

A Review of Enforcement of Plant Breeder's Rights

An issues paper – March 2007

Australian Council on Intellectual Property

Submission from Kathryn Adams¹

ACIP has produced an excellent issues paper, raising some key matters that are concerning plant breeders and users about their ability to enforce their PBR rights. Having just reached 20 years since the first legislation was introduced in Australia, this review of enforcement is timely.

As a person who is involved in providing training to farmers, scientists and industry in relation to PBR, I am able to comment on the issues that the spectrum of users of the PBR system are grappling with. This is a brief summary of my experience of the issues raised. I would be happy to discuss them further with ACIP.

Summary

- Farm saved seed provisions could be clarified and simplified; for example, if the European approach was taken, limiting the exemption to prescribed varieties, and implementing an equitable remuneration system for breeders where farmers save seed, breeders would have less need to implement the convoluted provisions of sections 14 and 15 to ensure they were able to get a reasonable return on their investment.
- There needs to be clarification around end point royalties; in most cases these are contractual terms of use of a protected variety, and not dependent on the triggering of s14 or s 15 of the *PBR Act*
- Where sections 14 or 15 are triggered there needs to be greater clarity in the Act as to what action the grantee is entitled to take to exercise rights on the harvested material or product and the consequences if this is not possible
- There could be more technical clarity of the definition of essentially derived varieties; practically, the PBR system should be encouraging difference rather than similarity – the greater the difference the easier it will be to enforce and hopefully the more marketable a new variety will be
- There needs to be additional education of breeders, researchers, growers and industry. A number of R&D Corporations have contracted with ACIPA to provide such training, but it is not something which occurs

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quickly and it is not a “one-time” activity if it is to have the desired impact across the whole agribusiness sector

- Many of the enforcement issues could be reduced if there was R&D investment in developing quicker, reliable laboratory methods for distinguishing between varieties on a genetic basis, rather than having to rely on growing trials; some varieties have characteristics which differ between geographical areas, making evidence based on such trials difficult to substantiate in a court.

Key Issues Raised by ACIP

4.1.1 Farm-saved seed

The issue of farm-saved seed has been a debated since PBR in Australia was first mooted several decades ago. Some farmers want the exemption and most breeders do not. With the introduction of the 1991 amendments to the UPOV Convention there has been more flexibility for countries to deal with this matter.

In Australia it has become somewhat confused with the introduction of sections 14 and 15 in the 1994 PBR Act. These sections extended the rights given in s11, under certain circumstances. When they were introduced the old s18 was still in force, exempting propagating material from PBR if it was to be used for food or fuel. When this s18 was deleted in 2002, Australia went from a situation where farmers had been able to save their seed and replant for their own use, virtually unfettered if the harvested material was to be used for food or their own replanting. After the deletion of the old s18, the PBR grantee could exercise their rights over the harvested material of second and future generation crops, whether or not it was propagating material (including where it was being used as food)— as clarified by the *Cultivaust* case.

One of the key applications of s14 and s15 is where a breeder does not have reasonable opportunity to exercise their rights over the propagating material because the propagating material was farm-saved seed.

However, the Act is not clear as to how the grantee will exercise the rights, and whether or not he has to attempt to exercise the rights, and fail, prior to taking any infringement action.

If the grantee is to exercise his rights he has to find a mechanism for putting in place terms of use of the variety, after the fact, because the material has to be harvested (not just planted) to trigger sections 14 and 15. The grantee can write to the farmer seeking an end-point royalty on the produce or product, provided that the grantee can obtain accurate records of volume sold etc.

The initial conditions of sale of the propagating material could cover the royalties that would be due if seed was saved, such that if second or future generation crops from saved seed are sold, then there would be a royalty on the end product. But again the grantee has to know when and how much harvested

material or product from the harvested material is being sold. To be able to gather evidence to enforce the rights could be extremely difficult.

It may help if the Australian Act adopted a mechanism similar to that in Europe where farmers (other than small farmers) who save seed have to pay the breeder equitable remuneration for the amount of seed they have saved, and it is the farmer's responsibility under the Act, to keep the necessary records.

In addition, in Europe, the farm-saved seed exemption only applies to certain prescribed species and this would help minimize confusion if a similar provision applied in Australia. In Australia only those species to which the exemption does not apply are prescribed².

If this occurred, then the exercise of rights over the harvested material and product may not be necessary.

4.2.9 End Point Royalties

There is some confusion about end point royalties and how they are initiated. This confusion is caused by the existence of s14 and s15. Most end point royalties are put in place as the contractual terms under which the grantee will allow others to use material, for which the grantee has exclusive rights. These end point royalties would exist regardless of the existence of s14 and s15 and do not require the conditions precedent needed to trigger the use of sections 14 and 15.

If s14 and s 15 were deleted in favour of a European type equitable remuneration for farm-saved propagating material, then there would only be one form of end point royalty and that would be the contractual form (a condition of use).

4.1.2 Essentially Derived Varieties

This is a difficult area. PBR is based on comparing a new variety with the closest known varieties and describing the differences. Whether these are 'important' or 'cosmetic' may vary from sector to sector. For example, leaf colour in ornamental varieties is very important, but in pasture species or legumes it may be 'cosmetic'. It would seem in this age of biotechnology that a combination of demonstrated breeder input (breeding effort), combined with demonstrated genetic variation is what is required. A definition of the genetic difference between varieties needs to be such that the change makes a measurable difference in some function (including visual appearance, or insect resistance etc) of the variety. This issue has been debated by experts for many years, but unless we can find a technical measure of difference, the issue will not be resolved.

It would also be interesting to obtain more information about actual cases where essential derivation is causing problems. Most breeders should want to develop

² *PBR Act 1994 (Cth) s17(2)*

a new variety that is clearly distinguishable so there is little room for argument over its origins, and perhaps this should be the direction that the PBR scheme encourages.

If industry thinks this is a significant issue as some would portray, then they may need to invest in R&D to develop reliable methods of determining differences between varieties genetically, particularly if these differences could then be linked to measurable characteristics of the variety.

4.2.3 Burden of Proof

Rather than tinker with the basic legal custom and practice relating to burden of proof, it may be more effective to provide breeders with better technology to prove their varieties. This relates to previous comments on availability of quicker, more reliable genetic identification methods.

4.2.7 Alternative dispute resolution

It is becoming more common for legislation to prescribe ADR systems. In the case of IP, it should not be a government operated system, but provided through organizations such as the Institute of Arbitrators and Mediators Australia (IAMA) – the seed industry has such a scheme for its disputes arising under its Code for Domestic Trade (www.asf.asn.au). A system of adjudication could be considered, perhaps ordered through the Magistrate's Court, where the decision would be binding unless there was an error of law. This would help reduce time and costs, and also maintain business and community relationships where people need to deal with each other into the future.

4.2.9 Varietal identification and end point royalties

Support for investment in reliable genetic testing capability has already been canvassed.

4.2.10 Central information and collective peak body

Experience from copyright should be examined to find a model for record keeping and royalty collection. This could be for both propagating material royalties and end-point royalties, depending on the terms of use. The rate of royalties and the collection of royalties is a contractual issue between grantees and users. The collection agency should be a private body, operating as a neutral broker between growers and breeders. Although it collects royalties on behalf of breeders, it would also have a role in ensuring that grower's rights and obligations were respected. It could also coordinate the ADR processes discussed above.

Role of R&D corporations in breeding

Although it is not directly related to enforcement of PBR, it may indirectly influence the extent to which enforcement is pursued. The statistics in relation private and public sector investment in plant breeding cannot be directly extrapolated from the PBR database of grantees. Many breeding programs are

funded by R&D Corporations which are a mixture of grower levy, which is private sector investment in plant breeding, and matching investment from the Commonwealth government, with varying levels of contribution from the research provider (usually government such as CSIRO, university, State Department of Primary Industries).

Under this system actual ownership of the IP and responsibility for enforcement varies. Sometimes ownership is joint, other times the rights and responsibilities are assigned to one or other party. Where the research provider owns the IP, there may be less incentive to enforce the rights than if it was owned by the R&D Corporation or the private investors.

The role and impact of this private/public partnership could be further investigated by ACIP.