

A review of enforcement of Plant Breeder's Rights

Submission on the Advisory Council on Intellectual
Property's Issues Paper on the Review of Enforcement of
Plant Breeder's Rights

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1.0 Summary

- **Scope of the Review**
 - Some of the issues canvassed by the review are not directly related to the enforcement of the *Plant Breeder's Rights Act 1994* (Cth). For example, the review seeks information on varietal identification and end point royalties despite the fact that end point royalties are a contractual mechanism. Strictly speaking, this is a problem of contract not plant breeder's rights.

- **Farm saved seed and reasonable opportunity**
 - *Cultivaust*¹ has added to the confusion surrounding the operation of section 17 (the farm saved seed exception) of the *Plant Breeder's Rights Act 1994* (Cth) and there are currently two working interpretations of the farm saved seed exception;
 - The phrase 'reasonable opportunity' must be narrowly constructed, so that the only 'reasonable' time for a grantee to exercise their rights in relation to the propagating material is at the point of sale.

- **Essentially derived varieties**
 - The Australian approach to essential derivation, which involves qualitative considerations, is well adapted to its aims of discouraging plagiarism (while at the same time encouraging the production of new varieties);
 - There is no evidence to suggest that the implementation of essential derivation is a problem in Australia;
 - Any attempt to extend the concept of essential derivation to non-protected varieties is not within the scope of the review.

- **Variety Identification and end point royalties**
 - End point royalties are a contractual term, and as such, do not depend on section 14 or 15 of the *Plant Breeder's Rights Act 1994* (Cth).

¹ *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11.

Consequently, end point royalties are not strictly within the scope of the current review;

- Despite this, the end point royalty scheme requires further consideration and the schemes relationship to the *Plant Breeder's Rights Act 1994* (Cth) needs clarifying.

2.0 Introduction

The current ACIP Review on the enforcement of the *Plant Breeder's Rights Act 1994* (Cth) needs to be conducted with three important considerations in mind. First, the *Plant Breeder's Rights Act 1994* (Cth)² was introduced to meet Australia's obligations under the *International Convention for the Protection of New Varieties of Plants 1991* (UPOV 1991).³ In so doing, the *Plant Breeder's Rights Act 1994* (Cth) was expected to provide greater incentive for innovation by 'encouraging increased investment in plant breeding and technology transfer':⁴ it is not merely to provide intellectual property rights over plant varieties. Secondly, the *Plant Breeder's Rights Act 1994* (Cth) 'is complementary to the government's policies geared to promote innovation in Australia's plant industries by encouraging research and development using production levies and tax concessions'.⁵ Thirdly, the Australian farming community generally understands the need for (and accepts) the plant breeder's right scheme.⁶

I submit that these broader considerations must be given due consideration in the specific analysis and evaluation of the enforcement of the *Plant Breeder's Rights Act 1994* (Cth). On this basis, my submission is based upon the following assumptions:

² Commencing on 10 November 1994. Repealing and replacing the *Plant Variety Rights Act 1987* (Cth) (which came into force on 1 May 1987).

³ *Plant Breeder's Rights Bill 1994*, Second Reading Speech, Mr Faulkner, Senate Hansard, 24 March 1994, 2306. The aim of the changes to UPOV were to strengthen the breeder's right. See, UPOV (1992) *Records of the Diplomatic Conference for the Revision of the International Convention for the Protection of New Varieties of Plants*, Geneva, 1991, UPOV Publication No 346(E), 165.

⁴ *Plant Breeder's Rights Bill 1994*, Second Reading Speech, Mr Walker, House of Representatives, 24 August 1994, 157.

⁵ *Plant Breeder's Rights Bill 1994*, Second Reading Speech, Mr Faulkner, Senate Hansard, 24 March 1994, 2306.

⁶ Anecdotal evidence gathered from workshops conducted by the Australian Centre for Intellectual Property in Agriculture (ACIPA) since 2003. See, http://www.acipa.edu.au/frame_conferences.html.

- (a) The function of the *Plant Breeder's Rights Act 1994* (Cth) is to encourage investment in plant breeding, and, therefore, any review of enforcement must include detailed analysis of plant breeding investment;
- (b) The *Plant Breeder's Rights Act 1994* (Cth) was introduced to be complementary to production levies and tax concessions, and, therefore, other means (not intellectual property) of encouraging plant breeding need to be explicitly considered;
- (c) Related to (a) and (b), enforcement raises different issues depending on whether plant breeding is being conducted by public or private institutions. In this regard, there is a lack of empirical data as to who is conducting plant breeding in Australia;
- (d) The lack of empirical evidence to support the assertion that there is a problem with enforcement and that plant breeder's rights are (or are not) working must be remedied. Where is the evidence that the lack of enforcement has resulted in a failure of the *Plant Breeder's Rights Act 1994* (Cth) to achieve its stated aims?; and
- (e) The function of the *Plant Breeder's Rights Act 1994* (Cth) is not merely to provide intellectual property rights over plant varieties.

With these assumptions in mind, this submission responds to the Issues Paper of ACIP, published in March 2007. The submission focuses on four (4) areas:

1. The scope of the review (see 3.1);
2. Farm saved seed and reasonable opportunity (see 3.2);
3. Essentially derived varieties (see 3.3); and
4. Varietal identification and end point royalties (see 3.4).

3.0 Issues raised by the Advisory Council on Intellectual Property Issues Paper

3.1 Scope of the review

I submit that the review should focus on obtaining specific empirical evidence that compliance and enforcement of plant breeder's rights is not effective: any recommendations made without such evidence cannot be justified.⁷ The review must reveal evidence that the lack of enforcement has impeded or slowed plant innovation in Australia. Without the necessary data, we will continue to have two polarised positions: on one hand, plant breeders (and the seed industry) will continue to argue that existing law offers a limited amount of protection that does not afford adequate protection for their investment, and on the other hand, farmers will continue to express dissatisfaction with the degree of protection; arguing that this raises prices of (and restricts access to) plant varieties.

Further, the scope of the review needs to be explicitly extended as many of the issues raised relate more to the scope (and nature) of the plant breeder's right granted and not to enforcement.⁸ For example, the review seeks information on varietal identification and end point royalties despite the fact that end point royalties are a contractual mechanism. In addition, the relationship between breeding institutions, taxes, levies and the enforcement of plant breeder's rights needs further investigation.

3.2 Farm saved seed and reasonable opportunity

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

⁷ The Australian Seed Federation and the International Seed Federation often refer to the 'latest survey' or 'recent study' yet details of methodology (eg. sample size, response rate etc) are not disclosed.

⁸ While ACIP have acknowledged that the terms of reference include 'the scope of the plant breeder's rights and their limitations as provided by the substantive law' this changes the review from one of enforcement of the *Plant Breeder's Rights Act 1994* (Cth) to one about the scope of the *Plant Breeder's Rights Act 1994* (Cth).

A. FARM SAVED SEED (section 17)

I submit that *Cultivaust*⁹ has added to the confusion surrounding the operation of section 17 (the farm saved seed exception) of the *Plant Breeder's Rights Act 1994* (Cth). It follows then, that it is clearly in the best interests of the Australian farming community that this issue is clarified by the current review. It is my submission that there are two (2) current interpretations of the farm saved seed exception:

- (a) The intention of section 17 is to prohibit farmer-to-farmer trading; while allowing farmers to save and replant (and sell the harvest) seed on their own farms.

This appears to be the interpretation of section 17 that most farmers, breeders and the seed industry currently ascribe to.¹⁰ At this time, I am unaware of any seed licence that specifically abrogates the farmers ability to save, re-plant and sell the subsequent harvest.¹¹

- (b) Secondly, section 17, by way of section 14 of the *Plant Breeder's Rights Act 1994* (Cth), only allows farmers to save and replant seed (but does not allow them to sell the harvest without prior authorisation and a reasonable opportunity, by the grantee, to exercise the grantee's right in relation to the propagating material).

Importantly, on this interpretation a plant breeder's rights owner can stop a farmer selling his or her harvested crop (derived from the saved seed). This is the approach that Justice Mansfield has adopted in *Cultivaust*. Justice Mansfield concluded that section 17(1):

...authorises from the first generation crop, and from subsequent generations of crop...the retention of farm saved seed. It also authorises the use of the farm-saved seed in producing a further crop and the

⁹ *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11.

¹⁰ Anecdotal evidence from workshops conducted by the Australian Centre for Intellectual Property in Agriculture (ACIPA). See, http://www.acipa.edu.au/frame_conferences.html.

¹¹ End point royalties are related to this issue (see 3.4).

harvesting of further propagating material from plants grown from that seed.¹²

However, Justice Mansfield, held that section 17 did not stipulate what the grower could do with any propagating material, generated from farm saved seed, beyond its use as farm saved seed.¹³ In Justice Mansfield's opinion, the only conclusion available was that farm saved seed from second, and subsequent, generations was to be treated as if the harvested material (in the case of *Cultivaust*, barley) was propagating material and was, therefore, covered by section 11.¹⁴

To add to the confusion, the Federal Court decision was appealed to the Full Court of the Federal Court, and, while the Full Court was not required to decide the farm saved seed issue the Court did express doubt about Justice Mansfield's construction of section 14.¹⁵ The Full Federal Court considered that Justice Mansfield confused the distinction between the primary rights under section 11 of the *Plant Breeder's Rights Act 1994* (Cth), and the secondary rights that arise by way of infringement, under section 53(1) of the *Plant Breeder's Rights Act 1994* (Cth).¹⁶ The Full Federal Court, somewhat ambiguously, stated that:¹⁷

... if s 14(1) be relevant, the primary judge may have misconstrued s 14(1)(b) in failing to distinguish between the grantee's rights under s 11 and the secondary rights that arise by reason of infringement of that right, as provided for in s 53(1). In light of the conclusion reached above, it is unnecessary to resolve that question but it should not be thought that his Honour's view of ss 14(1)(b) and 15 (b) would necessarily be endorsed if the question arises in the future.¹⁸

¹² *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 48.

¹³ *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 48-49.

¹⁴ *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 49.

¹⁵ In October 2005, Justices Finn, Emmett and Bennett dismissed the appeal based on the construction of section 18: *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2006) 67 IPR 162.

¹⁶ *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2006) 67 IPR 162, 174.

¹⁷ *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2006) 67 IPR 162, 174.

¹⁸ *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2006) 67 IPR 162, 174.

It is submitted that the judicial consideration of the farm saved seed exception has added uncertainty, not clarity, to the issue.

B. REASONABLE OPPORTUNITY (section 14)

I submit that in relation to farm saved seed, ‘reasonable opportunity’ must be narrowly constructed.¹⁹ It is my submission that because of the concomitant factors of the easy duplication of biological material; the entrenched practice of seed saving by Australian farmers; and the (alleged) difficulties of enforcement the only ‘reasonable’ time for a grantee to exercise their rights in relation to the propagating material is at the point of sale.²⁰

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

Yes. The Australian Centre for Intellectual Property in Agriculture (ACIPA) has conducted a number of workshops throughout Australia.²¹ While a large number of farmers have a general awareness of their obligations under the *Plant Breeder’s Rights Act 1994* (Cth), many others have little understanding of the legal scheme that regulates their use of plant varieties.²² Particular areas of uncertainty include: the meaning of the farm saved seed exception (see discussion at 3.2) and the relationship between common law contract and the *Plant Breeder’s Rights Act 1994* (Cth). As will be discussed in 3.4, there is a general misunderstanding (not just by farmers but also by the seed industry) that end point royalties are part of the *Plant Breeder’s Rights Act 1994* (Cth).

¹⁹ According to Justice Mansfield, the *indicia* of what constitutes a ‘reasonable opportunity’ were knowing that such crops were being grown and harvested; understanding that the crops were themselves subject to plant breeder’s rights by reason of s 14; and if relying on another body (for example, to obtain end point royalties) knowledge that there has been no agreement; *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, 50-51.

²⁰ Importantly, in *Cultivaust*, reliance on the farm saved seed exception appears to arise (only) because of the failure to agree to terms on an end point royalty agreement.

²¹ Note 6.

²² Recently, a Victorian farmer expressed his opinion that he was able to buy seed from the farmer ‘down the road’. The justification for this was that he had bought that same variety legitimately off the breeder the previous year (his returns were poor for a number of factors), and because of this he was able to use that variety again – regardless of how he obtained it.

3.3 *Essentially derived varieties*

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

Legally, there are two steps in assessing whether a plant variety is essentially derived. The first is administrative in nature as the putative essentially derived variety must be registered under the *Plant Breeder's Rights Act 1994* (Cth).²³ The second step, assessing whether the second variety is essentially derived is more difficult. As early as 1991, when the legal concept of essential derivation was introduced, there were discussions about the potential pitfalls of implementing essential derivation as a legal concept.²⁴ There have been a number of attempts by various UPOV sub-committees as well as the breeder association, the International Seed Federation, to establish a framework in which to compare plant varieties. To date, these attempts have focused on quantitative differences between plant varieties: genetic thresholds and coefficients.

In addition to these quantitative consideration, the *Plant Breeder's Rights Act 1994* (Cth) has introduced a qualitative – 'important (as distinct from cosmetic) features' - component .²⁵ Section 4 of the Plant Breeder's Rights Act 1994 (Cth) provides:

A plant variety is taken to be an essentially derived variety of another plant variety if:

- (a) it is predominantly derived from that other plant variety; and
- (b) it retains the essential characteristics that result from the genotype or combination of genotypes of that other variety; and
- (c) it does not exhibit any important (as distinct from cosmetic) features that differentiate it from that other variety.

²³ In 2002, the Expert Panel on Plant Breeding recommended that the right be extended to provide protection against putative essentially derived varieties that were not subject to plant breeder's rights. This is an issue of the scope of the right, not one of enforcement. Expert Panel (2002) 'Clarification of Plant Breeding Issues Under the Plant Breeder's Rights Act 1994' Report of the Expert Panel on Breeding, December, www.anbg.gov.au/breeders.

²⁴ Jay 'Essential Derivation, Law and the Limits of Science' (2006) 24(1) *Law in Context*, 34 at 41.

²⁵ A similar qualitative approach was taken in the only judicial consideration of essential derivation to date: *Astée Flowers v Danziger 'Dan' Flower Farm*, Court of The Hague, Civil Law Sector, 13 July 2005.

Such an approach means that those involved in determining a dispute on essential derivation can ask the following type of questions: ‘What are the performance differences between the putative essentially derived variety and the initial variety? Has the new variety overcome some problem or is it merely a cosmetic difference? Has the new variety satisfied a need? And what (if any) is the benefit to the public?’.²⁶ The advantages of incorporating a qualitative component into the assessment of essential derivation are:

- it is a dynamic approach that can adapt to advances in plant breeding; and
- it gives more certainty to breeders as they can assess ‘important’ and ‘substantial’ difference between varieties.

Therefore, it is my submission that the Australian approach to essential derivation is adequate - particularly in light of the fact that there is no evidence to suggest that the implementation to essential derivation is a problem in Australia. Any attempt to extend the concept of essential derivation to non-protected varieties is not within the scope of the review.²⁷

3.4 Varietal identification and end point royalties (EPR)

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

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

It is important to emphasize that end point royalties are a contractual term, and as such, do not depend on section 14 or 15 of the *Plant Breeder’s Rights Act 1994* (Cth). Consequently, end point royalties are not strictly within the scope of the current review. Despite this, I submit that the scheme of end point royalties needs further consideration.

²⁶ Sanderson, Jay ‘Essential Derivation, Law and the Limits of Science’ (2006) 24(1) *Law in Context*, 34 at 50.

²⁷ Note 23. Again, there is no empirical evidence to suggest that there is a problem of non-protected varieties being ‘essentially derived’ from protected varieties.

More fundamentally, the assumptions and the role of end point royalties in relation to plant breeder's rights need to be given further investigation, including:

- the relationship between end point royalties and farm saved seed;
- how end point royalty rates are calculated;²⁸
- the possibility of standardised contracts;
- whether end point royalties are a return on past investment or payment for prospective investment in plant breeding;
- the Western Australian Department of Agriculture's position on 'open trading'; where farmers are encouraged to trade openly after a certain period of time;²⁹
- the motivations for government institutions and private seed companies;
- the possibility of legislative consequences for failure to pay royalties (instead of relying on individual contracts).³⁰

²⁸ Tresslyn Walmsley has stated that the Western Australian Department of Agriculture considers the following when calculating end point royalty prices: the costs of other varieties in the market place; the benefit/s of the new variety; and market tolerance.

²⁹ The Department considers that the declaration of open trading (farmer to farmer trading) makes a significant difference to the adoption of varieties. An open trading environment dramatically decreases the seed price and substantially improves a grower's access to seed. Generally, the Department declares open trading after two to three years and this has a major impact in the market impact of the varieties. See Walmsley, Tresslyn, Department of Agriculture, Western Australia 'Variety release and End Point Royalties – a new system?' http://www.grdc.com.au/growers/res_upd/west/w05/walmsley.htm.

³⁰ For a general discussion on the European approach, see Llewelyn M, and Adcock M, *European Plant Intellectual Property* (Hart Publishing, 2006) p 230-233. In a number of European countries private collecting agencies have been established to collect royalties directly from farmers. For an overview see Fair Play www.fairplay.org/uk/site/index.html.