauses on when a variety is deemed to be essentially derived:

Article 14 (b): A variety shall be deemed to be essentially derived from another variety (“the initial variety”) when:

- (i) it is predominantly derived from the initial variety, or from a variety that is itself predominantly derived from the initial variety, while retaining the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety,
- (ii) it is clearly distinguishable from the initial variety and
- (iii) except for the differences which result from the act of derivation, it conforms to the initial variety in the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety.

The Australian Seed Federation supports the inclusion of new technologies in the EDV provisions of the PBR Act which we believe will reduce the risk of seed piracy. It is worth noting that the breeders’ exception is in no way compromised with this inclusion.

Although Australia does not have a system for assessing essential derivation and resolving disputes, the mere strengthening of the EDV provisions in the PBR Act by aligning it with the UPOV Convention will send a clear signal to breeders and encourage greater compliance.

It is also worth stating the ISF interpretation of Article 14.5 of the 1991 Act of the UPOV Convention as follows:

i) The technical aspect:

For a variety to be considered as essentially derived, it must fulfil three requirements in relation to the initial variety while retaining the expression of the essential characteristics of the initial variety:

- clear distinctness in the sense of the UPOV Convention;
- conformity to the initial variety in the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety;
- predominant derivation from an initial variety.

If one of these requirements is not fulfilled, there is no essential derivation.

ii) The legal aspect

The principle of dependence only exists in favour of a non essentially derived protected variety. This means that:

- the initial variety must be a protected one;
- dependence can only exist from one protected variety alone;
- an essentially derived variety can be directly derived from the initial variety or from a variety that is itself predominantly derived from the initial variety. It is possible to have a "cascade" of derivation. However, each essentially derived variety shall only be dependent on one, the protected initial variety.

A cascade of dependence shall not exist, the principle having been introduced to better protect the breeder of the initial variety and not those having made derivations from his work.

Essential derivation is a matter of fact whereas dependency resulting therefrom is a possible legal consequence. Therefore, if an e.d.v. has been claimed and proved as such with legal validity, it remains an e.d.v. forever. Even if the protection period of the initial variety has been exhausted, a variety derived from the first variety in a chain of essentially derived varieties remains an e.d.v. and the remaining varieties in the chain will still be essentially derived from the initial variety but not dependent of that no longer protected variety. The reason for this lies in the spirit of the concept of dependency. This principle has mainly been introduced to protect more efficiently the initial breeder and not those who make derivations from his work.

Essential Derivation and the Burden of Proof

The Australian Seed Federation's is in support of the reversal of the burden of proof if the owner of the initial variety can supply 'reasonable' evidence of essential derivation.

According to the general rule of burden of proof, it is up to the owner of the initial variety to prove essential derivation and then claim dependency. However if the owner of the initial variety can give reasonable evidence of essential derivation (*prima facie* proof), ASF is in favour of the reversal of the burden of proof.

For *prima facie* proof, the following elements should be sufficient:

- strong phenotypic similarity;
- only small differences in some simply inherited characteristics;
- strong genetic similarity.

If the owner of the initial variety has fulfilled one of the above requirements, then the second breeder would have to prove that there is no predominant derivation, or that he had not used the initial variety or a variety essentially derived from that initial variety.

The Australian Seed Federation would support the introduction of an e.d.v. alternative dispute resolution system for parties in dispute to utilise in the first instance before resorting to legal action.

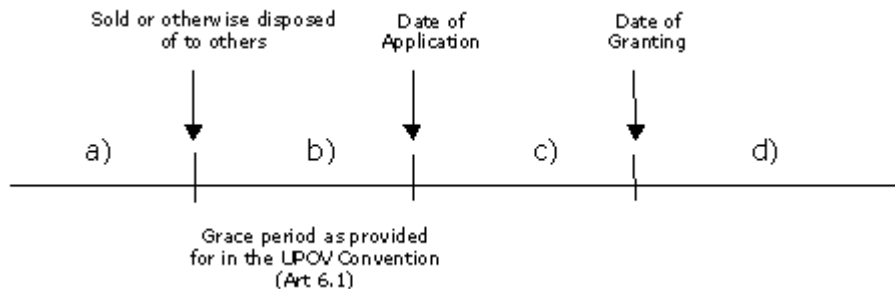
ISF Position Paper on Essential Derivation from a Not-yet Protected Variety and Dependency (June 2005)

Essential derivation, to be decided upon on a case-by-case basis, according to the following principles:

- clear distinctness in the sense of the UPOV Convention
- conformity to the initial variety in the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety
- predominant derivation from an initial variety is a fact.

Dependency depends on the status of the initial variety:

- If the initial variety is not protected, the concept of dependency does not apply;
- If the initial variety is protected, the essentially derived variety shall be dependent from the initial variety;
- If the initial variety was not protected at the time of the act of essential derivation but is granted protection afterwards, according to the following graph, the following conclusions shall apply:



The graph is divided in four periods as regards the initial variety:

- a) Before the date of commercialisation (start of the grace period)
- b) Between the start of the grace period and the date of application
- c) Between the date of application and the date of granting
- d) After the date of granting

If the act of derivation is made during the periods b) and c), dependency will start at the date of granting. However, the breeder of the initial variety will, at least, be entitled to an equitable remuneration in line with article 13 on provisional protection of the 1991 Act of the UPOV Convention if the EDV is commercialised during periods b) and c).

Access during period a) needs careful consideration. Access with the consent of the breeder of the initial variety may destroy the novelty of the putative initial variety (ref. article 6 of the UPOV Convention). Any other access may be considered as illegal.

Note: "Dependency" means, according to article 14(5) of the 1991 Act of the UPOV Convention, that acts as defined by article 14(1) in respect of the propagating material of the essentially derived variety shall require the authorization".

4. Process and Mechanisms for Protecting PBR

The Australian Seed Federation believes it is imperative to introduce a mechanism for pursuing alleged PBR breaches that is cost effective, timely and enforceable to ensure PBR owners can continue to invest with the knowledge that their intellectual property rights can be upheld.

The ASF applauds ACIP's suggested possibly of utilising the Federal Magistrates Service (FMS) as 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*". This approach would almost certainly fall within the obligations of the TRIP's agreement, particularly if it is structured to be as streamlined and as user-friendly as possible, reducing delay and cost to litigants.

The Australian Seed Federation has surveyed its members regarding the current system of legal enforcement i.e. through the Federal Court of Australia with respondents confirming that they have not pursued legal action for a number of reasons including:

- The lengthy time required to engage legal counsel;
- Subsequent high legal costs;
- Unknown timeframes for concluding a case;
- Lengthy delay in commencing proceedings;
- The intimidating nature of the Federal Court.

In 2003 the Australian Seed Federation established and officially launched a PBR enforcement mechanism through the 'Institute of Arbitrators and Mediators Australia' (IAMA). The alternative dispute resolution system is designed in conformity with State/Territory arbitration legislation, is less expensive than the courts, has a timeframe for resolving a dispute and is conducted by 'qualified' independent third party mediators.

In conclusion, the ASF would encourage ACIP to pursue their option of utilising the Federal Magistrate's Service for PBR breaches for all the reasons outlined above including the option of utilising the ASF's ADR system. A copy of the ASF ADR system can be downloaded at www.asf.asn.au

5. Evidence collection

The ASF confirms that obtaining the necessary evidence to support prosecutions is often difficult to obtain and as a result PBR owners are often not in a position to pursue a case through legal channels. **Inability to collect evidence is a major problem and is probably the ‘bottleneck’ in not being able to pursue PBR breaches in Australia.**

Again, in 2003, the ASF established and launched ‘Operation Plant Breeders Rights’ in an effort to overcome several constraints confronting PBR owners when collecting evidence through the use of an independent third party professional commercial investigator. Problems still arose in collecting evidence including:

- difficulty in accessing evidence by not being able to gain entry onto private property;
- a reluctance by seed growers, processors and traders to divulge information pertaining to breaches through fear of retribution particularly in small rural community’s.

ASF feedback from PBR owners confirms that in a general sense cases are not pursued through the courts because the evidence presented to legal counsel is often inadequate and that the chain of evidence usually broke down at some point before there was a reasonable basis to proceed.

The difficulties associated with collecting evidence are not restricted to Australia. Member States of the European Union also experience similar problems and as such a specific evidence gathering system has been introduced through the European Parliament, namely: “*saisie-contrefaçon*”. The following is a short explanation of how this system operates:

Saisie-contrefaçon

Saisie-contrefaçon allows a bailiff and a Court expert to enter the premises of the suspected infringer to collect evidence. The request for such a measure has to be filed before the competent court. The only requirement for obtaining a *saisie-contrefaçon* is that there is a presumption of infringement; this is not a very strict requirement. In Italy internal examinations (DNA test and field test confirming that variety X was not distinct from our protected variety) were sufficient for the judge to allow the *saisie-contrefaçon*.

In case the measure is obtained, a bailiff has to be appointed by the Court. As the average bailiff will not have much knowledge about plants and seeds, an expert will be appointed as well.

The bailiff and expert will choose a date to go to the suspected premises, preferably without prior notice of the other party (the judge decides whether the measure may be executed without prior notice or not). During the visit, the bailiff and expert are allowed to collect evidence by the means described in the Court order. These means could include making pictures of commercial documents, taking samples of seeds or plants and making copies of the accounts. All copies and samples should be sealed and submitted to the court for further examination.

Legal basis: Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, Section 2, article 7, evidence:

1.1.1 Article 7 - Measures for preserving evidence

1. Member States shall ensure that, even before the commencement of proceedings on the merits of the case, the competent judicial authorities may, on application by a party who has presented reasonably available evidence to support his claims that his intellectual property right has been infringed or is about to be infringed, order prompt and effective provisional measures to preserve relevant evidence in respect of the alleged infringement, subject to the protection of confidential information. Such measures may include the detailed description, with or without the taking of samples, or the physical

seizure of the infringing goods, and, in appropriate cases, the materials and implements used in the production and/or distribution of these goods and the documents relating thereto. Those measures shall be taken, if necessary without the other party having been heard, in particular where any delay is likely to cause irreparable harm to the right holder or where there is a demonstrable risk of evidence being destroyed.

Where measures to preserve evidence are adopted without the other party having been heard, the parties affected shall be given notice, without delay after the execution of the measures at the latest. A review, including a right to be heard, shall take place upon request of the parties affected with a view to deciding, within a reasonable period after the notification of the measures, whether the measures shall be modified, revoked or confirmed

2. Member States shall ensure that the measures to preserve evidence may be subject to the lodging by the applicant of adequate security or an equivalent assurance intended to ensure compensation for any prejudice suffered by the defendant as provided for in paragraph 4.

3. Member States shall ensure that the measures to preserve evidence are revoked or otherwise cease to have effect, upon request of the defendant, without prejudice to the damages which may be claimed, if the applicant does not institute, within a reasonable period, proceedings leading to a decision on the merits of the case before the competent judicial authority, the period to be determined by the judicial authority ordering the measures where the law of a Member State so permits or, in the absence of such determination, within a period not exceeding 20 working days or 31 calendar days, whichever is the longer.

4. Where the measures to preserve evidence are revoked, or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by those measures.

5. Member States may take measures to protect witnesses' identity.

Accordingly, the ASF is in favour of introducing measures that can enhance the grantee's options for gaining evidence. These could include:

- *provisions in the PBR Act to allow entry onto private property to gain evidence; and*
- *provisions in the PBR Act to require the parties in dispute to participate in an alternative dispute resolution processes;*
- *to have presumption of guilt provisions or procedures (reverse the onus of proof) included in the PBR Act;*
- *introduction of an evidence gathering procedure similar to that which exists in the European Union i.e. "saisie-contrefaçon".*

6. Burden of Proof

The ASF confirms that the burden of proof on the plaintiff is such that a successful prosecution is very difficult to achieve. PBR users have claimed 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. The burden of proof required from close communities is a major issue as reports of seed trading usually arrive on the grantee's desk via third parties who do not wish to become involved.

ASF would therefore recommend an amendment to the PBR Act that reverses the burden of proof from the PBR owner once a 'reasonable amount of evidence' is presented by the PBR owner. At the very least this should trigger a requirement for both parties to submit evidence before an 'independent tribunal'.

7. Lack of clarity in the language used in the PBR Act

The ASF believes that a major shortcoming of the PBR Act is that due to a lack of legal precedent in its twenty year history, several words and sections of the Act remain ambiguous and open to individual interpretation. Examples include:

- Section 12 relating to essential derivation'
- Section 17 relating to farm saved seed; and
- Section 57 relating to 'innocent infringement'.

ASF recommends ACIP to consult with legal experts experienced in using the PBR Act to gain a more detailed understanding of the 'grey areas' in the PBR Act.

8. Exemplary Damages

Commonly referred to as 'exemplary damages' in Australia, punitive damages are damages awarded in addition to compensatory damages. Their purpose is to punish defendants for reprehensible conduct and deter them from engaging in such conduct in the future. In this respect they are no different from criminal penalties.

The ASF supports the current trend of incorporating 'exemplary damage' provisions in IP rights and further supports the inclusion of exemplary damage provisions in the PBR Act. This would act as a deterrent to parties who may be considering infringing PBR and an encouragement for PBR grantees to undertake infringement proceedings.

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

Australia has a high degree of international investment in its plant breeding programs including from New Zealand, USA and the European Union. Given that exemplary damages are available under the New Zealand Plant Variety Rights (PVR) Act 1987, their inclusion would be consistent with international law and provide the necessary incentive for overseas plant breeders to continue their investment in Australia and defend their IP rights.

What criteria should be used for determining exemplary damages?

The ASF supports the use of the 'Gore Guideposts' as an appropriate criteria for determining exemplary damages *i.e.* *USA Supreme Court's Decision in BMW North America v Gore (1996)*. In this case, the USA Supreme Court identified three guideposts (the Gore guideposts) to be used when reviewing punitive damages, namely:

- the degree of reprehensibility of the defendant's misconduct;
- the disparity between the actual or potential harm suffered by the plaintiff and the punitive damages award; and
- the difference between the punitive damages awarded by the jury and the civil penalties authorised or imposed in comparable cases.

ASF's understanding is that exemplary damages are awarded only in circumstances where the defendant has acted in 'contumelious disregard' of the rights of the plaintiff, and with the social purpose of teaching a wrongdoer that 'tort does not pay'.

9. Criminal sanctions v Civil sanctions

The Australian Seed Federation does not have a firm view at this stage of the review as to whether criminal v civil sanctions would be more beneficial in protecting and enforcing the rights of PBR owners. Instead, we would like to table the following comments for use in the ongoing discussion of this matter.

PBR breaches are estimated to cost the seed industry approximately A\$300 million per annum. Seed piracy is no different to piracy of movies, music, designer clothes, electronics and pharmaceuticals goods. It could be argued that seed piracy is more profitable than plant breeding or seed marketing. It costs on average a plant breeder A\$1million to develop a new plant variety and ten years of research and development to get to the point of commercialisation.

Given the above, one could argue that the Federal Government would be justified in introducing new criminal laws aimed at stopping seed piracy e.g. Stop Illegal Seed Use Act! This would be no different to the 'Stop Counterfeiting in Manufactured Goods Act' introduced in the USA to close loopholes in the Federal Criminal Anti-Counterfeiting law.

PBR owners are entitled to receive assistance through law enforcement in their fight against 'seed piracy'.

However, relying solely on the criminal justice system to combat seed piracy has both pros and cons, some of which are outlined in the 'ACIP Issues Paper'. ASF tables the following for consideration:

- Incarceration: federal criminal prosecution has real teeth, as it can result in a prison sentence. An arrest does not necessarily cause a 'seed pirate' to stop, but if convicted and put behind bars, the pirate would find it extremely difficult to continue his operation;
- Deterrence: this is a major reason for supporting criminal sanctions. Hypothetically, if a seed pirate was sentenced to two years jail for illegally pirating sowing seed, a well publicised campaign would send a clear message to would-be pirates and act as a deterrent against illegal activity. The deterrent effect of a federal prosecution would depend, to some extent, on how well publicised it is;
- Work and expense: although the PBR owner becomes a witness in the criminal case, not a party, the degree of work required to be undertaken by the PBR owner in order to get a federal jurisdiction interested will need to be investigated i.e. how much preparatory work is required to get a case to court? e.g. 'undercover investigations', collecting evidence etc.
- Delay: although the Federal police may be sympathetic they may not be able to mobilise the resources to move in a timely manner, or at all. If they don't, the seed pirates may disappear;
- Criminal prosecution may be toothless : would judges be loath to send pirates to overcrowded jails for offences? If so, criminal PBR prosecution would merely be a cost of doing business;
- Forfeiture of financial proceeds: as stated in the issues paper, there is no financial compensation to the PBR owner for the loss of any profits as the fines remain with the State;
- Control: under a criminal prosecution the government controls the process. It decides whether to adopt a case, who to investigate, arrest and prosecute, what plea bargain to offer and accept, and how to proceed at trial and sentencing.

10. Alternative Dispute Resolution (ADR)

Would mediation be of net benefit in plant breeder's rights disputes?

The Australian Seed Federation submitted the following position to ACIP during preliminary consultations with ACIP:

"...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."

In 2003 the Australian Seed Federation established in conjunction with the Institute of Arbitrators & Mediators Australia ('IAMA') the 'Rules of the Australian Seed Federation Dispute Resolution Scheme for the Domestic Trade in Seed for Sowing Purposes and for the Management of Intellectual Property'. A copy of these rules can be downloaded from www.asf.asn.au

The scheme has been introduced to provide fair, quick and cost-effective resolution of claims in those matters involving ASF members. These Rules provide for two stages in the dispute resolution process, namely conciliation and arbitration.

Conciliation is a relatively informal process where an independent person (the Conciliator) assists the Parties to negotiate a settlement of their dispute. Arbitration is a process which provides a final and binding determination of the dispute by an independent person (the Arbitrator), in the form of the Arbitrator's written Award.

It is recommended that Parties in dispute firstly attempt to resolve their differences by conciliation. Under these Rules, conciliation will be attempted first unless one or both of the parties expressly decide to proceed directly to arbitration.

The Scheme applies to:

- (a) disputes between ASF members in respect of the Domestic Trade in Seed for Sowing Purposes and for the Management of Intellectual Property, howsoever arising;
- (b) disputes between ASF members and customers of ASF members in respect of the Domestic Trade in Seed for Sowing Purposes and for the Management of Intellectual Property, where the contract between those Parties provides that disputes under or arising out of the contract shall be referred to the Institute of Arbitrators & Mediators Australia, for resolution under the Rules of the Australian Seed Federation Dispute Resolution Scheme for the Domestic Trade in Seed for Sowing Purposes and for the Management of Intellectual Property; and
- (c) disputes between ASF members and customers of ASF members in respect of the Domestic Trade in Seed for Sowing Purposes and for the Management of Intellectual Property, where the Parties otherwise expressly agree that disputes between them shall be referred to the Institute of Arbitrators & Mediators Australia, for resolution under the Rules of the Australian Seed Federation Dispute Resolution Scheme for the Domestic Trade in Seed for Sowing Purposes and for the Management of Intellectual Property.

The ASF ADR system is an optional tool for resolving disputes between ASF members and non-members alike. The benefits of the scheme can be summarised as follows:

- Quicker than court
- Cheaper than court
- Voluntary
- Can be a legally binding agreement if parties agree
- Parties agree solutions rather than Court imposing
- Allows ongoing relationship between parties
- Confidential
- Mediator is independent - no vested interest in outcome

The ASF does consider that mediation would be of net benefit to plant breeders for the reasons outlined above and would welcome further discussions exploring how the existing ASF system of dispute resolution may be utilised for the net benefit of plant breeders.

11. Central information and collective peak body

Would you support the establishment of a central coordinating body for plant breeders to assist with enforcement?

The Australian Seed Federation would support the establishment of a central coordinating body for plant breeders to assist with enforcement of PBR rights. The main functions of this body should:

- be statutory;
- offer enforcement services to PBR grantees;
- undertake an educational role to industry; and
- offer alternative dispute resolution services to parties in dispute as an option to the Court.

12. Evidence collection and close communities

The Australian Seed Federation reaffirms that there are inherent difficulties associated with the collection of evidence largely as a result of the information residing with individuals who live in small rural and regional communities which in turn places them and the PBR holder in a difficult situation.

Plant breeders are often reluctant to take infringement action when the infringer is also the customer of the breeder.

For these reasons the ASF would support an approach that allows for a ‘third party’ other than the PBR holder to take the lead in managing infringement to protect the interest of the breeder/licensee.

End.