



22nd May, 2007

Mr. Cameron Stack  
ACIP Secretariat  
PO Box 200  
WODEN ACT 2606

By E-mail to: [Cameron.stack@ipaaustralia.gov.au](mailto:Cameron.stack@ipaaustralia.gov.au)

Dear Cameron,

I am pleased to provide the following submission on behalf of Heritage Seeds Pty. Ltd. regarding the terms of reference for the "Review into Enforcement of Plant Breeders' Rights" in Australia.

We can also advise that we would welcome any opportunity to participate in any consultation process, either directly or through our industry association, the Australian Seed Federation.

Yours sincerely,

A handwritten signature in black ink, appearing to read "PP", is shown on a light-colored background.

**Phil Poulton**  
Finance Director

**HEAD OFFICE**

7-9 McDonalds Lane (P.O. Box 4020) Mulgrave, Victoria, Australia 3170  
Telephone: 03 9501 7077 Facsimile: 03 9561 9013

**Heritage Seeds Pty. Ltd.**

**Submission to the  
Review of Enforcement of Plant Breeders' Rights**

**May 2007**



## 1. Introduction

Heritage Seeds Pty. Ltd. is one of the largest seed companies operating in Australia, focusing on PBR based marketing of superior seed varieties across a wide spectrum of agricultural seed. We are well represented in tropical markets, the pasture markets including dairy and dryland, as well as having significant involvement in broad-acre cereal research and marketing. We also export our products to over 60 countries.

Heritage derives its competitive advantage from having the largest private and collaborative research programs in Australia. The varieties that evolve are released as superior, high performance varieties that offer farmers and other clients added value and outcomes from their seed investment.

The PBR Act is fundamental to the way we do business, as it is seen as the primary vehicle we have for the legal protection of the intellectual property relating to our products. Consistent with this we have been a significant contributor, both from a company and an industry perspective, to the original PVR Act, as well as the reforms that have led to the creation of the current PBR Act.

We have also worked actively and continuously within our industry to ensure maximum compliance, usage and respect for the Act and what it can offer our industry and our farmer customers.

Given our extensive use and knowledge of the Act and its operation, we feel we are very well positioned to contribute to this review.

While Heritage relies heavily on the Act for protection of our intellectual property, we must also state that we have serious concerns about the Act in its current form. We also, consistent with this, have serious concerns about the direction some participants in the industry are taking, as well as the behavior of some farmers, and the long term impact these directions are having on the intellectual property of Heritage and other companies reliant on the Act.

Given our concerns, we were actively involved in the Australian Seed Federation "Operation PBR", which commenced in 2003. While this campaign provided many benefits, it also highlighted or confirmed some fundamental flaws with the current system, being:

1. There are several deficiencies within the current PBR Act; and:
2. There are issues regarding evidence collection that make the Act virtually unenforceable.

We are therefore quite pleased that the PBR Act is being reviewed and see this as an opportunity to refine the Act so that it can properly protect the rights of those that rely upon it to promote their products, and also to ensure that farmers continue to benefit from the best research outcomes possible.

## **2. Australia's International Obligations**

### **a. The UPOV Convention**

Our understanding is that Australia is bound by the UPOV convention, given that it is a ratifying party.

Article 30(1) (i) and (ii) of the Convention require that:

“Each Contracting Party shall adopt all measures necessary for the implementation of this convention; in particular that, 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.”

It is the view of Heritage Seeds Pty. Ltd. that the Australian Government is not fulfilling its obligations in that there is currently no ability to “effectively enforce” a breeders' rights.

This is reflected in the fact that the Act(s) have been in force now for 20 years and there is still no court action that has brought about a successful outcome for a breeder in regard to their intellectual rights around the Act(s). There has been, we believe, a handful of settlements, but the fact that no breeder has been prepared to seek an enforceable judgment sends a powerful message to the Government and IP Australia that the system is unenforceable in a court of law.

This is also consistent with the legal advice that Heritage has received, and regularly reviewed over the last 20 years, and is the primary reason we have not commenced legal action despite having serious concerns, backed by evidence, regarding breaches of our intellectual property rights around the PBR Act.

### **b. Trade Related Aspects of Intellectual Property Rights (TRIPS)**

We would like to re-enforce the comments made in the ASF submission to this review, in that Australia is a member of the World Trade Organization (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 summarized 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, we do 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, it does not ensure enforcement procedures are available under the law so as to permit effective action, and it does not have expeditious remedies.....which constitute a deterrent; and it does not provide for safeguards against their abuse.

### **3. The Plant Breeders' Rights Act (1994)**

Heritage has over the years had a degree of appreciation for the continuation of the right of farmers to save their own seed (farmer saved seed). We have now however concluded that this has been one of the most damaging aspects of the current legislation, in that the scale of farmer saved seed seems to be increasing, and has clearly extended to over-the-fence trading on a major scale. There is definitively a culture that has evolved whereby farmers not only believe they are within their rights to save seed (which is in itself legal under the Act), but that it is also reasonable to trade or barter within their local community and sometimes beyond.

This practice is now so widespread that Heritage believes:

- a. There is a major negative economic impact on our business and the industry; and:
- b. The industry is now filtering research and commercialization to avoid species that are most vulnerable to abuse of rights.

The impact of these practices is ultimately that farmers and industry are being deprived of the potential benefits and rewards of new varieties, because there is a significant impediment to current and future research by Heritage and the industry at large.

We believe this exemption needs to be removed, or as a minimum, tightened significantly.

### **4. Education and Awareness**

We believe the only option to removing the farmer saved seed right is to introduce a significant tightening of the provision, and that this should only be considered if the government is prepared to take on a pro-active education campaign to educate farmers and industry about the benefits of supporting the intellectual property rights of breeders. We see the industry and farmers as needing a major cultural shift away from the "perception of acceptance of Over The Fence trading."

We also believe it is necessary to educate farmers and industry generally about the benefits of conforming to the intent of the Act and highlighting the benefits that can flow to all concerned from having a rigorous and structured process around the Act.

## 5. Essentially Derived Varieties

We wholeheartedly support the ASF position on this matter and as such repeat their submission below:

*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 favor 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.*

## **6. Essential Derivation and the Burden of Proof**

Heritage Seeds Pty. Ltd. strongly supports the reversal of the burden of proof in circumstances where the owner of the initial variety can supply 'reasonable' evidence of essential derivation, along with "reasonable" evidence of a potential breach by others against such owner

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 where the owner of the initial variety can give reasonable evidence of essential derivation (*prima facie* proof), we are in favor 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 or promoter” should be obliged by a court or enforceable arbitration process to prove in response that:

1. There is no predominant derivation or:
2. That he had not used the initial variety or a variety essentially derived from that initial variety.

In other words, the breeder or promoter would need to prove that the parentage around his variety were independent and legitimately gained, and have not been illegitimately derived from or using the intellectual property of the breeder or owner.

## **7. Process and Mechanisms for Protecting PBR**

Heritage Seeds Pty. Ltd. 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.

We believe a fundamental component of this is an obligation on all parties involved in a dispute to be obliged to provide evidence of parentage of varieties within a dispute, so that a quick, accurate and economically efficient outcome can be achieved.

We also agree with the ASF submission and survey outcomes, which state:

*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.*

## **8. Evidence Collection**

Heritage Seeds Pty. Ltd. has found it virtually impossible to gather evidence that would be sufficient to commence proceedings against a party, and that would offer any confidence of a successful outcome for Heritage in protecting our intellectual property. This is generated from:

- a. The complete and undeniable reluctance of third parties to get involved in legal action. This reluctance is driven by the general fear of being involved, concerns about possible adverse business consequences, and maintaining the public image of their business in their immediate community and beyond.
- b. The belief by farmers that “what is occurring is fair,” because it is common practice within farming.

The current Act ensures the onus of proof is entirely on the plaintiff, so given the resistance of third parties, plus the defense of “silence” by a likely defendant, there is very little likelihood of sufficient evidence being gathered to enable a case to be mounted.

### **9. Burden of Proof**

Heritage Seeds Pty. Ltd. believes that the burden of proof is so onerous and unachievable that a successful prosecution is out of the question. This is consistent with our legal advice over the years, and has been consistent irrespective of the legal firms or advisers used.

The advice is definitive, and in fact we now believe that to take legal action would be destructive for both Heritage and the industry at large, as a loss in the courts (which we are advised is virtually guaranteed) would result in public affirmation that the rights of breeders under the Act are unenforceable. This would lead to the current damaging practices within the industry flourishing to a scale that would be extremely damaging for breeders, and ultimately the industry.

We believe that in order to have an ability to protect out intellectual property, it is important to have a reversal of the onus of proof and so a positive obligation on other “breeders and promoters” to confirm their genetics, as outlined in the above sections.

### **10. Exemplary Damages**

Heritage Seeds Pty. Ltd. 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, but only has a purpose if owners of intellectual property have an achievable right of recourse under the Act

## 11. Criminal Sanctions v Civil Sanctions

Heritage Seeds Pty. Ltd. supports the view of the ASF on this matter, and as such includes their response below:

*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 commercialization.*

*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.*

## **12. Alternative Dispute Resolution (ADR)**

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'.

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

## **13. Central Information and Collective Peak Body**

Heritage Seeds Pty. Ltd. would support the formation of a central body to assist with the following:

- a. Promotion of the benefits of supporting the PBR Act and its intention to industry and farmers.
- b. Management and enforcement of intellectual property rights around the PBR Act.
- c. Offer (enforceable) dispute resolution services where parties see this as their preference to other recourse pathways.

#### **14. Evidence Collection and Close Communities**

Heritage Seeds Pty. Ltd. is acutely aware 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, or where the infringer is in a close community associated with customers of the breeder.

For these reasons Heritage would like to see the development of a system that allows for a 'third party' other than the breeder to take the lead in managing infringement to protect the interest of the breeder and its associates.

Alternatively, consideration could be given to the concept of "anonymous" reporting, although this would need to be examined cautiously as it moves away from normal legal processes.

#### **15. Summary**

We have seen significant jumps in productivity across most areas of agriculture over the last twenty years. This is due in part to better farming methods, and credit can also be attributed to the major boost to research and development within agriculture over that time, supported by the ability and belief of researchers and promoters of intellectual property that their efforts have the potential to achieve a legitimate return.

For us at Heritage, we believe the seed and associated grains industry are now at a crossroad regarding research and development. Future directions will be built around the perceived "benefits" of the PBR Act, offset by the knowledge the industry now has about the failings of the PBR Act.

There do not appear to be too many breeding enterprises in Australia at present that are generating profitable returns, even after twenty years of the Act being in place. This is remarkably consistent with the fact that there are no legal outcomes supporting the PBR Act over that time. This should trigger alarm bells, not only for the industry and farmers, but also for government, as clearly the rewards are not occurring on a scale remotely close to what owners and developers of intellectual property might have hoped.

It is fundamental that for investment to continue into plant breeding, the investors must see a potential outcome that offers reward, and to do this they must be able to reasonably and viably protect their intellectual property rights.

At Heritage, we firmly believe that this review is a unique opportunity to have the PBR Act evolve into an instrument that not only allows, but actually encourages all parties to further develop and contribute to what can be a growing agricultural industry.

End of submission.