



Australian Government

Plant Breeder's Rights Advisory Committee

A review of enforcement of Plant Breeder's Rights

SUBMISSION TO ACIP

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PBRAC's mandate

The Plant Breeder's Rights Advisory Committee (PBRAC) is established under section 63 of the *Plant Breeder's Rights Act 1994* (PBR Act). The PBRAC provides advice to the Minister and the Registrar of Plant Breeder's Rights (PBR). Members of the PBRAC are drawn from diverse parts of the PBR community. Consequently it is well placed to provide broad perspectives on PBR issues and thereby assist ACIP with this step in its inquiry.

Introduction and context

The purpose of the plant breeder's rights system is to encourage the development of new plant varieties and so ensure a supply of new plant varieties to Australian industry and consumers. The ultimate objective is that there be an overall benefit to Australia. (This is the same objective as other intellectual property (IP) systems.) The PBR system needs to balance the interests of breeders, users and the public interest.

The PBRAC is aware of the current level of complaints regarding problems enforcing PBR - and is concerned that the PBR system may not be achieving its aim of encouraging the development of new plant varieties and therefore not achieving its objective – because infringements are purportedly too difficult or too costly to pursue. The PBRAC therefore welcomes ACIP's inquiry into this issue.

The PBRAC at its 36th meeting on 11 May 2005 noted that ACIP had recently recommended that jurisdiction of the Federal Magistrates Court be extended to include patent and trade mark matters, but that ACIP had not considered PBR matters. The PBRAC supported in principle the extension of the jurisdiction Federal Magistrates Court to include PBR matters. As a result of this support the PBRAC Secretariat wrote to the then Parliamentary Secretary to the Minister for Industry, Tourism and Resources, the Hon Warren Entsch MP, suggesting he refer the matter to ACIP.

The PBRAC believes to examine this issue effectively, it is necessary to first understand the underlying causes of the complaints. Only then can solutions be suggested that properly balance the interests of breeders, users and the public.

To assist the PBRAC identify the underlying causes of the complaints, it took where possible two view points: that of a PBR owner and that of an infringer. To identify the driving factors, the PBRAC asked the following questions:

- Why are breeders/owners complaining about PBR enforcement?
- What infringement is currently occurring?
- Why is that infringement occurring?

The PBRAC believes that while this approach helped it identify some of the underlying causes of the complaints, more work is needed to fully understand the problems.

During its deliberations the PBRAC kept in mind that the PBR Act creates a private property right, and places responsibility for enforcing this right on the PBR holder. An analogy the PBRAC found useful was with contracts, where the responsibility for enforcement of a breached contract resides with the aggrieved party.

The PBRAC identified two general sets of issues. One was that breeders¹ are unwilling and/or unable to enforce their rights. The second was that infringers rely on the fact that the chance of being caught, and then successfully prosecuted, is small. Together, these factors combine to potentially undermine the benefits of the PBR scheme because they promote a pervasive perception that there is no credible threat of successful enforcement action. That is, if the probability of being caught is small then deterrents or penalties alone, no matter how severe, may do little to discourage people from infringing.

Why are breeders/owners complaining about PBR enforcement?

Two major points came out of the PBRAC discussion of why breeders complain about PBR enforcement:

- Breeders do not fully understand the role PBR legislation plays in the commercialisation process. Consequently breeders take inadequate steps to address all relevant issues when first commercialising their new plant variety. The PBRAC notes that the commercialisation models are changing. For example end-point-royalties (EPR) have recently been introduced for some field crops. An EPR model may result in reduced infringement of PBR and act as a stimulus for other sectors to develop similar models. Currently it is common for breeders to rely solely on PBR to protect their variety in the market place. However, successful commercialisation requires more, as the EPR system demonstrates. This point was considered significant for a number of breeders with small to medium sized businesses.
- Breeders find (or anticipate) that enforcing their PBR will be too costly, time consuming, difficult, slow, uncertain and emotionally draining. Therefore, they may consciously choose not to pursue infringers particularly if resources are limiting or they are likely to alienate a portion of their client market. These points were considered to be major for most breeders.

However, anecdotal information suggests that the relative importance of these issues varies according to industry sector. Therefore, some of the ACIP's recommendations may need to be particularly targeted at particular sectors.

The PBRAC also noted that some of the issues were beyond the scope of the PBR Act.

What infringement is occurring

The PBRAC noted that infringement could be grouped according to intent of the infringer.

- Innocent infringement,
- Unintentional infringement,
- People “slip into” infringement,
- Deliberate infringement.

The PBRAC also noted that amongst farmers there is good will towards the PBR scheme and its aims. Farmers acknowledge the role PBR plays in encouraging the development of new plant varieties. They also recognise the importance of the development of new plant varieties to their business. Generally, farmers express a willingness to pay reasonable prices for continuing access to new and improved varieties.

¹ In this context “breeder” also refers to the owner of the right, the grantee, successor in title and/or the applicant for PBR. The terms are used interchangeably in this document.

Innocent infringement

The innocent infringement provision, section 57 of the PBR Act, is a narrow and well defined legal test. The PBRAC noted that the PBR scheme has been in operation for 20 years and there had been consistent education campaigns during that time. For example advertisements and editorials in key industry magazines, such as, GRDC's *Ground Cover* and *Australian Horticulture*. Consequently farmers and others ought to be aware of PBR, the steps they should take to establish whether a plant variety they are growing is protected by PBR and how narrow the innocent infringement provision is. Therefore the PBRAC considers that most people would not be able to claim innocent infringement if an action was launched against them. However, the PBRAC noted there is confusion amongst the farming sector regarding what is meant by innocent infringement.

There is a perception amongst some farmers that if they ignore the issue of PBR, then they will be able to claim they are innocently infringing PBR if they are caught. This incorrect belief suggests there is a need for more education on this issue.

The PBRAC considered 'true' innocent infringement to be very rare. However, the PBRAC considered retention of the innocent infringement provisions was important from a policy point of view. These provisions protect the reasonable person who has tried to identify the plant varieties growing on their property and any PBR associated with them. The single plausible example proffered in this regard was sale of a deceased estate by distant relatives, though there may be others. To assist people to identify what plants may be growing on their property, the PBRAC highlighted the on-line *Register of Plant Varieties* available at <http://pbr.ipaustralia.plantbreeders.gov.au>.

Unintentional infringement

Another situation discussed was unintentional infringement of PBR. This occurs when people do not understand what PBR protects and the associated responsibilities and obligations. Again, the PBRAC noted a need for awareness and education to inform potential users of their rights and obligations.

People "slipping into" infringement

The PBRAC discussed two general situations in this category. The commonality between them was that a person:

- deliberately infringes PBR, albeit at a low level, whilst commercially 'trailing' a plant variety; and
- has the intention of obtaining a license later if the trial is successful.

This leads on to two different outcomes. First, the person realises that the breeder has not detected the infringement, and so continues infringing. Second, the person has decided the variety is successful and would like to obtain a licence but is concerned by the breeder's potential reaction to their infringement and so does not seek a licence.

Deliberate infringement

The PBRAC discussed why people deliberately set out to infringe PBR and identified several reasons. These included:

- because they believe they can get away with it; and
- they think the PBR system is "unfair".

The first group sees the lack of enforcement and/or potential uncertainties in the PBR Act as a “green light” to infringe. They are also often attracted to the idea that because:

- others are infringing and that the court will somehow see their actions as a minor breach in line with accepted practice; or
- others are infringing and the rights owner won’t have the resources to catch everyone.

There are two drivers for the second group. One subgroup believes they have paid for the original plants or seed, so why should they also pay royalties for plants or seed they propagated or grew themselves. The other subgroup believes the IP system *per se*, interferes with traditional farming practices, such as swapping seed with neighbours, and do not want to change their traditional practices.

People who deliberately infringe were loosely classified as those who were blatant and those who were devious. Devious people were thought to be the most difficult to prosecute as they would deliberately destroy or alter records, or just not keep records. Therefore discovering sufficient forensic information to successfully take an infringement action against these people was thought to be very difficult.

Problems proving infringement

Proving infringement in either the situation of deliberate infringement or infringement that people slip into was perceived by many as being very difficult though there seems only scattered evidence of attempts to prosecute infringement. Examples of problematic scenarios include:

- In orcharding, people may have both legitimately obtained plants and infringing plants. Consequently a person can claim that any piece of fruit came from a legitimately obtained plant. It may only be possible to prove infringement by access to the property and counting trees or looking at total sales of fruit and determining that it is too high for the number of legitimate trees bought.
- In the grains and peanut industries, it is not possible to easily determine whether a person has incorrectly declared varieties they delivered. In contrast to the orcharding example, accessing a grain or peanut farm will not immediately highlight infringing plants.

Infringement generally

Having identified why breeders are complaining about PBR enforcement and why infringement is occurring, the PBRAC believed it was worthwhile looking at the legislative framework and considering those issues in that context.

What is “infringement of PBR”?

Subsection 53(1) of the PBR defines infringements as:

- doing any one of the acts identified in section 11 of the PBR Act in relation to propagating material of a PBR protected plant variety² (paragraphs 53(1)(a) and (b)); or
- mislabelling a plant with the name³ of a PBR protected variety, where that plant is in the same plant class as the PBR protected variety (paragraph 53(1)(c)).

The acts in section 11 are self evident, other than paragraph 11(b) which relates to conditioning material for the purpose of propagation.

² Also includes “dependant varieties”

³ “name of the variety” refers to both the registered denomination or synonym of the variety.

Conditioning is defined in section 3 of the PBR Act, as:

- conditioning**, in relation to propagating material of a plant variety, means:
- (a) cleaning, coating, sorting, packaging or grading of the material; or
 - (b) any other similar treatment;
- undertaken for the purpose of preparing the material for propagation or sale.

What is “propagating material of a PBR protected variety”?

Propagating material is defined in section 3 of the PBR Act, as:

“propagating material, in relation to a plant of a particular plant variety, means any part or product from which, whether alone or in combination with other parts or products of that plant, another plant with the same essential characteristics can be produced.”

This definition contains two other defined terms: “essential characteristics” and “plant variety”.

The definitions for these terms are also included in section 3 of the PBR Act as:

“essential characteristics, in relation to a plant variety, means heritable traits that are determined by the expression of one or more genes, or other heritable determinants, that contribute to the principal features, performance or value of the variety.”

“plant variety means a plant grouping (including a hybrid):

- (a) that is contained within a single botanical taxon of the lowest known rank; and
- (b) that can be defined by the expression of the characteristics resulting from the genotype of each individual within that plant grouping; and
- (c) that can be distinguished from any other plant grouping by the expression of at least one of those characteristics; and
- (d) that can be considered as a functional unit because of its suitability for being propagated unchanged.

Note: Plant groupings for the purposes of this definition include genetically modified plant groupings. See section 6.”

What needs to be proven to show that there has been infringement of PBR?

The infringement tests are multi part tests.

The test for infringement under paragraphs 53(1)(a) and (b) is:

- an act defined in section 11 of the PBR Act has occurred or is about to occur;
- the material to which that act relates is “propagating material” of a plant variety; and
- PBR has been granted in respect of that plant variety.

The test for infringement under paragraph 53(1)(c) is:

- a person applied the name of a PBR protected variety to a plant;
- the plant variety to which that individual plant belongs is in the same plant class as the PBR protected variety; and
- the plant variety to which that individual plant belongs is not the same as the plant variety identified by that name.

Both these tests require the identity of the material the subject of infringement action to be determined. This generally requires a physical comparison between a sample of the PBR protected variety and a sample of the material the subject of infringement action.

However, the infringement test in the PBR Act must be looked at in the context of the *Evidence Act 1995* and the *Criminal Code Act 1995*. The Evidence Act sets out the standard of

proof (sections 140 and 141). The Criminal Code sets out the elements of an offence, which includes both physical elements and fault elements (sections 3.1–6.2).

Therefore a breeder must establish both the physical and fault elements of the test set out in the PBR Act to the required standard of proof to prove that infringement of PBR has occurred.

Exclusions

Although subsection 53(1) defines what infringement is, it also excludes a number of otherwise infringing acts from the definition of infringement. These acts are set out in sections 16–19, 23 and 55. In summary, these exclusions are private and non commercial use, seed saved from the previous crop that is used for planting the next crop, crown use, where there is a failure to provide reasonable public access, where PBR has been exhausted and a declaration from a court that the act would not constitute an infringement.

To take advantage of these exclusions as person needs to show that their infringing act falls within the scope of the relevant exclusion(s).

Extensions of PBR to subsequent generations

First, it is worth stating the obvious—that is, plants are living, usually capable of reproduction which in turn results in multiple generations. This is important in the context of infringement because an act applies to a particular “batch” of propagating material (e.g. a bag of seed or a consignment of grain). The legal effects of that act do not apply to subsequent generation arising from that batch of propagating material. That is PBR applies to all plants of a particular variety, regardless of generation.

What this means is that the exclusions or exhaustion do not void the PBR on subsequent generations grown from the propagating material. Section 14 of the PBR Act reemphasises this point.

Which courts may hear PBR matters?

Only the Federal Court of Australia (Federal Court) may hear PBR matters. In some circumstances, the Federal Court may refer matters to other courts of suitable jurisdiction. The role of the Federal Magistrates Court (FMC) is discussed in other sections of this submission.

Infringement provisions and perceived problems

The issues identified above can be characterised in several way.

Responsibilities of breeders

One of the main problems is that breeders either don't know that they are responsible for enforcing their rights or don't know how to go about enforcing their rights. Further, they do not know who to contact when seeking advice on how to enforce their rights. Many legal firms do not have PBR enforcement experience. Certainty of outcome is also an issue

Clarity of the PBR Act

Two opposing views have been put: (i) the PBR Act is unclear – thus potentially limiting successful litigation, and (ii) the PBR Act is generally sufficiently clear and when infringers are caught, they settle out of court because their infringement is obvious and there is a high likelihood of an adverse court judgment.

Lack of clarity

Some breeders and users complain that the infringement provisions are unclear. The complaints take two forms.

- First that the PBR Act is unclear. However, the issues themselves have not yet been clearly defined. Some complaints are that some terms are unclear (e.g. the terms “reasonable opportunity” and “propagating material” or what is meant by the farm saved seed provision). However, a contributory cause of these complaints may relate to an unfamiliarity with the PBR Act, a lack of knowledge about the structure of IP legislation or that people are not certain as to what needs to be proven to show that infringement has occurred.
- The second complaint that it is not clear what evidence is required to prove that infringement has occurred.

Both forms of complaint have resulted in calls for legislative change to clarify particular situations, as implicitly acknowledged in the issues paper. However, until the problem situations are clearly articulated, it is not possible to address the issue with any degree of certainty. For example infringement action is a case by case analysis of how the specific facts of the case at hand relate to the legislation. Therefore the terms, “reasonable opportunity”, “propagating material”, “essential characteristics”, “plant variety” and “conditioning”, which some complain are sufficiently unclear, have to be assessed in the context of the case. There will always be some uncertainty in this process as people will analyse each situation differently, e.g. the judge, the breeder and their lawyer may all analyse the facts differently.

Legislative change does not address the issue of uncertainty of how the legislation will be applied to the facts of an individual case; it deals with systemic problems. Consequently, the PBRAC is not sure that legislative change will necessarily resolve issues of clarity to the satisfaction of all stakeholders.

However, if the problem is that the PBR Act does not clearly identify the legal tests for showing that infringement has occurred, then legislative change is required.

PBR Act is sufficiently clear

There is a body of anecdotal evidence suggesting that many infringement actions are settled out-of-court. However the frequency and magnitude of these settlements are difficult to ascertain as they are usually subject to privacy provisions.

Proponents for clarity point to the lack of ‘unsuccessful’ legal actions as an indicator that in many cases, infringers once caught assess the risk of a judgment against them as too high.

Collection of evidence

The PBRAC notes that complaints about evidence do not relate to PBR legislative requirements, but rather to what evidence is required to convince a judge in a particular case that infringement has occurred. These issues are covered in the Evidence Act and the Criminal Code Act.

For example in the:

- orcharding example, the issue regards difficulty proving an infringing act has occurred. For example that the conduct occurred (physical element), or that the alleged infringer is the person responsible for that conduct (both physical and fault elements).
- grain and peanut example, the issues regard both difficulty identifying the variety in question (physical element), and whether an infringing act has occurred (both physical and fault elements).

The PBRAC believes that determining what evidence is required to convince a judge is a matter best left to the courts. This is because the facts of each case vary and so the evidence required in each case will vary.

Some have called for standards in the PBR Act regarding use of molecular technology in court cases. The available technology for comparing plant material will change over time; therefore any legislative change would need to consider technology independent criteria and this may be difficult. Therefore a “one size fits all” approach to evidence, which is what legislation is, may not be appropriate.

The issue of standards is really directed towards the question of “What do experts generally agree as demonstrating a particular fact?”

The PBRAC also notes that under the heading of enforcement, breeders complain about their ability to collect evidence of infringement, and therefore prove that infringement has occurred. This is an issue that is not dealt explicitly in the PBR Act. However, it relates to a breeder’s ability to adequately enforce their right, and substantial deficiencies would need to be addressed.

The PBRAC notes that the ability to collect evidence is not an issue generally addressed in other IP legislation, although the *Copyright Act 1968* and *Trade Marks Act 1995* do specifically deal with this issue in relation to importation. The PBRAC notes that the courts have considered this issue and deal with it, *inter alia*, via discovery, Anton Piller orders and Norwich Pharmacal relief, which relate to general court procedures for “discovering” evidence, stopping the destruction of evidence and requiring third parties to assist. However, the PBRAC believes that these court developed procedures may not adequately balance the rights of breeders and others in relation to the gathering of evidence prior to any decision about commencing court action.

In relation to importation, the PBRAC believes the lack of provisions allowing seizure of goods at the border to be a potential weakness in the PBR Act. The PBRAC notes that there are claims that the Australian Customs Service does not have the ability to distinguish between plant varieties. However, the PBRAC believe it is possible to design a workable system for seizing infringing plants at the border.

Legal context

The PBRAC notes that since plant variety legislation commenced 20 years ago, there have been very few PBR enforcement actions heard by the courts—State, Federal or High Court. The court system provides an import role in society by interpreting legislation, and that over time, this provides some certainty as to what the legislation means and what is required to prove something under that legislation. That there have been so few PBR matters heard means that jurisprudence in the PBR context has been slow to accumulate. Consequently the PBRAC believes this may be one of the reasons why legislative change is being suggested.

When the PBRAC compares PBR with the patents and trade marks systems, it notes that:

- proportionally, there is an equally low level of enforcement activity in the patents and trade mark systems (Note: the PBR system is much smaller than the patent or trade marks systems, which means there are fewer matters brought before the courts.);
- patents and trade marks legislation contain terms that are equally ill-defined as those found in the PBR Act, for example “invention” in the *Patents Act 1990*, but that these have a generally accepted meaning that has arisen from repeated interpretation by the courts; and
- there is a degree of certainty for the patents and trade marks systems that comes from the body of case law that has accumulated over the **centuries**.

The PBRAC believes that any action that may facilitate legitimate litigation will be a good thing as this will expand the body of case law and so help to bring certainty to all players involved in PBR.

The PBRAC notes that the expense and formality of the Federal Court may have discouraged many breeders from bringing infringement action. For example the formality of the Federal Court may have encouraged people to take a “belt and braces” approach to launching litigation. While such an approach increases the chance of success, it significantly increases legal costs, which in turn discourages people from bringing enforcement action. Such an approach also discourages people from taking action where there is a degree of uncertainty in the outcome. However, as with any new piece of legislation, there will be uncertainty. Unfortunately, a reluctance to engage in litigation has allowed the uncertainties to remain for too long.

The PBRAC believes what the PBR system needs, is a catalyst for people to start commencing legal action to test what the PBR Act means and what evidence is required to prove infringement. Unless this happens uncertainty will remain.

The PBRAC notes that the FMC recognises that if a person chooses to pursue a matter in the FMC, then they are choosing to have that matter heard quickly. The PBRAC also notes that the FMC is relatively free of formality and potentially less expensive than the Federal Court for commencing legal action.

The PBRAC also notes that the FMC has heard a number of copyright infringement cases, some run by big corporations such as Sony and Warner Music. The PBRAC also understands that some matters heard by the FMC involve expert opinion.

In light of this, the PBRAC believes that the FMC could competently, quickly and cheaply hear PBR matters and therefore may be the catalyst required to get people to commence legal action and thereby bring the certainty they require.

For example, allowing the FMC to hear PBR matters may encourage individual and SME breeders to commence legal action with less information than required under a “belt and braces” approach and without legal representation. Such activity, whilst not always successful, maybe less costly than the present system. This reduced cost may mean that people would not be so afraid of being unsuccessful, and so encourage at least some legal action.

What needs to be done

The PBRAC believes that four things need to be done in the enforcement area to bring credibility to the PBR Act. These are:

- clearly articulate the problems;
- clarify the role of the grant of PBR in the commercialisation process;
- facilitate court action; and
- ensure that financial penalties and other disincentives are sufficient to clearly dissuade potential infringers.

Clearly articulate problems

As indicate above, there may be many different reasons for the current lack of enforcement, for example the PBR Act is clear and so people settle out of court. Consequently, the PBRAC believes it is important that the ACIP gathers sufficient evidence so that it can clearly articulate

the problems and therefore support any conclusions. The PBRAC believes this evidence would be best gathered in the context of individual cases.

Investigate problems interpreting of the PBR Act

The PBRAC believes the ACIP needs to collect examples of specific problems interpreting the PBR Act in the context of individual cases. This should identify why people are confused, as well as the frequency. The PBRAC believes this is necessary for the ACIP to be able to identify the underlying problems and then be able to clearly articulate them.

Investigate problems collecting of evidence of infringement

The PBRAC believes the ACIP needs to:

- collect examples of specific problems related to gathering persuasive evidence. That is, which steps of the infringement test do people have trouble proving and why does that occur.
- further examine the issue of collecting evidence and the balance of the rights of breeders and others.
- examine systems for seizing plants, particularly at the border.
- investigate mechanisms for developing agreed standards amongst experts as to how to conduct tests and what facts those tests demonstrate, such as how to conduct DNA testing and whether the test indicates the identity of a plant or the scale of infringement. These questions need to be answered if DNA evidence is to be used during court proceedings.

Investigate the balance of obligations between PBR owners and others when collecting evidence

The PBRAC believes that the balance of obligations between PBR owners and others may not be appropriate. Therefore the PBRAC encourages the ACIP to:

- further examine the balance of the rights between breeders and others regarding monitoring PBR protected plants (For example breeder inspection of farms, and handlers' premises).
- examine systems for seizing plants at the border.

Clarify the role of PBR in the commercialisation process

Many of the problems identified above appear to arise due to confusion regarding the role of PBR in the commercialisation process. To progress this issue, the PBRAC encourages the ACIP to:

- identify why people are confused about the role of PBR in the commercialisation process;
- identify the specific points of confusion about the role of PBR in the commercialisation process; and
- identify commercial and other arrangements that may discourage infringement of PBR by users.

Facilitate court action

As noted above, the PBRAC believes there needs to be more action against infringement, as only this will:

- develop over time the legal understanding of what particular terms mean;
- what is required to successfully show infringement has occurred; and
- provide a credible deterrent to infringement.

Therefore the PBRAC encourages the ACIP to investigate ways of facilitating legitimate infringement action.

Ways this could happen include:

- allowing the FMC to hear PBR matters.
- publishing a “how to” primer on enforcement. This may show breeders that taking enforcement action is not as difficult as they imagine.
- industry self-help through the formation of collecting societies or enforcement societies. The mandates of such societies could include, say, taking at least one enforcement action per year. These societies would separate breeders from enforcement action and so enable breeders to maintain better relationships with users. They would also ensure an on-going level of enforcement activity that would encourage broader compliance with PBR.
- the Commonwealth running test cases to clarify problematic areas of the legislation. The ACIP will need to investigate what needs to be done to facilitate such action.

Answers to questions asked by the ACIP

Question 1: *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.*

Although “farm saved seed” (FSS) is a diminution of rights under section 11 of the PBR Act, it is one of the acts that is defined as not infringing PBR. Therefore like others, the PBRAC acknowledges FSS as a significant derogation of the plant breeder’s right. However, the PBRAC was unable to achieve consensus on how the balance could be tilted towards breeders without prejudicing the broader interests of the community at large.

The PBRAC notes that this question is asked from the breeder’s point of view. However, the PBRAC believes that the issue FSS has broader ramifications and therefore considered it from a number of different perspectives as outlined below.

International obligations

While Article 15 of UPOV 1991, the farmer saved seed exemption, is an optional inclusion, Article 14(2) implicitly places limitations on its breadth. In addition, Article 14(1)(b) allows the breeder to make their authorisation for use subject to conditions and limitations.

Breeders

From a breeder’s perspective, the PBRAC believes that the FSS provision raises three issues.

Issue 1 Neither breeders nor farmers necessarily understand the limited scope of the provision. Therefore farmers may undertake infringing activities believing, or hoping, they are not. For example, some farmers believe they can use farm saved seed for any purpose. This lack of understanding creates ill will on the part of farmers when they discover how limited the FSS provision is. Breeders may not be sufficiently active in making farmers aware of the limitations.

Issue 2 Breeders know to whom they sold the original seed. Therefore, they know who may be, taking advantage of the FSS provision. However, FSS does not include provisions facilitating breeders knowing exactly who is using their plant variety and in what quantity in any one year. Therefore, the FSS provision may be used as a mask infringement. For example, because the breeder does not know how much produce to expect on the market in any one year:

- they cannot calculate how much royalty to expect. This encourages some growers to ‘under report’ their delivery of particular varieties or the amount of royalty they owe.
- it is much harder to detect produce that is grown without permission.

Further, because breeders do not know exactly who is growing their variety in any one year, they are less able to focus compliance efforts.

The PBRAC notes that this same situation arises in many licensed technologies and that grantees need to take the necessary steps to enable them to enforce their right.

Issue 3 Infringers deliberately “under pay” the royalty on their crop and tell the breeder that what they are keeping will be used to plant the next crop i.e. that it is FSS. The infringer then deliberately sells part of the FSS without reporting that sale to the breeder. (These sales are often referred to as “over the fence” sales.) Proving that the infringer has sold some of their FSS may require the cooperation of the infringer or buyer. Since such cooperation is unlikely, the breeder

is only able to prove infringement with difficulty. Further, the breeder is often constrained by the desire to maintain a good commercial relationship with the infringer.

The PBRAC notes that this situation bears some similarity to “over-run” production problems encountered by trade mark owners.

For many crop types these problems are exacerbated by the lack of central clearing houses that collect data on production or deliveries. Therefore, from a breeder’s point of view, in many industries, FSS makes monitoring compliance with PBR more difficult.

Farmers

From a grain farmer’s view point, the FSS provision allows them to save their own seed to plant their next crop. This has many advantages including removing the necessity to purchase fresh seed each year and so lowers their input costs and increases timely access to preferred varieties. If the FSS provision was removed from the PBR Act as some wish, production costs would rise and grain farmers would be faced with a different production cost equation. And consequently may opt for non-protected, lower producing varieties where seed can be saved from year to year. Therefore from a grain farmer’s point of view the FSS provision, if properly interpreted, may encourage them to use PBR protected plant varieties to maximise their production and profitability.

Others

The FSS provision limits the role for businesses which multiply seed or trade seed for sowing. This is because once farmers have acquired seed, there is minimal repeat business unless the farmer runs out of seed, harvests are contaminated with weeds or they decide to plant a new variety. The PBRAC notes that, in the grains industry, there is currently a relatively small seed sector. This issue has been highlighted recently due to grain farmer concern that there maybe insufficient seed for sowing their next crop. Consequently, removal of the FSS provision may stimulate a restructuring or expansion of the seed sector and may have knock on effect in other areas.

Analysis

PBRAC agrees in part with the ACIP’s analysis of the potential problems of FSS. However, the issue of tracking seed of a protected variety after the first sale is not related solely to FSS but is a general commercialisation issue. This problem will not be solved *per se* by removing the FSS provision. For example in the grains industry, seed of one variety is reasonably similar to that of another variety. Therefore some farmers are still likely to save and swap seed, and then mis-declare varieties at the silo. Removing the FSS provision will not facilitate compliance in this situation and may merely add to the upfront costs of production, prejudice the relationship between breeders and producers, and encourage some growers to “thumb” the system and mis-declare the identity of varieties they sell.

The PBRAC also notes that Parliament has set a conscious balance between breeders’, farmers’ and others’ interests with the current FSS provision. If the ACIP wants to suggest changes to this balance then the PBRAC suggests it consider the issue more broadly than it has currently done. For example, FSS provision means that after first sale of a variety, farmers do most of the propagation and storage of seed from year to year. This reduces infrastructure costs to breeders and means there is seed readily available for sowing if conditions are right for planting that variety. Such broad issues must be considered in detail before the balance set by this provision is changed.

If the ACIP decides to comment on the FSS provision, the PBRAC suggests the ACIP might consider restricting itself to identifying why people are confused by the provision and suggesting ways of removing that confusion.

Question 2: *Has the Cultivaust judgment 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 PBRAC believes that this question may have missed a key point arising from the *Cultivaust* judgment. The “reasonable opportunity” concept is a side issue. The concept of reasonableness is well known to the law. It concerns an objective assessment as to what is or what is not reasonable in all the circumstances. There has never been legislation codifying the meaning of ‘reasonable’ with good reason. For example the circumstances in any two cases are rarely the same. Thus the concept of the reasonable man being the man on the Clapham omnibus lives on. Consequently the *Cultivaust* judgment in relation to what is considered to be reasonable did nothing more than elaborate, in the circumstances of that case, what was or what was not reasonable.

The PBRAC believes that some breeders inappropriately claim to be confused by such terms and use that as an excuse not to enforce their rights. The PBRAC notes that there will never be a simple procedural test that sets out what is reasonable in all circumstances.

In the opinion of the PBRAC, the more important outcome of the *Cultivaust* judgment was to highlight that the sale of the original seed to a farmer does not exhaust PBR on subsequent generations. The PBRAC notes that many farmers do not fully understand this point. Alternatively, farmers believe this situation cannot be possible and continue to believe PBR ceases after first sale. This can be summarised as “I grew it! And therefore it is mine!” The PBRAC believes the challenge is to get the message out to breeders and users that sale of seed does not exhaust PBR on subsequent generation. If this message is successful then farmers and breeders will better understand their responsibilities and obligations.

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.*

In the opinion of the PBRAC, further education and awareness on PBR will be essential. Further, the PBRAC believes that all people associated with the farming sector need to be appraised on PBR; not just users. For example, this could include breeders, bulk handlers, sellers of seed, agronomists, lawyers, fresh produce markets, and officials.

The questions the PBRAC believes the ACIP might also usefully ask include:

- “Who should be responsible for identifying misunderstandings or confusion about PBR?”
- “Who should be responsible for correcting those misunderstandings or that confusion?”
- “Who should pay for delivering such services?”

Question 3 seems focused on current problems. The PBRAC believes the ACIP should focus on identifying systemic structures for solving these types of problems on an ongoing basis, rather than only on solutions to specific problems occurring at this point in time.

Question 4: *Does the provision of Essentially Derived Varieties (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 PBRAC believes the ACIP may have mixed two separate issues together as it is hard to see how breeding of a second variety from a first variety makes enforcement of the first variety more difficult *per se*. It may reduce the commercial value of the first variety, but that is not an enforcement issue.

The PBRAC notes that the “breeder exemption”:

- is key to the PBR system and is part of Australia’s international obligations as a result of it’s membership of the UPOV Convention;
- it reflects the essentially incremental process of plant breeding; and
- is part of the intellectual property contract with the public.

Determining whether a plant variety is an essentially derived variety is primarily a technical question. However, what a breeder may do with an EDV is a legal question. What the PBR Act tries to do is balance the rights of the first breeder with those of the second breeder where the first breeder has obtained PBR for their variety. Users of the PBR system are concerned that this balance is not quite right.

The comments about EDV noted by the ACIP in its issues paper are about commercial “piggy backing” strategies that are inappropriate from a public interest perspective. For example, in the tree industry a large part of the breeding investment is in identifying elite parental germplasm. As many commercial traits are under additive genetic control, a second breeder can capture much of the gain of the first, by crossing two protected parental varieties at a fraction of the cost. Nevertheless, the PBRAC notes that plant breeding is incremental and that breeders continue to improve the work of others.

However, the PBRAC suggests that improving Australia’s **implementation** of EDV may be beneficial, that is, striking a different balance between the rights and obligations of the first and second breeder. The PBRAC believes that improving the enforceability of PBR *per se* will not address this issue.

The PBRAC notes that it has already considered the EDV issue and made recommendations to IP Australia on how to address inappropriate piggy backing strategies. It would be willing to provide these recommendations to the ACIP.

Question 5: *Is the cost of legal (including judicial) redress too onerous for you to undertake action against non compliers? Please document the nature of these concerns including where cost would cause the cessation of continuing legal redress.*

The answer to this question will depend on who is answering it. If the breeder only wants or needs to write a “cease and desist” letter to an infringer, then the cost of legal redress will not be onerous. However, if the breeder wants or needs to take legal action in the Federal Court then they will provide a different answer. If that breeder has a low risk tolerance, and therefore takes a “belt and braces” approach, then in the opinion of the PBRAC, the burden of legal costs would

be debilitating for many small businesses. This is in part due to strict requirements that evidence must meet before it may be presented to a court and the significant cost of legal counsel.

Unscrupulous infringers, the main ones to be worried about, will force legal action when they believe the breeder will not prosecute due to limiting cost and time resources. The daunting prospect of taking an action in the Federal Court is both a disincentive to a breeder, and a tool for exploitation by an unscrupulous operator.

As a component of evidence collection, the cost of comparing plant material does not appear to be a major cost barrier to enforcement. PBRAC understands that the cost of distinctiveness, uniformity, and stability (DUS) tests are only a minor part of the cost of mounting a legal action. The most expensive test the Plant Breeder's Rights Office is aware of was \$7,000 over two years, that is \$3,500 per year. Most DUS tests cost around \$500–\$1 000.

The real point is what is a person's commercialisation strategy. Does it include possible enforcement action and what steps have they undertaken to mitigate their risks associated with legal action? For example, what steps have they taken to avoid the need to take legal action or to afford legal action if that is necessary? Breeders who do not have a commercialisation strategy are less likely to be able to afford legal action or have the time or resources for enforcing their PBR. They are also less likely to respond to ACIP's issues paper. Therefore, the responses received may be somewhat skewed.

Question 6: *If the FMC had the jurisdiction to hear PBR matters, would this influence your decision on whether or not you pursued a PBR enforcement action?*

This question depends on the view point of the person answering and the matter they are pursuing. If a person has financial resources, seeks legal advice and takes a "belt and braces" approach to litigation and has a complex case, then they will answer "no". However, if a person does not have financial resources but is prepared to take risks and has a simple case, then they are likely to answer "yes".

As noted above, the PBRAC believes the FMC should have explicit jurisdiction to hear PBR matters. The PBRAC hopes this change will catalyse more enforcement action and so enable a common understanding of the PBR Act to develop. For example, extending the jurisdiction of the FMC to PBR matters would help provide additional access to the justice system for SMEs and self filers.

Question 7: *Please inform ACIP of any limitations you perceive in extending the jurisdiction of the Federal Magistrates Court to cover PBR matters.*

The PBRAC notes:

- the Government recently announced that the FMC could hear trade mark and design infringement cases.
- in the intellectual property sphere, the FMC already hears copyright and trade practices matters.
- the FMC has specialist panels, one of which is the Commercial Panel which it uses to hear copyright and trade practices matters.
- Federal Magistrates are confident they have the expertise to hear other intellectual property matters besides copyright and trade practices matters.

- the FMC has “associated federal jurisdiction” under section 18 of the *Federal Magistrates Act 1999*. That section confers jurisdiction on the FMC in respect of matters which might not otherwise be within its jurisdiction, where those matters are associated with matters which do invoke that jurisdiction. Therefore the PBRAC notes the FMC may already be able to hear PBR matters as part of its accrued or associated jurisdiction.
- that under section 32AB of the *Federal Court of Australia Act 1976*, the Federal Court may transfer proceedings to the FMC or a party to proceedings may request such a transfer. This further reinforces the notion that the FMC may already be able to hear PBR matters.
- the FMC may transfer a matter to the Federal Court where that is appropriate.

In light of the above, the PBRAC believes that structures are currently in place for the FMC to competently hear PBR matters. Further, the PBRAC expects that the FMC is always trying to match their magistrate’s skills with the matters to be heard. Therefore, the PBRAC is confident that the FMC will have magistrates who can hear PBR matters if the FMC is given explicit jurisdiction for PBR matters. Hence the PBRAC believes there are few if any limitations to explicitly extending the jurisdiction of the FMC to cover PBR matters.

Note: Federal Magistrate Raphael published an article in *Intellectual Property Forum* pp 48-58 issues 68 March 2007, and made the above points.

Question 8: *Is evidence collection constraining your ability to undertake effective legal redress in PBR matters? Please document your concerns.*

The practical experience of members of the PBRAC is that evidence collection is constraining some breeder’s ability to undertake enforcement action. Discovery (in the legal sense) remains problematic in many situations. The experience of members of the PBRAC is that Anton Piller orders are very difficult to obtain as evidence of possible destruction of infringing material or records is hardly ever available. Consequently the PBRAC believes the balance of interests for granting Anton Pillar orders may have swung too much against IP Rights owners exercising their rights and too far in favour of third parties some of whom are blatant infringers.

The PBRAC believes it may be worth explicitly considering how the rights of breeders, innocent third parties and infringers should be re-balanced and perhaps codifying the conditions for obtaining Anton Pillar orders and Norwich Pharmacal relief⁴ that encompass the particular requirements of plant varieties. However, the PBRAC believes more information on this issue needs to be gathered and considered in the broader IP context.

Question 9: *What changes would assist breeders (and their legal advisers) in obtaining sufficient evidence to successfully undertake appropriate enforcement measures? What other ideas may help alleviate the difficulties in obtaining evidence?*

From a breeder’s perspective:

- adoption of an information notice system (see footnote 57 in the ACIP Issues Paper) would be helpful (see also the answer to question 10).
- a statutory requirement to permit entrance and inspection by authorised officials would also be helpful.

⁴ Norwich Pharmacal relief relates to the joining a person to an infringement action for the purposes of gaining information about the infringement, even if they are innocent.

These two measures would strengthen the enforcement provisions of the PBR Act as they would minimize the cost of and facilitate evidence collection. They would also increase the chance of infringers being caught, even if infringement action is not taken subsequently.

With all property rights the legislature must balance the competing interests of all people. For example, one person's desire to maintain a view from their property must be balanced with their neighbour's desire to build a new structure that may potentially interfere with that view. Accordingly although a statutory right to permit entrance and inspection may be an invasion of privacy, this must be balanced with the right of the PBR owner to enforce that right. Without a right to enter, which could be subject to conditions, the opportunity to identify infringements is diminished.

Under the present regime, if a breeder wants to inspect a farm then they must rely on the provisions of their licence/contract agreement which may allow inspection. In reality the infringer generally refuses to allow inspection. This forces the PBR owner to go to court to enforce their contractual rights and get an inspection order. However, this is not possible when there is no contractual agreement between the breeder and the person whose premises the breeder wants to inspect. For example, where the person has obtained the original plant via "over the fence trade" or handles harvested material. A statutory requirement to permit entrance and inspection would facilitate enforcement in these circumstances.

The courts administer inspections very sensitively. The PBRAC notes that the FMC has issued inspection orders in the context of copyright and trade practices matters.

The PBRAC notes there are precedents for strong entry provisions in other Acts, such as the *National Parks and Wildlife Act 1974* (NSW). These provisions give officers under such Acts the right to enter and search without a warrant. A statutory scheme under the PBR Act that allows entry and inspection could be modelled on those Acts.

However, the PBRAC notes that such a statutory scheme would need to sensitively manage inspections. In particular, such a scheme would need to balance the need to identify plant material as being subject to PBR with the commercial needs of the person whose premises are being inspected. A statutory scheme could identify the process to be undertaken when inspecting. For example, these processes may include allowing an appropriately qualified independent expert to accompany the officer who is authorised to enter and inspect premises.

From a grower's perspective, such a proposal will worry farmers and others who handle propagating or harvested material, for example, grain handlers, fruit packers, supermarkets, transport companies. They are likely to be concerned about a number of issues, for example: privacy; health and safety; potential disclosure of confidential commercial information.

However on balance, the PBRAC believes such a scheme would enhance enforcement provided the legitimate interests of innocent third parties are taken into account.

Question 10: *Is the burden of proof on plaintiffs too onerous in PBR matters to allow effective legal redress? Please document and quantify if possible.*

The dearth of legal action, successful or otherwise, makes answers to this question somewhat speculative. Further, the PBRAC is not sure what specific issue the ACIP is seeking to investigate.

The PBRAC notes that the civil standard of proof, which is “balance of probabilities”, applies to PBR infringement proceedings under section 53 of the PBR Act. The criminal standard of proof, which is “beyond reasonable doubt” and is higher than the civil standard, applies to infringement offences under section 74 of the PBR Act. (See the *Evidence Act 1995* for a definition of these standards of proof.)

The PBRAC also notes that proving infringement requires proving two elements: physical and fault elements. (See the *Criminal Code Act 1995* for a definition of these elements.) In any event, the opinion of the PBRAC is that Parliament is unlikely, on public interest grounds, to approve changing the responsibility for infringement to solely a strict liability test or an absolute liability test.

The PBRAC believes the ACIP could:

- investigate who has information regarding infringement; and
- consider the question "What is the most cost effective system for finding the required evidence for society as a whole?"

The PBRAC believes this may be a better approach than trying to determine whether the burden of proof is too onerous. In this context, the PBRAC believes the ACIP should further investigate the UK system identified in footnote 57 of the ACIP issues paper. The UK system appears to minimise the overall cost of finding information.

Question 11: *Please outline changes you consider may alleviate concerns over the burden of proof requirements on the plaintiff in PBR matters.*

This question seems to be directed toward identifying what types of evidence may be required to convince a judge that PBR has been infringed. In this context, the PBRAC discussed “DNA fingerprinting”.

The PBRAC believes DNA fingerprinting potentially provides an effective option for quickly and unambiguously determining the identity of a variety. However, depending on the technology, this may require the development of markers for each PBR protected plant variety and agreement that such markers were informative. The PBRAC notes the development of markers for new species, while steadily reducing in cost, can be expensive especially for small to medium sized businesses.

The PBRAC believes the use of unambiguous DNA evidence coupled with the FMC could possibly provide a reasonably fast process to dispute resolution.

However, the critical issues regarding DNA evidence are:

- Do experts agree on how to conduct DNA tests?
- Do experts agree on what the DNA tests demonstrate?
- Do DNA tests produce facts relevant to infringement proceedings?

Consequently in light of these issues, the PBRAC believes it is critical that a standard for DNA fingerprinting be developed if DNA evidence is to be used during infringement proceedings, that is, have experts reached agreement regarding how test are conducted and what they demonstrate.

Otherwise there will be costly disputes over the validity of the DNA evidence and this would negate much of the benefit of this technology.

It is still reasonably early days for the use of molecular markers for infringement purposes in the seed and grain industries and a number of difficulties remain in satisfactorily identifying varieties using DNA. However in the fruit, ornamental tree and flower industries the technologies are much more developed and are regularly used. As mentioned under Q11, routine use of DNA will require development of a set of informative markers. This is not an issue for intensively studied crops such as wheat, but may be an issue for less intensively managed/studied taxa.

The use of molecular technologies raises two issues. The first relates to whether infringement occurred, that is, the identification of infringing plants. The second relates to damages, that is, determining the scale of the infringement.

The grain industry highlights these two issues. Grain from several varieties may be mixed on-farm prior to delivery at the accumulation point. Therefore before a breeder can commence infringement action they will need to: identify the varieties in the sample; and determine the relative quantities. Otherwise they will not be able to determine whether their PBR is being infringed and the extent of the infringement. The testing strategy used and cost of such a strategy will be crucial to whether molecular technologies are useful. For example:

- if DNA analysis is performed on a bulk sample then the cost of the analysis may be low. However, it may not be possible to clearly identify the different varieties in the sample and definitely not the proportions.
- if individual seeds are tested then the cost of analysis may be high. However, it will be possible to clearly identify the different varieties in the sample. It may also be possible to identify the ratio of varieties if a sufficient number of seeds are tested.

There are clearly many factors that must be considered, not just whether molecular markers are available.

The PBRAC notes that molecular technologies will play a role in reducing infringement, but will not, by themselves, solve the problem. The PBRAC suggest the ACIP investigates how molecular technology could be used as part of a broader strategy.

For example, DNA fingerprinting combined with random sample collection could be used as a deterrent on a similar principle to drug testing athletes. The PBRAC notes that the AWB Limited collects and stores grain samples from deliveries for weed contamination and other quality measurements. Potentially, on payment of a fee, these samples could be used for out of season variety testing. Thus PBRAC believes that elements of such a deterrent strategy may already be in place for some industries.

The PBRAC suggests the ACIP investigates what needs to be done to ensure results of molecular technology are ultimately accepted as evidence during court action. These issues were noted in questions 6, 8, 17 and 20.

The PBRAC believes that it would be preferable, though not essential that any standard for DNA fingerprinting recognised/adopted by UPOV and our major trading partners. An agreed methodology for use of DNA evidence does not need to depend on an international convention when most, if not all, disputes over the validity of evidence will be within a jurisdiction.

However, having an agreed international standard will facilitate Australians taking infringement action in other jurisdictions as there would be consistent evidence requirements.

Question 12: *Are there terms used in the PBR Act causing difficulties for grantees and their legal advisers when undertaking, or considering undertaking enforcement action? What actions could be undertaken to improve the understanding of specific terms used in the PBR Act?*

As noted above and highlighted in question 2, some users of the PBR Act believe that certain terms are unclear. However, some disputed terms have clear legal meanings; are well known to the law; or have their plain English meaning. This may not be the case for all terms. However, it seems that the broader community may not be so well informed—thus there may be a significant role for education in addition to possible clarifications.

Also as noted above, the PBRAC believes that codifying all such terms may not necessarily bring the certainty to all situations and may further complicate matters for some situations or limit options. Nevertheless, the PBRAC believes that codifying some terms in line with their UPOV 1991 equivalents may assist in the interpretation of the PBR Act if for no other reason than that the words are consistent with those of other countries.

The addendum to this paper identifies sections of the PBR Act where the definition of some terms are either partially or wholly undefined. However, the ACIP in considering these sections needs to:

- be able to clearly articulate why people believe the sections are unclear and what problems are caused as a result;
- identify what sort of changes may make the sections clearer and clearly state how these changes are intended to affect the interpretation of the sections; and
- identify possible unintended consequences or side-effects caused by the suggested changes.

The PBRAC has discussed with IP Australia a proposal to move administrative provisions from the PBR Act to the PBR Regulations. The PBRAC believes such a change would enable the Government to respond more rapidly if specific problems of clarity were identified.

Question 13: *Would the introduction of ‘exemplary damages’ in the PBR Act enhance the incentives for grantees seeking judicial relief and facilitate more effective enforcement mechanisms? If yes, please provide your reasons and, if possible, suggest criteria for determining exemplary damages.*

The PBRAC would encourage the explicit introduction of “exemplary damages” into the PBR Act. This would bring the PBR Act in line with other IP laws, e.g. the *Copyright Act 1968*. Under other IP laws, exemplary damages are usually awarded where there has been blatant infringement. This test has been reviewed by the courts and is now an accepted test.

This type of provision is used in other legislation and there are examples of its operation. For example, the Supreme Court of Victoria is allowed to award exemplary costs if there has been a clear case against a defendant who has defended the action in the face of the very strong case of wrong doing.

Question 14: *Please provide your views and/or experiences concerning the utility of criminal sanctions available to PBR rights owners to protect their rights.*

The provisions of the PBR Act in relation to criminal proceedings are largely unused. Although success in criminal proceedings may not provide the breeder with any monetary compensation, it would establish a very useful precedent for the breeder to bring civil proceedings based on the result of the criminal proceeding. Further, successful prosecutions by the Crown would increase the value of PBR as it would:

- send a clear message to infringers that the State believes PBR to be important and disapproves of infringement of PBR, and
- save the rights holder the time, expense and anxiety of prosecuting a case.

The main issue however, is that currently the Australian Federal Police (AFP) is unlikely to investigate infringement of PBR and the Director of Public Prosecutions seems unlikely to pursue the matter even if the AFP did. The PBRAC questions the value of including such provisions in the PBR Act in these circumstances though this may change if Customs powers to intercept potentially infringing material were added and/or state police were able to investigate PBR infringement. The PBRAC also notes that \$12 million dollars were allocated in the 2007-08 budget for pursuing IP crime.

These comments, while speculative, are based on anecdotal evidence that the PBRAC is aware of. If the AFP and DPP do not lodge submissions to this ACIP inquiry, then the PBRAC would encourage the ACIP to seek direct comments from them. The PBRAC also encourages the ACIP to discuss with the AFP and DPP what would cause them to prosecute PBR infringement under section 74 and identify mechanisms to allow this to happen. For example if the issue is funding, then a component of the annual PBR renewal fee or other budgetary measures as mentioned above could be allocated towards investigation and prosecution of criminal PBR infringement.

Question 15: *Would mediation be of net benefit in plant breeder's rights disputes? Please provide reasons for your views and, if possible, the mechanisms in which mediation could be introduced (mandated?) for PBR enforcement matters.*

The PBRAC believes mediation is a valuable option for resolving disputes.

There are two schools of thought in relation to mediation in litigated matters. One believes that mediation should begin immediately an action has been instituted. The other believes that mediation should only take place after discovery of documents by both sides and a defence has been filed.

In general, the PBRAC is a supporter of the latter view because without a defence, one cannot know what the respondent is going to allege in its defence and without the documents, the applicant would have to rely on the veracity of the respondent. The driver of most litigation is a breakdown in trust between the parties and accordingly, asking the breeder to trust a person who the breeder believes is infringing the breeder's rights is not reasonable.

However, the PBRAC notes that discovery is not always necessary and there are procedural methods for dealing with this issue. For example, in the FMC discovery is not allowed unless the court declares that it is appropriate to allow it. The FMC has found that the issue of discovery can, in practice, be dealt with by requiring parties to annex affidavits to any document that they intend to rely on at a hearing. However, the FMC will order discovery where that is appropriate.

This procedure is different to that in the Federal Court, which is where the members of PBRAC have their experience.

The PBRAC also notes that the FMC frequently makes orders for mediation, and provides a mediation services for \$230. The FMC appears to ensure that any mediation is completed before a hearing whilst not allowing mediation to delay a hearing.

It should also be noted that under the heading of alternative dispute resolution (ADR) there is also the possibility of arbitration. The PBRAC would not necessarily recommend going down the arbitration route in preference to mediation. The cost of arbitration can be more than litigation because the arbitrator has to be paid. It is less flexible than mediation because the arbitrator makes an award like a court makes a judgment. The parties themselves do not have a say in the terms of the settlement. In mediation, the parties sign a settlement agreement which sets out the terms of the settlement, which they have agreed upon.

However it should be noted that mediation may not work in every case; especially where the infringer is morally corrupt. By their nature, bad-faith infringers are likely to not behave rationally, and are unlikely to settle through mediation. Worse, they can manipulate mediation as a means to delay resolution in the hope that a breeder will “give up”. Where mediation is appropriate and likely to lead to success between parties, then the parties will most probably come to this conclusion independently of a court. If parties must be directed to mediation, then it is less likely that they will reach a resolution.

The PBRAC suggests that developing a list of people to assist court mediators would be useful. These people would need to possess sufficient scientific and practical understanding of PBR issues.

In light of the above, the PBRAC believes there are already adequate opportunities for mediation in the current infringement process, although they are not explicitly stated. The PBRAC believes that mandating mediation will not always facilitate early resolution of infringement action.

Question 16: *Is the importation of PBR protected plant or parts of plants (flowers) infringing your PBR right to a significant extent? Please provide details of your concerns and, if possible, quantitative estimates of the losses you sustain.*

No comment although previous members of the PBRAC have indicated that unauthorised imports are a significant problem.

Question 17: *Please suggest options for addressing your concerns regarding the importation of PBR protected plants or plant parts.*

As with Patents and Registered Designs, there are no Customs seizure provisions in the PBR Act. The reason that is usually given for this is that Australian Customs Service (ACS) officers do not have the necessary skills to identify patent or design infringement by looking at them. On the other hand, trade marks and copyright infringements are purportedly reasonably easy to identify by the naked eye and specific technical skills are not required.

The PBRAC recognises that policing the importation of PBR protected plants or plant parts may be a difficult issue. The PBRAC accepts that Customs and Quarantine officers may not necessarily have the skills to recognise protected varieties on sight. The PBRAC also accepts that

PBR imports may be perishable in nature. However, the PBRAC believes that it is possible to design a workable system for seizing suspected unauthorised imports of PBR protected material at the border.

The PBRAC encourages the ACIP to investigate systems for identifying and seizing potentially infringing plant imports at the border. The PBRAC suggests the ACIP investigate a system based on that use for trade marks and copyright. Such a system may require the involvement of PBR owners providing DNA samples and identifying markers as part of a notice of objection scheme. It may also require importers to identify the varieties they are bringing into Australia and include the ACS doing random DNA checks as a deterrent.

The PBRAC notes the experience in Europe, where Customs can hold shipments of plants suspected of infringing their PBR equivalent. The European experience has been that once a shipment has been held up in Customs and the breeder has satisfied themselves that the material is actually infringing, then some importers agree that the shipment be destroyed by Customs and that is the end of the matter. The PBRAC also notes that the Australian experience for copyright and trade mark infringement is similar.

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.*

No comment, though the answer to Question 19 is germane.

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

Use of DNA fingerprinting would assist variety identification of potentially infringing materials.

Question 20: *Do molecular technologies have significant utility for reducing low compliance rates in variety identification? Do these technologies require additional development to improve their utility? Please document your reasons*

The answer to Question 11 is germane

Question 21: *Would you support the establishment of a central coordinating body for plant breeders to assist with enforcement? Please provide reasons for your view and indicate which of the above functions should be undertaken by such an entity.*

As noted above, the PBRAC would support the establishment of central coordinating bodies to assist breeders with enforcement. Such systems have tended to work in other countries. Establishment of a peak enforcement body could be useful as it could standardise such things as licensing contracts and give comfort to users of PBR that they have credible backing. A more standardised system regulated through a peak body may *per se* reduce propensity to violate breeders' rights. Further, such bodies could undertake the high profile enforcement actions in an effort to discourage potential infringement.

Question 22: *Please document any other activities that would be appropriate for such a body and the reasons for including these activities.*

No comment.

Question 23: *What methods or mechanisms would assist PBR owners in obtaining evidence in small communities, where the holder of the evidence does not wish to be involved in infringement actions?*

If a right is being infringed, then this needs to be dealt with up front, even in small communities. If a right holder is not willing to assert their rights, then it is likely that the infringement will not be seen as serious. An active peak enforcement body may assist in moving the breeder at arms length from infringers. Some breeders have suggested a ‘Dob a Cobber’ system where the dobber is released from or has reduced royalty payments for a certain time in exchange for forensic information on infringements.

Question 24: *Would a peak/specialist body provide an effective means for deterring infringement and undertaking infringement cases while remaining sensitive to specific issues of small rural communities?*

It might be an effective means as it works in the case of the statutory collection agencies established under the Copyright Act. For example see APRA v Telstra (the Telstra “on-line music” case).

Question 25: *Is there a need for additional education and awareness programs in particular sections of the plant breeding and/or variety user industries in Australia? If yes, please nominate the sector, the nature of the information program required and an appropriate delivery mechanism.*

Yes, see the answer to Question 3. Further a peak body may provide an appropriate delivery mechanism for information to both breeders and PBR users.

Question 26: *Is there a need for a body to provide relevant information and procedures (e.g. an enforcement hot-line) for breeders wanting information on enforcement matters? Who should perform this role? Please provide reasons.*

A peak body could work with existing groups, such as ACIPA, to provide information on enforcement issues.

The PBRAC believes that the existence of multiple organisations providing information on enforcement procedures would be confusing for all involved in the industry. This is because there is a greater likelihood of conflicting information being provided to breeders and users as to what might constitute an infringing activities. However, the PBRAC notes that the horticulture and grains industries may not agree to a single body.

Question 27: *Are you aware of any effective and efficient IP management strategies that may have utility to the Australian plant breeding industry? If so, would you supply the details and/or where the information may be obtained?*

No comment.

ADDENDUM

Some terms that might be further considered when clarifying the PBR Act

Section No.	Section Title	Comment
3	Definitions	Some claim the following definitions are not sufficiently clear considering that this Act applies to all manner of plants, seeds, grains, fruit, flowers and other plants: “conditioning”, “essential characteristics”, “genetic resource centre”, “propagating material”.
11	General Nature of PBR	The acts which are set out in this section, which are the inalienable right of the plant breeder, are affected by the above definitions.
14 & 15	Extension of PBR into harvested material or products obtained from harvested material in certain circumstances	There is some concern that these sections may be difficult to apply to fruit cultivars because of the definitions above. The UPOV Convention defines “harvested material” in Article 16 as including entire plants and parts of plants. The Act does not include this description.
43(10)	Registrable Plant Varieties	The definition of “plant material” may cause problems in some situations because it imports the definitions from the definition section which themselves may not be clear in the required situations.
53	Infringement of PBR	Because this section deals with and is subject to section 16, 17, 18, 19 and 23 and because it imports section 11 it may cause difficulties in some situations.
57	Innocent Infringement	The onus in this section is on the innocent infringer and the tests for innocent infringement are not specific enough. The tests are based on objective ground yet section 57(2) is based on a subject of ground. This inconsistency may provide a legal argument relating to confusion.