

# **Maximising the Benefits of Intellectual Property for the Australian Horticultural Industry**

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Queensland

Project Number: HG04020

## HG04020

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# Maximising the Benefits of Intellectual Property for the Australian Horticultural Industry

**A Final Report for  
Horticulture Australia Limited**

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**HAL Project No:** HG04020

**Research Provider:** The University of Queensland

**HAL Project No:** HG04020

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**Statement about the purpose of the report:**

This report is the Final Report for project HG04020 with the Australian Centre for Intellectual Property in Agriculture (ACIPA) at The University of Queensland. This Final Report is due on 1 May 2007 as specified in project milestone number 6.

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# 1 Media Summary

The Australian Centre for Intellectual Property in Agriculture (ACIPA) received funding from HAL for a project beginning in February 2005 and ending in May 2007. The project aimed to maximise the benefits of intellectual property for Australian horticulture industries by addressing the general lack of knowledge about the role that intellectual property law plays, and has the potential to play, in the industry.

The key components of the project included:

- Provision of ongoing advice and support;
- Delivery of targeted *IP Training Workshops* to rural based audiences;
- Delivery of specialised *IP Master Classes*;
- Production and widespread distribution of *IP Fact Sheets* and *Reports*; and
- Production of a *Best Practice Manual on the Commercialisation and Management of Intellectual Property*.

The key outcomes of the project included:

- Advice and consultation provided to a broad range of industry representatives;
- Presentations to HAL Industry Forums;
- An industry focussed Teleconference;
- Articles written for industry newsletters;
- Delivery of:
  - 25 IP Seminars to growers throughout Australia which were attended by over 500 delegates; and
  - 2 IP Master Classes which were attended by 46 delegates;
- Production and dissemination of:
  - 6 IP Fact Sheets which were widely distributed at the IP Seminars and IP Master Classes and are available for download on the HAL website;
  - a report *Intellectual Property and the Commercialisation of Research and Development: A Guide for Horticulture Industries* which was disseminated at the IP Master Classes and is available for download on the HAL website; and
  - a report *Plant Breeder's Rights and Patents for Plants: A Compendium of Key Case Law for the Horticulture Industries in Australia* which will be disseminated to targeted horticulture industry representatives as well as being available for download on the HAL website.

This project clearly demonstrated that there is a strong demand for further intellectual property education and training for the horticulture industries. The recommendations of this project are that there be ongoing education and training including targeted grower Intellectual Property Seminars, high-level Intellectual Property Master Classes and In-house Intellectual Property training for HAL.

## 2 Evaluation of effectiveness – IP Education and Training Program

### 2.1 2005 Intellectual Property Seminars

#### *Plant Breeder's Rights: Intellectual Property Issues for Horticulture Industries*

In 2005 ACIPA conducted 13 Intellectual Property seminars with 255 delegates from the horticulture industries attending. Exit polls were collected at each event and the results are summarised in the table below:

<b>Survey Results – 2005 Intellectual Property Seminar Series</b>	
<b>1 Convenience of time</b>	<p>All participants but one considered the time of the presentation as convenient. Comments included:</p> <ul style="list-style-type: none"> <li>• Time of day good for me. Time of year good, maybe 1 month earlier if possible.</li> <li>• Due to parking / traffic in the city, a rural or suburban venue would have been better suited for this time (Sydney).</li> <li>• Later in the day, eg 3.00pm (Loxton).</li> </ul>
<b>2 Relevancy of topics</b>	<p>44% of the participants considered the relevancy of the topics covered as <b>Excellent</b>, 54% as <b>Very Good</b> and 2% as <b>Satisfactory</b>.</p>
<b>3 Rating of presentation</b>	<p>39% of the participants rated the presentation as <b>Excellent</b>, 56% as <b>Very Good</b>, and 5% as <b>Satisfactory</b>.</p>
<b>4 Other areas of IP to be addressed</b>	<ul style="list-style-type: none"> <li>• Biodiscovery</li> <li>• Comparison of advantages &amp; disadvantages of various types of IP</li> <li>• Contractual guidelines for IP contract rights</li> <li>• Export of IP</li> <li>• How to actually look for and develop new varieties</li> <li>• More monitoring of schemes as they develop</li> <li>• More on contracts and closed loop marketing</li> <li>• More on how to construct contracts to better utilise PBR</li> <li>• More patent information, PBR costs involved vs patent</li> <li>• Patents (plant)</li> <li>• Patents, trade marks</li> <li>• PBR process i.e. What a qualified person would look for</li> <li>• Probably for example, how PBR is implemented</li> <li>• Probably patent and trade marks</li> <li>• Process, access to data, costs</li> <li>• Sunset clauses – particularly for varieties that go out of favour</li> <li>• Trademark, as related to varieties, esp. Certification mark</li> <li>• Use of Trade Marks in conjunction with PBR</li> </ul>
<b>5 Other comments</b>	<ul style="list-style-type: none"> <li>• A complex subject well presented</li> <li>• Attendees were senior / plant breeders / licensee. Need to get at growers especially in regards to endpoint royalties etc</li> <li>• Both presenters took part and were very useful in answering questions. Thank you for coming to Shepparton. We were very pleased that you took the request of mine to come</li> </ul>

as there were a number of people here who benefited greatly.

- How groups or Grower organisations can either challenge or contest or check contractual arrangements for individual varieties
- Make clear to growers difference between PBR legislation and conditional contracts between propagator and grower
- More on contracts, export of IP etc.; contracts between breeder and agent; USA patents?
- More presentation outline to be included in the invitation
- More relevant to growers, will encourage them to attend future events
- One participant would like IP issues relevant to specific citrus & nursery industry areas
- Perhaps a few more horticulture examples – especially problems with nurseries.
- Sample application, sample of each stage of PBR, sample contract, non prop etc
- The time of year good. Swan Hill area would be good
- This information needs to be getting to grass roots growers. Maybe sessions at peak body forums or conferences would be the way to go.
- This would be valuable to be held in more areas.
- Very good review of PBR & contracts. The potential of DNA profiling for varieties & how integrated into PBR could be of interest.
- Would be interested in greater depth on PBRs, process of registration, contracts
- Would love to see an article or series of articles published in our industry magazine "Tree Fruit". Please be in touch if this is possible. Magazine published 10 times per year.

## 2.2 2006 Intellectual Property Seminars

### *Plant Breeder's Rights, Contracts, End Point Royalties and Commercialisation: Issues for the Horticulture Industries*

Following a review of the feedback from the surveys conducted in 2005, ACIPA conducted 12 Intellectual Property seminars for growers in 2006 with 250 delegates from the horticulture industries attending. Exit polls were collected at each event and the results are summarised in the table below:

Survey Results – 2006 Intellectual Property Seminar Series	
<b>1 Convenience of time</b>	
Only one person considered the time of the presentations as inconvenient. This person requested an earlier time as the seminar was held from 4.30-6.30pm at Gatton.	
<b>2 Relevancy of topics</b>	
62.5% considered the relevancy of the topics covered as <b>Excellent</b> with 37.5% rating the relevancy of topics as <b>Very Good</b>	
<ul style="list-style-type: none"> <li>• All useful</li> <li>• Good examples for this area – peaches and apples</li> <li>• Involved in PBR – helped understand the process</li> <li>• Very relevant to the horticulture Industry</li> <li>• Very constructive and relevant</li> <li>• Was attracted to seminar primarily from a legal perspective</li> <li>• As a lawyer with DPI &amp; F it was excellent as I actually draft contracts for the Dept (albeit primarily in Animal Science)</li> </ul>	
<b>3 Rating of presentation</b>	
50% of the participants rated the presentation as <b>Excellent</b> with 50% rating the presentation as <b>Very Good</b> .	

<ul style="list-style-type: none"> <li>• Well presented</li> <li>• Well organised, patient with questions, perhaps delivery bit fast but needing</li> <li>• To keep to time can be difficult</li> <li>• Well organised, logical structure, easy to understand, good examples</li> <li>• Very well presented and explained</li> <li>• Very knowledgeable</li> <li>• Kathryn obviously knows her stuff</li> <li>• Very informative as an introduction to PBR</li> <li>• Very informative</li> <li>• Clearly presented</li> <li>• Slightly more interesting visuals, and some further actual examples</li> <li>• Well presented</li> <li>• Well organised, patient with questions, perhaps delivery bit fast but needing to keep to time can be difficult</li> <li>• Well organised, logical structure, easy to understand, good examples</li> <li>• Very well presented and explained</li> </ul>
<b>4 Other areas of IP to be addressed</b>
<ul style="list-style-type: none"> <li>• Confidentiality between growers and government departments</li> <li>• More info on copyright</li> <li>• Changes to IP including export</li> <li>• ACCC requirements as they relate to IP</li> <li>• Trade marks more detail</li> <li>• Probably more on contracts between breeder and the commercialisation partner. Traps, etc</li> <li>• Go into specifics as to how to protect IP</li> <li>• Criteria for becoming a qualified person</li> <li>• Valuation; price point discovery</li> <li>• Commercialisation of new varieties and the common pitfalls encountered when using IP</li> <li>• More specific examples</li> <li>• 'Standard' material transfer agreements</li> <li>• Trade marks</li> <li>• Would be good to cover closed loop marketing in detail</li> <li>• More 'grey area' application of IP, eg management techniques as opposed to PBRs and GM</li> <li>• Plant material selected from native or wild populations</li> <li>• More help with identifying and addressing IP issues on project applications</li> </ul>
<b>5 Other comments</b>
<ul style="list-style-type: none"> <li>• I need a break midway through presentations – 2+hrs too long in one session</li> <li>• More examples like Sweet v Magnum, which was very good, need to be given</li> <li>• Questions should be asked/offered part way through</li> <li>• Draft contract to look at would help</li> <li>• Maybe the last 2-3 pages should be done first to define differences</li> <li>• Presentation was a bit too long</li> <li>• Thank you for making a dry topic very interesting</li> <li>• Printed material very good</li> <li>• Kathryn Adams was very knowledgeable about IP and this made the presentation very informative and enlightening.</li> <li>• Presenter has a very good understanding of topic. Answered everyone's questions very well</li> <li>• I am an applied breeder and am interested in future contact with ACIPA</li> <li>• Continue to do this</li> </ul>



## 2.3 2005 Intellectual Property Master Class

In 2005 ACIPA conducted a 2-day Intellectual Property Master Class with 18 delegates attending from HAL and the horticulture industries. Exit polls were collected with the results summarised in the table below:

<b>Survey Results – 2005 Intellectual Property Master Class</b>	
<b>1 Convenience of time</b>	All participants considered the time of the presentations as convenient, however, one participant commented that the Master Class could extend to add more discussion time such as an 11am start on the first day.
<b>2 Relevancy of topics</b>	<p>35% considered the relevancy of the topics covered as <b>Excellent</b> with 65% rating the relevancy of topics as <b>Very Good</b></p> <ul style="list-style-type: none"> <li>• IP, trade marks excellent</li> <li>• My job is IP &amp; commercialisation – of course it was relevant</li> <li>• Mixture – some areas were too technical/legal for my needs</li> <li>• Very informative</li> <li>• Helped me with IP understanding but some of it I need time to digest</li> </ul>
<b>3 Rating of presentation</b>	<p>33% of the participants rated the presentation as <b>Excellent</b> with 67% rating the presentation as <b>Very Good</b>.</p> <ul style="list-style-type: none"> <li>• More horticulture examples (if available) would be very helpful</li> <li>• Case studies were interesting</li> <li>• I learned a lot</li> <li>• I would have liked to have had the actual slides in front of me during presentations</li> <li>• High standard – some timing issues – very engaging and stimulating</li> <li>• Good information – more examples would help</li> <li>• Present in different formats to improve activity/understanding</li> <li>• Good information</li> <li>• I thought they were good</li> </ul>
<b>4 Other areas of IP to be addressed</b>	<p>75% of participants were interested in other areas of IP being addressed</p> <ul style="list-style-type: none"> <li>• Protection of native flora</li> <li>• Perhaps an overview of the application process and documentation for patents, PBR etc</li> <li>• Work on more cases – greater examples</li> <li>• Run through whole contract</li> <li>• More emphasis on international trade, eg PBRs, trade marks, etc</li> <li>• I'd benefit from some more on certification marks</li> <li>• Strengthening of low cost mechanisms for taking action against infringement</li> <li>• How to negotiate IP%</li> </ul>
<b>5 Other comments</b>	<ul style="list-style-type: none"> <li>• Please email copy of slides</li> <li>• A very useful presentation but more regional presentations would see a greater turnout from industry</li> <li>• Enjoyed</li> <li>• Extremely well presented and managed (please forward slides)</li> </ul>

- Well organised, good facilities, many thanks
- I suspect that we need to put this adjacent to an industry forum to get more peak industry body attendees
- Please email me a set of the slides and thank you for your time in the presentation
- Thanks – I would appreciate it if you could send me a copy of the slides
- Would like more time on different case studies

## 2.4 2006 Intellectual Property Master Class

Following a review of the feedback received from the survey conducted in 2005, ACIPA conducted a 2-day Intellectual Property Master Class in 2006 with 23 delegates attending from HAL and the horticulture industries. Exit polls were collected with the results summarised in the table below:

<b>Survey Results – 2006 Intellectual Property Master Class</b>	
<b>1 Convenience of time</b>	
100% of the participants considered the time to be convenient.	
<b>2 Relevancy of topics</b>	
64.5% considered the relevancy of the topics covered as <b>Excellent</b> with 35.5% rating the relevancy of topics as <b>Very Good</b>	
<ul style="list-style-type: none"> <li>• Focus on PBR highly relevant to industry sector</li> <li>• Perhaps a little more on general patent issues</li> <li>• Indication on how to put a patent together would also be good</li> <li>• I was initially less interested in PBR but I actually enjoyed this part; it added value</li> <li>• Highly relevant</li> <li>• Examples of documents (patent applications, licences, PBR application etc) would be good</li> <li>• All very relevant and well presented</li> <li>• Mostly relevant</li> </ul>	
<b>3 Rating of presentation</b>	
50% of the participants rated the presentation as <b>Excellent</b> with 42% rating the presentation as <b>Very Good</b> and 8% as <b>Good</b> .	
<ul style="list-style-type: none"> <li>• Very useful, well-informed presenters</li> <li>• Good discussions throughout presentations</li> <li>• On occasions strayed off topic or spent too long on one issue; would have liked more time on closed marketing loops and examples already in Australia</li> <li>• Very good, particularly the discussions and descriptions</li> <li>• Very good content; I am hoping to get a copy of the slides</li> <li>• Some of the best info was on the overheads, but we don't seem to have access; can we access these or parts of them</li> <li>• A bland method of presentation that could be improved by varying the styles</li> <li>• Excellent very clear presentations</li> <li>• Well done by both presenters in tandem</li> <li>• Presentation of a potentially dry topic was very good</li> </ul>	
<b>4 Other areas of IP to be addressed</b>	
<ul style="list-style-type: none"> <li>• I think they were all covered; perhaps some more case law?</li> <li>• IP of databases and content</li> <li>• Patent writing – particularly the claims and how to ensure they can be policed</li> <li>• Commercialisation; web site contents</li> <li>• I don't know what I don't know (this person responded further by email with the</li> </ul>	

following:

- The detail required in the Commercialisation plan
- The characteristics that must be defined for a PBR and/or a patent application
- Examples of acceptable "differences" from already existing varieties
- Processes and paperwork required if you are making the application yourself
- Developing commercialisation plans (with participants who have experience)
- Sub-contracting and collaborative agreements
- How does IP apply to peak industry bodies who are dealing with R&D projects
- What if a breeder provider does not take out PBR and contracts a grower to grow-out material exclusively? Is the variety when sold a public domain variety?
- Format of days allowed all areas of interest to be included
- Discussion of patents in food and biotech areas
- Commercialisation of IP specifically for projects with investment on behalf of growers

**5 Other comments**

- Perhaps covering stuff that includes processing, food design and manufacture, so moving further down from farm to fork supply chain
- Agricultural engineering gadgets and processes – can we have a HAL course focussing more on these?
- Excellent workshop; very clear and well presented. I would like to have a hard copy of the overheads so I could make additional notes next to the slide. Possibly there is a need for Boards of peak industry bodies to be given a lesson in corporate governance issues in relation to how it works with HAL and levy payer funded projects

### 3 IP Education and Training Program

#### 3.1 2005 Intellectual Property Seminars

**Seminar Series Title:**

*Plant Breeder's Rights: Intellectual Property Issues for Horticulture Industries*

**Seminar Series Synopsis:**

ACIPA held a series of free seminars on intellectual property issues for growers in various districts throughout 2005 (see schedule below).

These seminars covered recent developments in intellectual property, particularly in the area of plant breeder's rights, which are having more and more impact on the horticulture industry. This included updates on new varieties which are now commonly protected by plant breeder's rights, leading to more growers having to pay tree and/or end point royalties to breeders. Topics also included grower contracts that give intellectual property owners additional rights which threaten the ability of growers to save propagating material and seed and often provide owners with rights to enter onto property to search and seize for breaches of intellectual property.

These free seminars gave growers the opportunity to learn about relevant intellectual property issues in particular, plant breeder's rights, end point royalties and contractual issues.

**Seminar Series Schedule:**

<b>New South Wales</b>	
Alstonville	19 July
Sydney	20 July
<b>Queensland</b>	
Nambour	19 May
Cleveland	20 May
Cairns	12 July
<b>South Australia</b>	
Lenswood	18 August
Virginia	6 September
Loxton	7 September
<b>Tasmania</b>	
Hobart	17 August
<b>Victoria</b>	
Knoxfield	15 August
Mildura	29 September
Shepparton	30 September
<b>Western Australia</b>	
Bunbury	24 August

**Seminar Series Training Materials:**

A booklet *Plant Breeder's Rights: A guide for Horticulture Industries* (2005) was prepared by ACIPA Researchers as a supplement to the presentation materials at these seminars. ACIPA also distributed IP Fact Sheets at all of these seminars. Electronic versions of the Booklet and the IP Fact Sheets have been made available to HAL so that they can be accessed on their website. A copy of the Booklet and the Fact Sheets are attached to the printed copies of this Final Report.

**3.2 2006 Intellectual Property Seminars****Seminar Series Title:**

*Plant Breeder's Rights, Contracts, End Point Royalties and Commercialisation: Issues for the Horticulture Industries*

**Seminar Series Synopsis:**

Following a review of the feedback received in the 2005 IP Seminar series surveys, ACIPA conducted a series of free seminars in 2006 on intellectual property issues for growers, plant breeders and others involved in the horticulture industries. These seminars were held in various districts throughout Australia (see schedule below).

These seminars covered topics such as:

- Plant Breeder's Rights (PBR)  
What is PBR and what does it mean to growers?  
What is the scope and duration of protection?
- End Point Royalties  
What are end point royalties and how are they collected?
- Farm saved propagating material (eg seed, cuttings etc)  
Can I save propagating material of a protected variety?  
Do I have to pay royalties?
- Grower Agreements  
What are contracts including grower agreements?  
How do they relate to my business as a grower?
- Closed Loop Contracts  
What are closed loop contracts?  
How do they affect my ability to choose who I do business with?

**Seminar Series Schedule:**

<b>New South Wales</b>	
Homebush	17 July
<b>Northern Territory</b>	
Darwin	28 June
Coolalinga	29 June
<b>Queensland</b>	
Brisbane	5 May
Applethorpe	8 June

Cleveland	15 June
Gatton	13 July
<b>Tasmania</b>	
Prospect	20 July
<b>Victoria</b>	
Merbein	12 July
Mildura	26 July
<b>Western Australia</b>	
Como	20 June
South Perth	21 June

### **Seminar Series Training Materials:**

The 2005 version of the booklet *Plant Breeder's Rights: A guide for Horticulture Industries* was revised by ACIPA Researchers and was distributed as a supplement to the presentation materials at these seminars. ACIPA also distributed IP Fact Sheets at all of these seminars. Electronic versions of the Booklet and the IP Fact Sheets have been made available to HAL so that they can be accessed on their website. A copy of the Booklet and the Fact Sheets are attached to the printed copies of this Final Report.

### **3.3 2005 Intellectual Property Master Class**

#### **IP Master Class Title:**

*Intellectual Property Master Class for Horticulture Industries*

#### **IP Master Class Synopsis:**

ACIPA held the first of a free series of annual *Intellectual Property Master Classes* to look at intellectual property issues facing the horticulture industries in Australia.

The object of the 2005 IP Master Class was to raise understanding and awareness of the scope and nature of intellectual property and the potential benefits and problems that intellectual property offers for the horticulture industries. It was intended that this Master Class, in conjunction with others to be held in future years, would help to build intellectual property skill levels and expertise within the industry. As such, this Master Class was aimed at those within the horticulture industries who need more detailed and specialised knowledge about intellectual property and related legal matters.

#### **Agenda:**

<b>Day 1 – 11 October</b>	
1.00 – 1.30	<b>Registration</b>
1.30 – 3.15	<p>Overview of Intellectual Property</p> <ul style="list-style-type: none"> <li>• Patents</li> <li>• Designs</li> <li>• Trademarks</li> <li>• Copyright</li> <li>• Trade secrets</li> <li>• Confidential information/trade secrets</li> <li>• Case example – IP in a typical research project</li> </ul>

3.15 – 3.30	<b>Afternoon Tea</b>
3.30 – 5.00	Ownership of IP <ul style="list-style-type: none"> <li>• Implications of ownership</li> <li>• Does percentage matter</li> <li>• The ownership chain</li> <li>• Commercialisation</li> <li>• Case study</li> </ul>

<b>Day 2 – 12 October</b>	
9.00 – 10.30	Plant Breeder's Rights <ul style="list-style-type: none"> <li>• Scope</li> <li>• Application</li> <li>• Exemptions</li> <li>• Case study</li> </ul>
10.30 – 10.45	<b>Morning Tea</b>
10.45 – 11.30	Branding <ul style="list-style-type: none"> <li>• Naming</li> <li>• TM</li> <li>• Certification TM</li> <li>• GI</li> </ul>
11.30 – 12.00	Enforcement of IP rights
12.00 – 12.45	<b>Lunch</b>
12.45 – 1.45	Contracts <ul style="list-style-type: none"> <li>• Basic contract law</li> <li>• IP and contracts - statutory and common law interaction</li> <li>• Contracts</li> <li>• End point royalties</li> <li>• Multi party research projects – CRC case study</li> </ul>
1.45 – 2.00	Freedom to operate
2.00 – 2.30	Panel Session

### **IP Master Class Training Materials:**

A booklet *Plant Breeder's Rights: A Guide for Horticulture Industries* (2005) was prepared by ACIPA Researchers as a supplement to the presentation materials at this IP Master Class. An electronic version of this booklet has been made available to HAL so that it can be accessed on their website. A copy of the booklet is attached to the printed copies of this Final Report.

## **3.4 2006 Intellectual Property Master Class**

### **IP Master Class Title:**

*Intellectual Property and Commercialisation Master Class for Horticulture Industries*

### **IP Master Class Synopsis:**

Following a review of the feedback from the 2005 IP Master Class ACIPA held a free Master Class that looked at intellectual property and commercialisation issues facing the horticulture industries in Australia. This was an opportunity for those who wanted to know more about IP and commercialisation. The object of the Master Class was to raise understanding and awareness of the scope and nature of intellectual property and

the potential benefits and problems that intellectual property offers for the horticulture industries. The Master Class was held over two days and was aimed at those within the horticulture industries who need detailed and specialised knowledge about intellectual property and related legal matters. This included Horticulture Australia Limited and Panel members, researchers, management and staff, growers; and other business people in the horticulture industries who invest in or manage IP.

### Agenda:

<b>Day 1 – 30 October</b>	
12.30 - 1.00	<b>Registration</b>
1.00 - 2.15	Overview of Intellectual Property <ul style="list-style-type: none"> <li>• Patents</li> <li>• Plant Breeder's Rights</li> <li>• Designs</li> <li>• Trademarks</li> <li>• Copyright</li> <li>• Trade secrets</li> <li>• Confidential information/trade secrets</li> </ul> Branding
2.15 - 3.15	Ownership of IP <ul style="list-style-type: none"> <li>• Implications of ownership</li> <li>• Does percentage matter</li> <li>• The ownership chain</li> <li>• Commercialisation</li> </ul> Case study
3.15 - 3.30	<b>Afternoon Tea</b>
3.30 - 4.30	Enforcement <ul style="list-style-type: none"> <li>• What constitutes a breach</li> <li>• Obtaining Evidence</li> <li>• Costs of enforcement</li> </ul>
4.30 - 5.00	Discussion

<b>Day 2 – 31 October</b>	
8.45 - 9.00	Freedom to operate
9.00 - 10.00	Commercialisation and Contracts <ul style="list-style-type: none"> <li>• Basic contract law</li> <li>• IP and contracts - statutory and common law interaction</li> <li>• End point royalties</li> <li>• IP components of HAL Research Agreement</li> </ul> Multi party research projects
10.00 - 11.00	Commercialisation Case Studies – presented by Shane Comiskey, CDI Pinnacle Management Pty Ltd – this is a HAL project)
11.00 - 11.15	<b>Morning Tea</b>
11.15 - 12.30	Review examples of completed forms to assess IP issues
12.30 - 1.15	<b>Lunch</b>
1.15 - 2.00	HAL Application Form – what is needed to complete the form
2.00 - 2.30	Discussion



**IP Master Class Training Materials:**

A report *Intellectual Property and the Commercialisation of Research and Development: A Guide for Horticulture Industries* (2006) was prepared by ACIPA Researchers. In May 2006 this draft report was presented to all participants at an Industry Forum allowing them the opportunity to provide feedback on the content. The report was revised to incorporate the feedback received and was distributed as a supplement to the presentation materials at this IP Master Class. An electronic version of this booklet has been made available to HAL so that it can be accessed on their website. A copy of the report is attached to the printed copies of this Final Report.

## **4 Delegate list – IP Education and Training Events**

### **4.1 2005 Intellectual Property Seminars**

The 2005 series of free Intellectual Property seminars was open to the public. HAL widely advertised these seminars through their networks and a total of 255 delegates from the horticulture industries attended. These delegates included: farmers; HAL staff and Board Members; plant breeders; and Government officers.

### **4.2 2006 Intellectual Property Seminars**

The 2006 series of free Intellectual Property seminars was open to the public. ACIPA and HAL widely advertised these seminars through their networks and a total of 250 delegates from the horticulture industries attended. These delegates included: farmers; HAL staff and Board Members; plant breeders; and Government officers.

### **4.3 2005 Intellectual Property Master Class**

The 2005 free Intellectual Property Master Class was advertised by HAL through their networks. This event was targeted at HAL staff and Board Members, peak industry body representatives, research program managers, IP managers and general scientists. This event was limited to 20 places and was scheduled to coincide with an Industry Forum to minimise the cost of travel and accommodation for members to attend.

The list of delegates and presenters is as follows:

<b>Delegates</b>		
1	Philip Roeth	Horticulture Australia Limited (NSW)
2	John Tyas	Horticulture Australia Limited (QLD)
3	John Oakeshott	Horticulture Australia Limited (NSW)
4	Brad Wells	Horticulture Australia Limited (NSW)
5	David Cliffe	Horticulture Australia Limited (Board Member) (NSW)
6	Peter Walker	Horticulture Australia Limited (Board Member) (SA)
7	Steven Jones	AGLIGN Pty Ltd (NSW)
8	Gavin Rodgers	TURFCO (NSW)
9	Greg Chislett	Chislett Developments Pty Ltd (VIC)
10	Jim Collings	Growcom (QLD)
11	Leigh Muluchil	Dept of Primary Industries & Fisheries (QLD)
12	Kim Jones	Australian Macadamia Society (NSW)
13	Stephen Welsh	Tasmanian Farmers & Graziers Association (TAS)
14	Bruce Hill	Bruce Hill & Associates Pty Ltd (NSW)
15	Brent Redman	Buchanan Turf Supplies (NSW)
16	Garry Fullelove	Dept of Primary Industries & Fisheries (QLD)
17	Jenny Margetts	Avocados Australia Limited (QLD)
18	Michael Danelon	Nursery and Garden Industry NSW & ACT (NSW)
<b>Presenters</b>		
1	Michael Handler	ACIPA, The Australian National University

2	Kathryn Adams	ACIPA, Griffith University
3	Stephen Hubicki	ACIPA, The University of Queensland

#### 4.4 2006 Intellectual Property Master Class

The 2006 free Intellectual Property Master Class was advertised by HAL through their networks. This event was targeted at HAL staff and Board Members, peak industry body representatives, research program managers, IP managers and general scientists. This event was scheduled to coincide with an Industry Forum to minimise the cost of travel and accommodation for members to attend.

The list of delegates and presenters is as follows:

Delegates		
1	Ingrid Applegvist	Food Science Australia (NSW)
2	Neville Beaumont	Beaumont's Produce (NSW)
3	Max Bell	Papaya Australia
4	Chris Bennett	Almond Board of Australia
5	Alison, Brinson	Dept of Primary Industries (VIC)
6	Gillie Brown	Dept of Agriculture and Food (WA)
7	Charlie Chessari	Food Science Australia (NSW)
8	Michelle Christodolou	Carter and Spencer Group (QLD)
9	Andrew Collins	Horticulture Australia Limited (NSW)
10	Rebecca Dawson	Nursery and Garden Industry Australia (NSW)
11	Simon Drum	Horticulture Australia Limited (VIC)
12	Jonathan Eccles	Arris Pty Ltd (NSW)
13	Silvia Estrada-Flores	Food Science Australia (NSW)
14	Craig, Feutrill	Arris Pty. Ltd (SA)
15	Garry Fullelove	Dept of Primary Industries and Fisheries (QLD)
16	Geoffrey Fuller	Nursery and Garden Industry SA Inc (SA)
17	Nicole Gallace	Sunny Ridge Strawberry Farm (VIC)
18	Craig Gordoio	Horticulture Australia Limited (NSW)
19	Vicki Lane	Dept of Primary Industries and Fisheries (QLD)
20	David Liesegang	Dept of Primary Industries (VIC)
21	Gerard McEvelly	Horticulture Australia Limited (NSW)
22	Des McGrath	Dept of Primary Industries and Fisheries (QLD)
23	Peter McMaugh	Turfgrass Scientific Services Pty Ltd (NSW)
24	Meri Menidis	Dept of Primary Industries (VIC)
25	Peter Power	Batlow Apples (NSW)
26	Philip Roeth	Horticulture Australia Limited (NSW)
27	Dan Ryan	Hortresearch (Australia) Pty Ltd (NSW)
28	Daniel Weddell	Magnus Kahl Seeds (VIC)
Presenters		
1	Kathryn Adams	ACIPA, Griffith University
2	Robert Burrell	ACIPA, The University of Queensland

## **5 Key Outcomes of the IP Education and Training Program**

One of the findings of this project was that there is a need to separate education and training from primary research, given that they have very different aims, objectives, and timescales. Feedback from the ACIPA IP Seminars and IP Master Classes indicated that there is a very strong interest and demand for further education and training across all areas of the horticulture industries. From 2005-2007 ACIPA conducted 25 IP Seminars for growers, researchers and other industry representatives with over 500 people attending. After each series of seminars ACIPA received requests for presentations to be made in other parts of the country and to specific horticulture industry groups. ACIPA conducted 2x2-day IP Master Classes with both reaching maximum level for the venue with people being placed on a waitlist. Consequently, there is a demand for further education and training on IP issues of relevance to the horticulture industries.

Whilst the feedback from this project has indicated a demand for further education and training on IP issues, this feedback also suggests that the education and training needs of different audiences vary. In particular, whilst there is a need for ongoing delivery of education and training on IP issues of fundamental importance to broad areas of the horticulture industries, such as PBR and licensing of protected varieties, there is also a requirement among a selected audience of industry participants, such as research and commercialisation managers, business managers, and HAL staff involved in decision-making involving investment of industry and related sources of funding, for a more sophisticated understanding of IP issues concerning the horticulture industries. This includes issues such as closed-loop contracts, licensing practices and competition law, issues relating to the patenting of plant innovations and the techniques and materials used in the research and development of plant innovations, and management and commercialisation issues such as due diligence and how to manage an IP portfolio. In addition, researchers involved in horticulture related projects also face IP issues of particular import for their activities, such as freedom to operate, copyright, and confidentiality. Accordingly, ongoing training and education on IP issues amongst industry participants needs to be aligned with the specific needs of the target audiences. At the same time, given the speed of change in IP law, there is a general need for ongoing education and training across all areas of the horticulture industries to keep a wide range of audiences, including growers, research managers, HAL staff etc., apprised of these changes.

## 6 Recommendations

There is an on-going need for targeted education and training to maximise understanding and awareness of IP across Australian horticulture industries. It is recommended that ACIPA:

- develop and implement *IP Seminars* for HAL researchers, growers and industry groups to assist them in understanding their statutory and contractual rights and obligations when choosing to use PBR and trade mark protected varieties. This will ensure that they can obtain the maximum commercial benefit from the IP obtained from R&D investment;
- develop and implement an *IP Master Class* to provide in-depth understanding on key IP issues affecting R&D and commercialisation and adoption; and
- Provide in-house training on IP management and related issues for HAL staff. This will include undertaking a review of HAL's IP Policy and Management procedures to ensure that they reflect HAL's Strategic and Annual Operating Plans in order to maximise the value of R&D investment for the benefit of the industry.

ACIPA has submitted an application for further funding to HAL through the Voluntary Contributions scheme to carryout these recommendations.

## **7 Acknowledgements**

The success of this project was due to the contributions of the ACIPA Researchers Kathryn Adams, Leanne Wiseman, Robert Burrell, Stephen Hubicki, Jay Sanderson, Matthew Rimmer and Michael Handler and also to the Centre Manager, Carol Ballard for her administration of this project.

Special thanks to Philip Roeth, Portfolio Manager in the IP & Commercialisation Section of HAL, for his professionalism and the level of support he gave us to ensure that this project successfully met the needs of the horticulture industry.

## 8 Publications

ACIPA produced a number of publications during the term of this project (see list below). All publications have been submitted electronically and in hardcopy with this Final Report.

### Booklets

- *vPlant Breeder's Rights: A Guide for the Horticulture Industries* [2006] (see Attachment 1)
- *Intellectual Property and the Commercialisation of Research and Development: A Guide for Horticulture Industries* [2006] (see Attachment 2)
- *Plant Breeder's Rights and Patents for Plants: A Compendium of Key Case Law for the Horticulture Industries in Australia* [2007] (see Attachment 3)

### Reports

- Sanderson, J., 'Plant Intellectual Property for the Nursery and Garden Industry Association', *NGIA Newsletter* [2007] (see Attachment 4)

### Fact Sheets

- *What is Intellectual Property?* [2006] (see Attachment 5)
- *Plant Breeder's Rights* [2006] (see Attachment 6)
- *Closed Loop Contracts* [2006] (see Attachment 7)
- *Biodiscovery*[2007] (see Attachment 8)
- *End Point Royalties* [2007] (see Attachment 9)
- *Farm-saved Propagating Material in Horticulture* [2007] (see Attachment 10)

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# Plant Breeder's Rights

A Guide for the Horticulture Industries

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*Know-how for Horticulture™*





This booklet was prepared independently by the Australian Centre for Intellectual Property in Agriculture with funding from Horticulture Australia Limited (Project HG04020 "Maximising the Benefits of Intellectual Property for the Australian Horticulture Industry") and an Australian Research Council project.

ACIPA 2005

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The publication has been prepared in good faith on the information available at the date of publication.

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- Griffith University
- The Australian National University

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# Introduction

It is increasingly common for horticulture varieties in Australia to be protected by Plant Breeder's Rights (PBR). For example, in May 2006 there were 33 apple varieties, 94 *prunus* varieties (apricots, peaches, plums, nectarines, cherries), 12 citrus varieties, 49 potato varieties and 259 rose varieties protected by PBR in Australia.

The commercial use of protected varieties can directly influence profits and market opportunities. To maximise these benefits, it is critical that breeders, growers, licensees and others involved in the horticulture industries understand the nature of intellectual property. It is also important that they are aware of their rights and obligations when they are using or purchasing protected plant varieties.

PBR protection began in Australia with the introduction of the *Plant Variety Rights Act 1987*. This Commonwealth Act of Parliament was then replaced by the *Plant Breeder's Rights Act 1994*. The PBR system aims to encourage the development of new plant varieties by providing a temporary monopoly for breeders, giving them the exclusive right to the new plant variety and therefore an opportunity to recoup the money they have invested in the research and development of the new variety.

Plant varieties can also be subject to other forms of intellectual property such as patents, copyright, confidential information and trade marks. Different obligations and rights are associated with each form of intellectual property. For example, if a plant variety is protected by a patent, users of the variety would not be able to save propagating material for their own use or use the variety in their plant breeding programs, in the same way that they could if the variety was protected by PBR. Thus, it is important to be aware of how the varieties are protected. While this booklet deals with PBR, a brief summary of patents, trade marks and confidential information is given in Appendix 1.

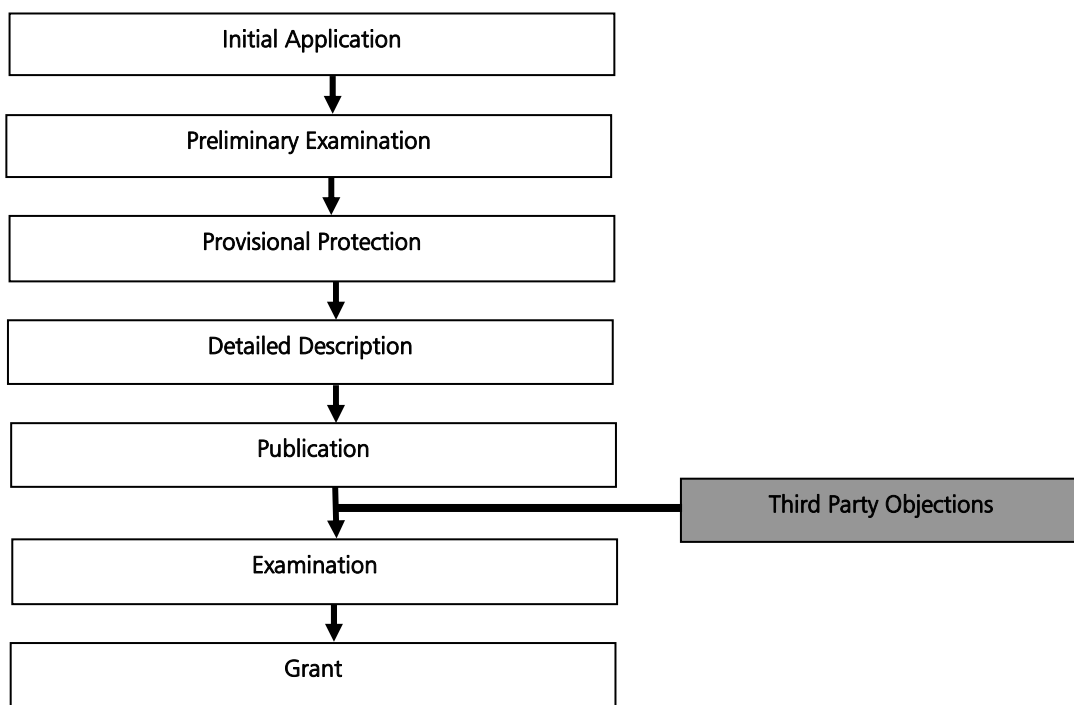
## 2

# Grant of Plant Breeder's Rights (PBR)

For a plant variety to be protected by PBR, applicants must go through an examination process to determine whether the variety complies with the requirements for protection. If PBR are granted, the rights are recognised throughout Australia.

Figure 1 sets out the steps of the application and examination process.

Figure 1: Steps in applying for PBR protection



The initial application for PBR protection is made to the PBR Office, in IP Australia.

Applications are accepted from:

- The original 'breeder' of a new variety;
- The employer of the original breeder if the breeder is an employee of an organisation;
- Two or more joint breeders; or
- A person who has acquired ownership from the original breeder.

In this context, as well as including traditional breeding practices, a 'breeder' is defined to include a discoverer of a plant variety together with its use in selective propagation so as to enable the development of a new plant variety.

The initial application must contain certain information, including a brief description of the variety (which may be accompanied by a photograph) and the manner in which the variety was bred.

After an application has been lodged, a preliminary examination is undertaken to ensure that:

- Similar applications have not already been lodged; and
- The plant variety is (*prima facie*) distinct from all other commonly known varieties.

If an application meets these criteria, it will be given 'provisional protection'. If unsuccessful, the applicant will be notified of the reasons for non-

acceptance and given an opportunity to amend their application.

Within 12 months of an application being accepted for provisional protection, the applicant must provide a detailed description of the plant variety. The description must be in the approved form and contain particulars of the characteristics that distinguish the variety from other plant varieties the existence of which is a matter of common knowledge.

From July 1 2005 the description of the variety must be provided using the Interactive Variety Description System (IVDS) provided on the IP Australia web site. The system is available for use by the Qualified Person (QP) who must be engaged by the Applicant to oversee the comparative trials. The QP must be accredited by the PBR Office.

A detailed description and a photograph of each variety are published in the Plant Varieties Journal (see Appendix 2 for examples of detailed descriptions). This provides third parties, whose commercial interests may be affected, an opportunity to raise objections if they believe the application does not meet the criteria for protection. Objections must be lodged within 6 months of publication of the detailed description of the variety in the Plant Varieties Journal.

After the description has been published, the PBR Office then examines the application. If an application meets the



necessary criteria, PBR protection is granted.

When granted, PBR protection lasts for:

- 25 years for trees and vines; or
- 20 years for all other plants.

After PBR protection has expired, the variety can be used by anyone (as long as the variety is not protected by other forms of intellectual property or by contract between the PBR owner and the person wishing to use the variety).

The limited duration of PBR aims to ensure a balance between private and public interests.

Plant varieties are usually labelled to indicate that they are protected. To avoid confusion, standardised versions of the PBR logo and wording are used (see Figure 2) on labels. Inadequate labelling of plants could reduce the effectiveness of the PBR owner's rights.

**Figure 2: PBR Logo**



*Unauthorised commercial propagation or any sale of seed of this variety is an infringement under the Plant Breeder's Rights Act 1994*

# 3

## Criteria for protection

To be protected, a variety must be:

- 'new';
- 'distinct';
- 'uniform'; and
- 'stable'.

If an application fails to comply with any of these criteria, protection will not be granted.

Importantly, the grant of PBR in a variety does not ensure the validity of the grant. A person whose interests are affected by the grant of PBR in a variety may apply for revocation of the right on the ground that the variety does not comply with one or more of these criteria.

### **Novelty ('New')**

To be protected, a variety must be novel or 'new'. For the purposes of PBR law, a variety is new if plant material has not been exploited (eg sold, disposed of, or used commercially) within Australia with the breeder's consent more than one year before the date on which the application was lodged. It is also possible for the

novelty of a variety to be lost if there has been a sale or disposal outside of Australia more than six years before the application date in the case of trees and vines, or, in other cases, not more than four years before the lodgement date.

### **Distinct, uniform, and stable**

These criteria are sometimes referred to as the 'DUS' requirements:

- A variety is 'distinct' if it is clearly distinguishable by one or more characteristics, which can be clearly described, from any other variety whose existence is a matter of common knowledge at the time of application.
- A variety is 'uniform' if it is sufficiently consistent in those characteristics that make it distinct. This means that nearly all individual plants among a population of the variety must bear the characteristics that make the variety distinct.
- A variety is 'stable' if it remains true to description after repeated propagation or reproduction.

Australia's PBR system relies on test growing to establish the distinctness, uniformity and stability of new varieties. The breeder or their agent carries out comparative trials, using specific technical guidelines, to

establish whether each new variety satisfies the necessary criteria. These trials must be supervised by a 'qualified person', who verifies the particulars given in the detailed description of the variety.

# 4

## Naming a new plant variety

Under the *Plant Breeder's Rights Act 1994*, both the name and synonym of a plant variety are protected. A synonym is an additional name which the applicant may also use to commercialise the variety in Australia.

The Act imposes a number of limitations on plant variety names. In particular, the name must be a word or words (whether invented or not), to which may be added one or more letters or figures. Further, the name must not be:

- Likely to deceive or cause confusion (including confusion with the name of another plant variety of the same plant class);
- Contrary to law (for example by being a prohibited term under Australian legislation);
- Scandalous or offensive;
- A trade mark that is protected, or whose registration is being sought, under the *Trade Marks Act 1995* in respect of live plants, plant cells and/or plant tissues (see Appendix 1);
- The name of a natural person either living at the time of the application

or who died within 10 years of the application (unless the person or their legal representative has given written consent); or

- The name of a corporation or other organisation (unless the corporation or other organisation has given its written consent).

In addition, the name must comply with the International *Code of Nomenclature for Cultivated Plants*. The Plant Breeder's Rights Office has developed some guidelines to assist in the naming of new varieties to ensure compliance with the Code. These are:

- The name should not contain more than 10 syllables and be no more than 30 characters long (excluding spaces and single quotation marks);
- The name should not exaggerate the merits of the variety (eg 'Freshest of All', 'Best Ever'), nor should the name be made up of simple descriptive words (eg 'Green', 'Giant');
- Certain words are banned under the Code and must not be used. These are: 'cross', 'hybrid', 'grex', 'group', 'form', 'maintenance', 'mutant',

'seedling', 'selection', 'sport', 'strain', 'variety' (whether in singular or plural form), 'improved' or 'transformed';

- The only punctuation marks that should be used are apostrophes, commas, single exclamation marks, hyphens or full stops; and
- If the name is a single word, it should not be the same as a genus, whether in botanical Latin or modern language. However, such a word may be used in a longer name as long as it does not form the final word of the name. Further, the name should contain neither the botanical or common name of its genus nor the common name of any species in that genus.

Finally, if an application for PBR has previously been filed in a country which is a member of the relevant international treaty (UPOV), the name used in the first filing must be the official protected name in Australia. This ensures that the variety is known by the same name worldwide. The variety may be marketed under a different name in Australia, although the official name should be included in the synonym.

# 5

## Scope of Plant Breeder's Rights (PBR)

The scope of the protection given to owners of PBR is important as it determines when third parties need to seek permission to use the protected variety. From a grower's perspective, the scope of protection is important as it dictates when they may need to pay to use a protected variety, keep certain records and abide by other conditions of use set by the owner of the PBR.

There are three elements of PBR that determine its scope. These relate to:

- The activities covered by the right;
- The plant materials to which these activities relate; and
- The derivation and dependency of the plant variety to which the right attaches.

### (i) Activities

PBR grants the owner of a protected variety the right to prevent others from doing certain things in relation to the variety. While the rights given to the owner of PBR are broad, they do not cover all uses of the protected material.

Owners of PBR over a plant variety have exclusive rights to:

- Produce or reproduce the material;
- Condition the material for the purpose of propagation (conditioning includes cleaning, coating, sorting, packaging and grading);
- Offer the material for sale;
- Sell the material;
- Import the material;
- Export the material; and
- Stock the material for any of the purposes described above.

### (ii) Plant material

The protection offered by PBR applies to the activities listed above in relation to the 'propagating material' of the protected variety and, in some limited cases, to 'harvested material' and to 'products derived from the harvested material'.

## Propagating material

The primary right conferred on owners of PBR relates to 'propagating material'. Propagating material is defined as any part or product of a plant variety that enables a plant with the same essential characteristics to be reproduced. As such, it includes seedlings, seeds, seed potatoes, bulbs, rhizomes, grafts and other types of reproductive material. The nature of plant material and breeding technology means a variety can be propagated from a wide array of plant parts, including material such as cut blooms.

A person will infringe PBR if, for example, they sell propagating materials, produce cuttings, or import bulbs of a protected variety. But if such a person (who has the PBR owner's consent to grow the plant) sells the harvested product (eg beans for canning, cut blooms or rose bushes for personal use) and these products are subsequently used for propagation by the purchaser, it is unlikely that the vendor will be liable. In these cases, the user will be liable as they will have reproduced or 'conditioned' the material for the purposes of propagation without the consent of the PBR owner.

## Harvested material

In certain circumstances PBR protection also includes 'harvested material' derived from protected varieties. This occurs where:

- Propagating material of a plant variety covered by PBR is produced or reproduced without the authorisation of the owner;
- The owner does not have a reasonable opportunity to exercise their rights in relation to the propagating material; and
- Material is harvested from the propagating material.

'Harvested material' includes entire plants, parts of plants and plant material such as cut flower blooms.

The rationale for extending protection beyond the propagating material is to provide the owner of the protected variety with some measure of recourse where he or she is unaware that a protected variety has been reproduced without permission. In these circumstances, the harvested material is treated as if it were propagating material.

Take, for example, the following situation: 'Grower A' takes a cutting from a protected variety on the neighbour's land, and grows and harvests a crop. In this situation, the owner of the PBR will not have authorised 'Grower A' to reproduce the variety. As the grantee will not know how much propagating material 'Grower A' planted, they will not have had a reasonable opportunity to exercise their rights over the propagating material. So long as 'Grower A' harvests from the propagated crop, the scope of protection will extend beyond the

propagating material to include the harvested material. 'Grower A' is likely to infringe the owner's PBR if, for instance, they sell the harvested material without the owner's permission.

### **Products obtained from harvested material**

In some situations, the scope of protection also extends to include products that are made directly from the harvested material (such as flour derived from the wheat). This will occur if:

- Propagating material of a plant variety covered by PBR is produced or reproduced without the authorisation of the owner;
- The owner does not have a reasonable opportunity to exercise their rights in relation to both the propagating material and the harvested material; and
- Products are made from the harvested material.

All three of the above elements must be present.

In these circumstances, the products obtained from the harvested material are treated as if they were propagating material.

### **(iii) Derivation and dependency of the new variety**

In some situations, the protection given to the owner of PBR extends beyond the protected variety to varieties that are

'dependent' on the protected variety, as well as 'essentially derived' varieties.

### **'Dependent' varieties**

If PBR is granted for a variety (the initial variety), the PBR also extends to varieties that are not clearly distinguishable from the protected variety (but are distinguishable from all other known varieties), or whose production requires the repeated use of the protected variety (for example, hybrids).

### **'Essentially derived' varieties**

A variety is deemed to be 'essentially derived' where it is predominantly derived from the initial variety. In addition, the variety must retain the expression of the essential characteristics that result from the genotype of the initial variety, but be distinguishable from the initial variety. Examples of essentially derived varieties can include natural or induced mutants, back-crossing, or transformation by genetic engineering. The key element is that the essentially derived variety does not exhibit any 'important' (as distinct from cosmetic) features that differentiate it from the initial variety.

The breeder of an essentially derived variety is not prevented from obtaining PBR for that variety, provided that the variety conforms to the requirements for registration. However, the owner of the variety from which the essentially derived variety has arisen may seek a declaration that the variety is essentially derived. Where a declaration is made, the initial



owner may prevent exploitation of the essentially derived variety. As of January 2006, no such declaration had been

made by the Plant Breeder's Rights Office.

# 6

## Exceptions and limitations to protection

An important feature of the PBR system is the way the interests of breeders, growers, researchers and the public have been accommodated through the use of exceptions and limitations to the scope of the rights. The PBR Act provides that certain acts will not infringe the plant breeder's rights. These are acts done:

- Privately and for non commercial purposes;
- For experimental purposes;
- For the purpose of plant breeding; and
- For propagation and conditioning of farm saved propagating material, such as cuttings, tissue culture and seed (for first generation crops).

If a person falls within these exceptions, they will not infringe the owner's rights. The most important exception for growers is the exception in relation to farm saved propagating material, and for plant breeders is the exception for plant breeding.

### **Farm saved propagating material**

Growers can save propagating material protected by PBR to replant for their own use, unless the crop is declared by regulation to be one to which the exemption does not apply. As of May 2006, no such regulations had been made.

While growers can save propagating material indefinitely for their own replanting, there are some limitations if they harvest the resultant crop.

The PBR owner may be able to exercise their PBR rights over harvested material (from the second and later generation crops) which is not reused for propagation by the grower (See Figure 3).

Growers can save propagating material from the first and future generation crops and re-propagate with it. But if the grower harvests material from second and future generation crops and some of this harvested material is not used for replanting, the PBR owner may

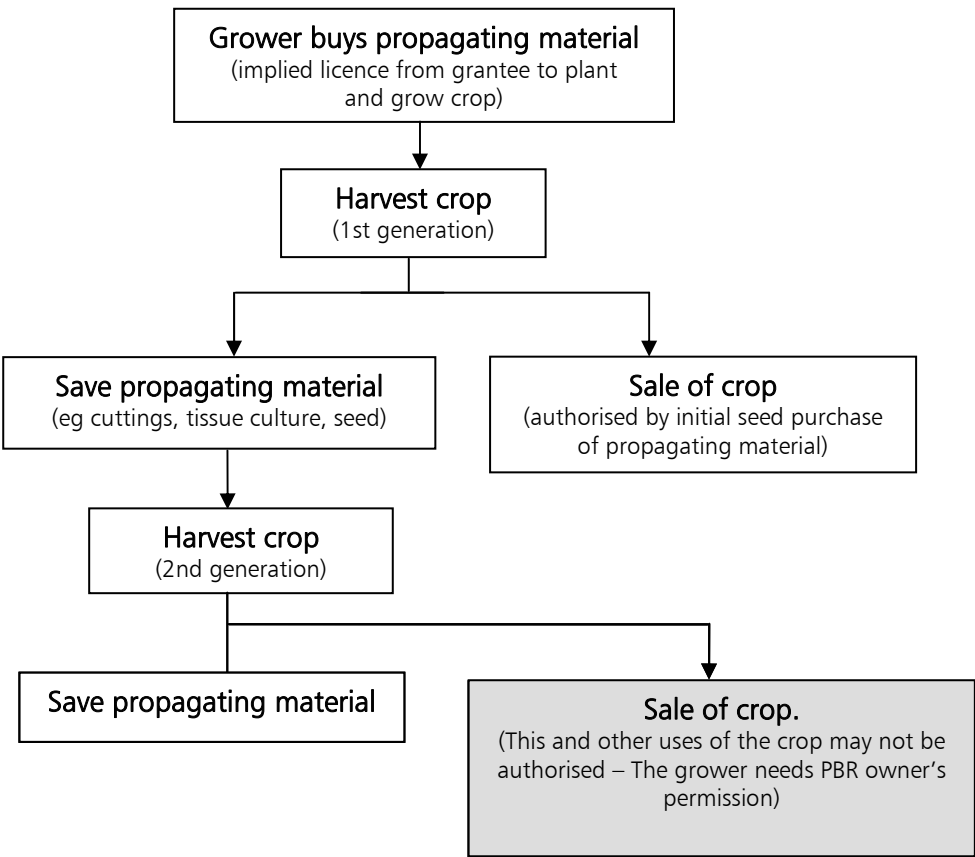
be able to exercise his or her rights over that harvested material.

There is still some uncertainty as to the extent of this farm saved propagating material exemption. In the *Cultivaust vs Grainpool* case in 2004, the court confirmed that the PBR rights may be exercised over harvested material, if the PBR owner has not had reasonable opportunity to exercise their rights over the propagating material. However, on appeal in 2005, although the full Federal Court did not specifically address this issue it did indicate that the matter may not yet be fully settled.

To provide more certainty on this issue PBR owners can include provisions in a contract or grower agreement which address the terms under which they will allow the grower to use PBR protected varieties. This can include non propagation clauses and end-point royalty clauses.

It is important that growers carefully read the terms of any contracts they are asked to sign to ensure they understand the terms and conditions under which the PBR owner is allowing them to use the variety.

Figure 3: Saving propagating material for commercial purposes



## **Compulsory licence**

There is an obligation on the owner of PBR to make reasonable quantities of the protected variety available at a reasonable price to meet public demand. Where this does not occur, a person whose interests are affected (grower, distributor, nursery etc) may seek a compulsory licence over the variety from the Plant Breeder's Rights Office.

A compulsory licence is different from other licences (discussed below) as it is a licence that can be imposed on the owner of the PBR through provisions of the PBR legislation (as opposed to other licences that are voluntarily entered into under the terms of a contract). For a compulsory licence to be granted, a party whose interests are affected must make a written application to the PBR Office. The applicant must show that within two years of the rights being granted, the PBR owner has not taken all reasonable steps to ensure reasonable public access to that plant variety.

To do this the applicant must show that propagating material of reasonable quality is not available to the public at reasonable prices, or as gifts to the public, in sufficient quantities to meet demand. The owner is given the opportunity to refute the claims and to demonstrate that the public access provisions are being met, before a compulsory licence is granted.

If a compulsory licence is granted, the PBR Office can license a person(s) to grow and sell the variety for whatever time and under whatever conditions are deemed necessary. They may also allow growers to sell saved propagating material to other growers. The PBR Office will specify the amount that should be paid (in 'equitable compensation') to the PBR owner.

It is important to note that for a compulsory licence to be granted, it is the propagating material that must be made available to the public, and not the harvested product.

## Commercialising a PBR Variety

There are a number of different ways in which a PBR variety can be commercialised or otherwise exploited. For example, it is possible for the owners to exploit the variety themselves. Alternatively, they can licence other parties to commercialise their varieties, or sell their rights to a third party (this is known as an 'assignment' of rights).

An assignment is a transfer of ownership of the PBR to a third party. As a result, the third party becomes the sole owner of the right. A licence gives a party (the licensee) the right to carry out certain acts that without the licence would be an infringement of the PBR owner's rights. In some cases, the licensee may enter into a further agreement (or sub-licence) with growers to use the protected variety for certain specified purposes and under certain terms and conditions.

A licence may be total or partial. This means that a PBR owner is able to licence their exclusive rights to sell and offer to sell the propagating material of the protected variety, whilst retaining the other rights.

Assignment and licences are particular types of contracts. Before examining assignments and licences in more detail, it is useful to note some general rules of contract.

### General rules of contract

A contract is a legal relationship that involves an exchange of obligations (or 'bargain') between two or more parties. In order for a valid contract to come into existence, a number of prerequisites must be satisfied.

In particular, there must be:

- an offer to perform an obligation by one party;
- acceptance of that offer by another party; and,
- 'consideration' must pass from each party to the other. Consideration is a difficult concept but, put simply, it is what one party agrees to do (or not do) in return for the promise being made. For example, in a sale of goods, the consideration from the purchaser is the promise to pay the purchase price and the consideration

from the seller is the transfer of title of the goods to the purchaser; and

- an intention by the parties to be bound by the agreement.

As a general rule, once a contract is signed, the parties are bound by the terms and conditions of the contract. However, in many transactions, there is no written agreement signed by the parties. Contracts can be oral and most need not be in writing to be enforceable.

It is important that parties are aware at what point in time they enter into contractual arrangements. This may often be at the point of sale or purchase of goods (eg seed or other propagating material) and not when a written agreement is given to them some time later. Parties will only be bound by the terms and conditions of this later written contract if reasonable steps were taken to bring the terms and conditions to the party's attention at the time the oral agreement was made.

When purchasing seed, tissue culture or cuttings, it is becoming more common for contracts to be entered into on-line. Parties should be aware that if you purchase on-line (for delivery or collection at a later date) the contract is usually formed at the time the order is made. Thus, any terms and conditions will be binding upon growers from this point onwards. In other cases, where propagating material is purchased at the point of collection, often the terms of

sale will appear on a swing tag attached to the cuttings or seed bag. In this case, growers should take care to familiarise themselves with the terms of sale. In some cases, the swing tag may refer growers to the terms of sale as they appear on the owner or licensee's website. In other cases, just purchasing the propagating material may imply agreement to the terms and conditions.

In some situations, parties may be bound by certain terms and conditions on the basis of a previous course of dealings. This means that if parties have contracted previously on certain terms then it is possible for those terms to be implied into new dealings even though a formal written contract is never entered into.

Parties should pay particular attention to terms of the contract that govern:

- **the parties' rights and obligations** under the contract: for example, whether the contract allows for the owner or licensee to unilaterally alter the terms and conditions in the future; whether the contract gives the owner or licensee rights of access to the growers' property for the purpose of conducting audits.
- **the obligations that are to be performed** (and by when): for example, many propagating material contracts require detailed records be kept by growers, particularly where payments are made for end point royalties.

- **the payments and their timing:** for example, whether an upfront royalty is to be paid in conjunction with end point royalties on harvested material.
- **the duration of the contract:** for example, some contracts bind the parties for a period of 25 years (even though the PBR rights over the variety may only last for 20 years from the date the variety is protected);
- **terms that stipulate a particular jurisdiction for disputes to be governed by** (often referred to as choice of law clauses): for example, a dispute may be heard in the state/country where the owner or licensee is incorporated rather than where the farm/dispute is
- **terms that govern how the contract may be terminated by the parties:** for example, some contracts give extensive rights of termination to the owner/licensee but the grower may have limited circumstances in which they are able to terminate the contract;
- **other unusual terms:** for example, in some rural industries, licensors are seeking interests (such as caveats) over the grower's land for the duration of the contract.

In a contract, parties may consent to giving up rights that might otherwise be given to them by law. For example, a grower has some limited rights to save propagating material under the PBR Act

(but not under the *Patents Act*). However, by entering into a contract with a non-propagation clause, they may be agreeing to give up those rights.

One case that highlights the importance of understanding the terms of growers' contracts is the 2002 decision of *Zee Sweet Pty Ltd v Magnum Orchards Pty Ltd*. In this case, Magnum was sued for breaching its Grower Agreement but claimed that the Agreement had been rescinded due to misrepresentations made by Zee Sweet prior to entry into the contract. The court dismissed the claim of misrepresentation and ordered that Magnum destroy all Zee Sweet plants as part of the remedy for their breach of the Grower's Agreement. The destruction of the plants was ordered because Magnum was to be restrained from dealing with or using the varieties and therefore the trees in question had no further role to play. This action was consistent with the relevant termination clause in the Grower Agreement (contract).

This case highlights the importance of growers being aware of the conditions under which they grow protected varieties. The consequences of the breach were set out in the contract and were taken to be accepted at the time of entering into that contract.

It is important that all parties understand the consequences of the clauses in the contracts. Growers need to know the terms and conditions under which they

are being allowed to grow the variety. The owner/licensee needs to ensure that the conditions are legally valid and therefore enforceable. Unrealistic terms and terms entered into under duress may be held to be void by the courts.

### **Commercialisation by the owner/grantee**

In many cases, the owner of the PBR may commercialise the plant variety themselves. When this happens the owner will often appoint agents with authority to enter into contracts with growers to sell propagating material, and to provide a licence for growers to use the protected variety.

### **Commercialisation by a third party**

#### **Assignment of rights**

An assignment is a transfer of the ownership of the PBR to a third party. As a result, the third party is the sole owner of the right(s) in the protected variety.

For example, where a breeder assigns their PBR to a nursery, the breeder has no further legal interest in the protected variety. Assignments are a common way to exploit PBR. As with all contracts, the terms and conditions, including the price paid, for the transfer of rights depend on what the parties negotiate.

The Plant Breeder's Rights Office must be notified in writing of any assignment, whether it is before the granting of PBR, or after. Failure to do so may result in revocation of the PBR.

### **Voluntary licences**

Another way in which to commercialise plant breeder's rights is by a 'licence'. A licence agreement is a contractual arrangement that sets out the conditions under which a variety can be grown. In practice, the most common way of exploiting new varieties protected by PBR is for an owner (or their agent) to enter into individual licences with growers. Licences can take many forms from one-off permissions, through to exclusive licences. An exclusive licence is an agreement under which the owner not only grants the other party (or 'licensee') permission to use the protected variety; but also promises not to grant any other licences in relation to the protected variety.

In PBR licences, there are typically many varied terms and conditions. The conditions generally relate to royalty payments (see below), duration of the contract, variations to the contract, on-farm audits, mixing of varieties, propagation and replanting saved material.

Licences range from simple, one-line documents to complex, multi-page contracts. In some cases, licences are made available to growers on a PBR owner's website. Where this is the case, growers should visit the website and make themselves familiar with the terms and conditions of the licence prior to entering into any agreement. This is important agreement to these terms may occur at the time of purchase of the



propagating material. Regardless of whether the licence is electronic or in a hard copy form, it is important that growers read the terms of any agreement they are asked to sign and seek legal advice where in doubt.

### **Closed-loop contracts**

Commercialisation of PBR varieties can occur by way of a closed-loop contract. This type of arrangement exists where one party imposes restrictions on another party's freedom to choose with whom, in what, or where they deal. For example, in a closed-loop agreement, a seller may require a buyer only to deal with certain parties nominated by the seller.

Closed-loop contract is an industry term rather than a legal category of contract. The expression can be used to describe a wide range of contractual arrangements. Closed-loop contracts are used in many industries and can take a variety of forms. For example, a closed-loop contract may require a grower who purchases a protected variety from the PBR owner to sell harvested materials or products obtained from harvested materials either back to the PBR owner, or to a specified collection agency. The owner may also stipulate that the grower can only use the protected variety, or can only sell the product to

the provider of the propagating material or to a nominated marketing agent.

One possible consequence of using a closed-loop arrangement is that the contract may fall foul of the *Trade Practices Act 1974* (Cth). The Australian Competition and Consumer Commission (ACCC) pays close attention to any contract that may be anti-competitive. The ACCC examines any collaborative arrangements between parties that would normally operate competitively to see if the proponents of the arrangements can demonstrate that the public benefit would outweigh any reduction in competition. For example the ACCC has issued a draft determination that denies authorisation to allow a group of nurseries to enter into collective arrangements for coordination of production, marketing, royalty collection and supply of nominated varieties. The ACCC argued that the group had not shown sufficient additional public benefit to justify the reduced competition.

Another potential problem with closed-loop exploitation is that it can leave owners vulnerable to the claim that they are not making reasonable quantities of the protected variety available to meet demand. If so, they risk third parties making an application for the grant of a compulsory licence.

# 8

## Payment to use a protected variety

In most cases, the method used to calculate how much is to be paid for use of a protected variety is decided by the market. The PBR Act only stipulates that persons other than the owner of the PBR may not perform certain acts in relation to propagating material of a protected variety without the permission of the owner. All other terms, including the requirement to pay, the mode of payment, and the amount to be paid, can in theory be negotiated by the parties.

In reality, the amount payable (known as a 'royalty') is generally fixed by the owner of the PBR as part of the sale of propagating material to growers.

The two most common methods of payments are through:

- A propagating material (eg cuttings, tissue culture, seed) royalty; and/or
- An end-point royalty or crop improvement royalty.

Growers are usually asked either to pay an upfront propagating material royalty

or an end-point royalty. But in some cases growers can be asked to pay both a propagating material royalty and an end-point royalty.

### **Propagating material royalties**

These royalties are paid on the propagating material, which is usually collected by the seed distributor or nursery as part of the purchase transaction.

A grower can enter into a contract with the owner or licensee of a variety protected by PBR (eg a nursery) where the owner or licensee agrees that the grower can purchase the variety in return for payment of a royalty.

The amount to be paid, which is usually negotiated as part of the sale of the propagating material, is often based on \$ per weight/volume or \$ per plant.

### **End-point royalties (EPR)**

End-point royalties are payments made by the seller of harvested plant products to the owner or licensee of a plant variety. Although harvested material is

not generally covered by PBR protection, this form of royalty payment is one of the Terms and Conditions under which the owner will allow others to use the protected variety.

Payment is usually in terms of volume, quantity or weight of product sold by growers, for example per carton of fruit or per number of flowers.

The recipient of the end-point royalty can be the breeder, distributor or licensee.

Many groups within the horticulture industries are promoting end-point royalties as a fairer system that enables breeders to recoup the money invested in the breeding process, while keeping the cost of propagating material at a reasonable level.

One of the features of end-point royalties is that owners of PBR share some of the risks of crop failure with growers. If a crop fails, the royalty is reduced.

As end-point royalties apply to the products produced, rather than on the propagating material bought, a royalty will still be payable if a grower plants farm-saved propagating material.

The payment of end-point royalties should not be confused with the situation where the owner can exercise PBR over the harvested material or products from harvested material. This occurs when the owner has not had a reasonable opportunity to exercise their rights over the propagating material.

While end-point royalties may be used where a grantee of PBR has not had the opportunity to exercise their PBR over the propagating material, they are generally used when the owner of a variety has had a reasonable opportunity to exercise rights as one of the terms and conditions under which others are allowed to use the protection variety.

# 9

## Infringement and enforcement

A person will infringe PBR if they do something that falls within the exclusive rights of the owner. These rights can be infringed if a person, without permission from the owner, does or claims to be able to:

- Produce or reproduce the propagating material;
- Condition the material for the purpose of propagating;
- Offer the propagating material for sale;
- Import or export the propagating material;
- Stock the propagating material for the above purposes; or
- Use the name of the protected variety for any other plant of the same class.

For example, a person who sells PBR-protected propagating material without the permission of the owner will, unless they fall within one of the exceptions, infringe.

A person who infringes PBR may face both civil and criminal proceedings for infringement.

### Civil proceedings

The most common actions for infringement are civil proceedings (where the owner of PBR seeks financial compensation for the infringement). The owner of the PBR is the only person who can bring a civil action for infringement (in contrast to breach of a patent where the licensee can also bring an action).

Before bringing an action, it is normal practice for the owner (or their lawyer) to write a letter to the alleged infringer giving them notice that if they do not stop immediately court proceedings will be brought against them.

If a court is satisfied an infringement has occurred it can:

- Grant an injunction (with or without conditions) ordering the person to stop the infringement; and/or
- Award either damages or an account of profits (at the option of the plaintiff/owner).

### **Innocent infringement**

Ignorance of the law is not a defence against legal action. However, a court can refuse to make an order for damages or an account of profits if the alleged infringer can demonstrate that at the time of the infringement they were not aware, and had no reasonable grounds to be aware, that PBR protection existed over the variety.

If the propagating material of a variety had been 'sold to a substantial extent' with a PBR label (see Figure 2) before the date of infringement, an infringer is taken to have been aware of the existence of PBR protection unless they can prove otherwise.

### **Criminal action**

It is also a criminal offence to infringe PBR in certain circumstances. A criminal action is only likely to occur in exceptional circumstances and where evidence is conclusive. This is because the offence must be proved 'beyond reasonable doubt'. In contrast, civil actions are decided on the 'balance of probabilities'.

The PBR Act provides for penalties for infringement of up to:

- \$55,000 for individuals; and
- \$275,000 for companies.

In most cases, for an action to be brought, the prosecution must establish:

- A person has infringed PBR;
- The person intended to infringe PBR;
- PBR had been granted in respect of that plant variety; and
- The person was reckless as to whether PBR had been granted in respect of that plant variety.

It is also a criminal offence for someone to:

- Make false statements in applications or other documents given to the Registrar or Secretary for the purposes of the Act;
- Falsely represent that they are the owner of PBR; or
- Falsely represent that a grant extends to another plant variety.

Each of these offences carries a fine, except the first, which carries a penalty of six months imprisonment.

# 10

## Frequently asked questions

**A neighbour has given me propagating material protected by PBR. Do I have to pay royalties if I use it to grow a new crop?**

Yes, unless you are growing it privately and for non-commercial purposes. Growers cannot sell, trade, gift, or barter propagating material between themselves. Contact the PBR owner and seek authorisation.

**Can I save propagating material from one year's crop for use in the following year?**

Yes. A grower can save the propagating material and use it to grow a subsequent crop. But growers need to seek authority from the PBR owner if they want to sell the harvested product grown from the saved crop (see Figure 3), as the owner of PBR may be able to demonstrate that they have not had reasonable opportunity to exercise their rights over the propagating material

**Can I sell propagating material that I have saved from one year's crop to a neighbour?**

No. The farm-saved propagating material exception only applies to replanting for your own use.

**Does it make any difference if I give the saved propagating material away?**

No. The saving propagating material (seed) exception only applies to re-growing for your own use. Under no circumstances can you sell, trade, gift or barter the propagating material.

**What are propagating material (seed) royalties?**

These royalties are up-front payments made by growers for permission to reproduce a PBR protected variety. Typically the royalty will be included in the purchase price paid for propagating material and will be calculated at \$ per weight or \$/plant.

**What are end point royalties? (EPR)**

End point royalties (a Crop Improvement Royalties) are payments made on the harvested product, rather than the propagating material. For example, instead on paying \$ per volume of seed, or per cutting or tissue culture, end point royalties require growers to pay \$ per volume/weight/number of the fruit, flowers, product harvested.

**What can I do if I want to plant a variety that is PBR protected, but the PBR owner is unwilling to supply me with propagating material? Would it make any difference if they were unable to supply me?**

If reasonable quantities of the variety are not available at a reasonable price within 2 years of the grant of PBR there may be a case for seeking a compulsory licence from the PBR Office.

**If I sign a contract that says that I cannot save propagating material, what is my position?**

If a grower signs a contract that says they cannot save propagating material, the contract will override the statutory exception. Where this occurs if a grower propagates from material they have saved, they will breach the contract.

**Am I obliged to let people onto my farm to inspect the crops I have grown?**

There is nothing under the PBR Act that requires growers to allow PBR owners or their representatives onto your property. But the right to inspect may be part of your contract (the terms and conditions under which the owner will let you use the variety) or be a consequence of a court order.

**What should I do if I get a letter claiming that I am infringing someone's PBR?**

Seek legal advice to ascertain the steps to be taken.

**Can a plant be protected by PBR and patent protection at the same time?**

Yes. Patent protection is available for plant varieties and components or processes associated with plant varieties in certain circumstances.

**If I have entered into a contract which allows me to grow a PBR protected variety, where the term of the contract is for 20 years, but the PBR term has only 15 years to go, what is my position at the end of that 15 years**

Technically the contract still holds and you would still have to abide by its terms, including paying royalties. You could seek legal advice to see if there was any redress in terms of the clause being unenforceable.

However, the best way is to check the remaining duration of the PBR protection before signing the agreement, and negotiate a contract where the term coincides with the remainder of the PBR term.

**What can I do if I have purchased propagating material from the PBR owner and I am later sent a contract in the mail that contains terms that I do not agree with? Am I bound by the written contract? When I purchased the propagating material I did not sign anything apart from what I thought was a delivery receipt.**

You may be bound by the written agreement, even though you have not signed it. Whether or not you are bound depends on what occurred at the time you purchased the propagating material. For example, you may have entered into an oral contract with the PBR owner when you purchased the propagating material. If you have signed a delivery receipt, you should check whether this document contains any terms and conditions of sale. This document may refer to the terms and conditions of the main contract which may be sent to you at a later stage.

Growers will only be bound by the terms and conditions of this later contract if reasonable steps were taken to bring the terms and conditions to the growers' attention at the time the growers purchased the propagating material. This may be done by a notice on the documentation provided at the point of sale. In some cases, documents may contain wording to the effect of "See Over for Terms and Conditions" and reference is made on the reverse side to the written contract. If this is the case, then you may have agreed to the terms of the written contract even though it was not produced to you in full at the time of purchase.



This is by no means a straight-forward situation. In future, growers should ask for the terms and conditions of sale to be explained at the point of sale prior to purchasing any seeds or propagating material.

**Can I protect a "sport" from an existing variety?**

Yes, if the "new" variety meets the DUS criteria (Distinct, Uniform and Stable). The "new" variety may also be considered to be "essentially derived" from the original variety if the only differences are cosmetic rather than "important".

# APPENDIX 1:

## Other relevant forms of Intellectual Property

### Patents

Patents are the oldest and strongest form of intellectual property. Patents are generally available for products and processes (or techniques) that are new, useful, and involve an inventive step over the common general knowledge available to a person of ordinary skill in the relevant field of technology. The owner of a patent obtains exclusive rights to:

- Where the invention is a product – make, hire, sell or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things; or
- Where the invention is a process – use the method or process.

There are two types of patent available for inventions in Australia: a standard patent and an innovation patent. An innovation patent has a shorter term of protection (8 years as opposed to 20 years for a standard patent) and requires a lower threshold of inventiveness (an 'innovative step' as opposed to an 'inventive step').

There are few restrictions on the types of subject matter that may be protected by patent in Australia. However, innovation patents are not available in respect of plants or the biological processes for the generation of plants. This subject matter may be protected by a standard patent, however.

In Australia, a new variety may be simultaneously protected by both PBR and patents. For example, a new variety developed by genetic transformation may be protected by PBR, whilst the transformation technique, the gene, plant cells containing the gene, and the resulting plant variety itself might also be protected by patent. In this situation, the grower may need to obtain the permission of both the patent holder and the grantee of PBR to grow the variety commercially.

### Trade marks

While a plant variety cannot include the name of a trade mark, it can be marketed under, or in conjunction with, a trade mark.

Trade marks receive legal protection either through registration under the *Trade Marks Act 1995* or as unregistered marks through other legal regimes, such as the law of 'passing off' or consumer protection legislation such as the *Trade Practices Act 1974*.

An application for the registration of a trade mark is made to the Trade Marks Office at IP Australia. The application must give details of the applicant, provide a representation of the trade mark, and specify the goods and/or services in respect of which the mark is to be registered. The application will initially be examined by the Registrar to ensure that it can be registered. If the Registrar rejects the application the applicant will be given an opportunity to make a case to have this decision reversed. Third parties will also have an opportunity to object to the registration once it is accepted by the Registrar. In such a case the Registrar will hear representations from both parties before deciding whether to accept or reject the mark.

There are a number of grounds on which the Registrar can reject an application for registration. Most importantly, an application will be rejected if the mark lacks 'distinctiveness'. Distinctiveness means that the mark must be able to do the job of distinguishing the applicant's goods and/or services from those of other traders. Marks that merely describe the goods and/or services in respect of which they are used (eg 'canola oil') or a

quality of those goods/services (eg, 'healthy', 'tasty'), or the geographical origin of the goods and services (eg, 'Wimmera') are common examples of marks that lack inherent distinctiveness. However, such marks can be registered if they acquire distinctiveness. The key is whether the mark has been used to such an extent that it has come to be understood by consumers as an indication of the source of a particular trader's goods and/or services. The registered mark 'Sunraysia' (registered for fruit juice) is such an example.

Other grounds on which the registration of a mark may be rejected include:

- The mark is misleading (in relation to the goods and services the subject of the application);
- The mark is offensive or contrary to law (eg, if use of the mark would infringe someone else's copyright); or
- The mark is substantially identical with, or deceptively similar to, an earlier trade mark that has been applied for or is registered in respect of identical or similar goods.

Trade marks have to be renewed every ten years, although there is no limit to the number of times that a mark can be renewed. There are, however, certain ways in which the right to renew may be lost. Most importantly, a registered mark will be liable to be removed from the register if the owner has failed to use the mark in the preceding three years.

Trade marks can be licensed and assigned. However, where a trade mark is unregistered (that is, protected by the law of passing off and related actions) a more restricted rule applies. Rights in an unregistered mark can only be transferred with the sale of the underlying business to which the 'goodwill' in the unregistered sign is attached.

### **Confidential information**

The action for breach of confidence is an ancient form of protection that has been developed by the courts, rather than by statute. In order to maintain an action for breach of confidence, the claimant must establish that the defendant has used secret information 'belonging' to the claimant without the claimant's authorisation. The defendant must also be aware that the information is regarded as secret by the claimant.

The basis of the cause of action is to restrain unconscientious use of confidential information and, as such, there are few limits on the types of information that may be protected. The action is frequently invoked to protect trade secrets, know-how and other types of commercially valuable information.

Confidential information in the form of 'know-how' (for example, optimum propagating conditions) is often disclosed by the owner of PBR to a licensee. Frequently, this information is as valuable as the plant variety itself. A licensee who uses this information other

than for the purpose(s) for which it was disclosed may be liable for breach of confidence.

A broad range of remedies are available to a claimant that is successful in establishing a breach of confidence. These include equitable damages, account of profits, delivery up and destruction of the offending material, and injunctive relief. A court can also make orders which may assist a potential claimant to ascertain whether a breach of confidence has occurred, and to prevent the destruction or removal of confidential information from the jurisdiction.

The action for breach of confidence has been invoked on a number of occasions to protect secret propagating techniques and plant varieties. In a celebrated decision of the Queensland Supreme Court, *Franklin v Giddins*, a defendant who stole budwood of a secret, new nectarine variety (Franklin Early White) from the breeder's orchard was ordered to deliver up to the breeder all of the nectarine trees propagated from the stolen budwood for destruction. The Court also restrained the defendant from selling or disposing of any fruit obtained from the nectarine trees.

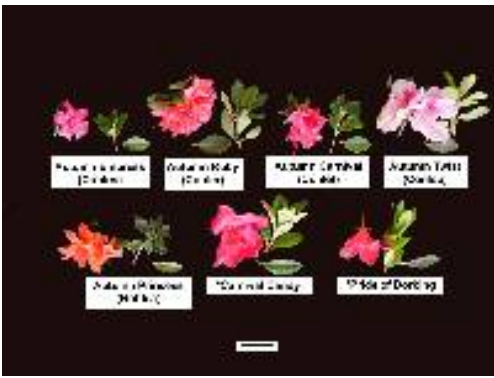
# APPENDIX 2:

## Examples of detailed descriptions of protected varieties

[extracts from IP Australia PBR database and the Plant Varieties Journal]

Azalea (Rhododendron hybrid)

Variety:	'Conlet'
Synonym:	Autumn Carnivale
Application no:	2004/092
Current status:	ACCEPTED
Certificate no:	N/A
Received:	16-Mar-2004
Refused:	N/A
Accepted:	24-Nov-2004
Withdrawn:	N/A
Granted:	N/A
Terminated:	N/A



Description published in  
Plant Varieties Journal: Volume 18, Issue 3

**Title Holder:** Robert E. Lee and Plant Development Services Inc.  
**Agent:** Edward Bunker  
**Telephone:** 0732067676  
**Fax:** 0732068922

#### **Details of Application**

**Application Number** 2004/092  
**Variety Name** 'Conlet'  
**Genus Species** Rhododendron hybrid  
**Common Name** Azalea  
**Synonym** Autumn Carnivale  
**Accepted Date** 24 Nov 2004  
**Applicant** Robert E. Lee, Independence, Louisiana, USA and  
Plant Development Services Inc., Loxley, Alabama, USA.  
**Agent** Edward Bunker, Redland Bay, QLD.  
**Qualified Person** Deo Singh

#### **Details of Comparative Trial**

**Location** Redlands Nursery, Redland Bay, QLD.  
**Descriptor** TG/42/6  
**Period** 2004/2005  
**Conditions** Trial conducted in full sun.  
**Trial Design** 15 pots of each variety arranged in a completely randomized design.  
**Measurements** Colour coding was done from the newly opened flowers. Fully expanded new leaves have been referred as immature leaves and basal leaves have been referred as mature leaves.  
**RHS Chart - edition** 1995

## Origin and Breeding

Controlled pollination: seed parent *Rhododendron* hybrid 'Watchet' x pollen parent *Rhododendron* *oldhamii* 'Fourth of July', in Louisiana, USA, in 1982. 'Watchet' flowers only from Spring to Autumn, compared to 'Conlet' that flowers Summer/Autumn - early flowering. Similarly, *R. oldhamii* also differs from 'Conlet' in flowering time. Selection criteria: on the basis of early or multi-season flowering, heat and cold tolerance and overall appearance, 'Conlet' was chosen. Propagation: it has been multiplied asexually through several generations without any off-types. Breeder: Robert E. Lee, Independence, Louisiana, USA.

## Choice of Comparators

Characteristics used for grouping varieties to identify the most similar Variety of Common Knowledge

Organ/Plant Part	Context	State of Expression in Group of Varieties
Flower	colour	pink
Flowering	time	early

## Most Similar Varieties of Common Knowledge identified (VCK)

Name	Comments
'Conles'	few flowers compared to many in case of 'Conlet'. Has lighter colour flowers Red Purple RHS 68B.
'Conler'	medium flowering variety with same flower colour but different flower type - double, compared to 'Conlet' which is single.
'Pride of Dorking'	flowers with very long pedicels, compared to short pedicels for 'Conlet'. Although, flower colour is red purple, it does not flower in Autumn like 'conlet'.

## Varieties of Common Knowledge identified and subsequently excluded

Variety	Distinguishing Characteristic	State of Expression in Candidate Variety	State of Expression in Comparator Variety
'Watchet'	flowering time	Summer/Autumn	Spring/Autumn

'Carnival Clown'	flowering time		Summer/Autumn	Winter/Spring
'Fourth of July'	flower colour		RHS 68A-B	RHS 39A

Organ/Plant Part: Context	'Conlet'	'Conles'	'Pride of Dorking'
<input type="checkbox"/> *Plant: persistence of leaves	evergreen	evergreen	evergreen
<input checked="" type="checkbox"/> *Plant: growth habit	medium bushy	narrow brushy to medium brushy	medium brushy to broad brushy
<input type="checkbox"/> *Terminal inflorescence bud: shape	elliptic	elliptic	elliptic
<input type="checkbox"/> *Young leaf: anthocyanin colouration of upper side	absent or very weak	absent or very weak	absent or very weak
<input type="checkbox"/> *Mature leaf: colour of upper side	yellow green	yellow green	yellow green
<input type="checkbox"/> *Mature leaf: colour of lower side	light green	light green	light green
<input type="checkbox"/> *Mature leaf: length including petiole	medium	medium	medium
<input type="checkbox"/> *Mature leaf: width	narrow to medium	medium	medium
<input type="checkbox"/> *Mature leaf: shape of blade	elliptic	elliptic	elliptic
<input type="checkbox"/> *Mature leaf: shape of cross section of blade	concave	concave to straight	concave to straight
<input type="checkbox"/> Mature leaf: glossiness of upper side	absent or very weak	weak	absent or very weak
<input type="checkbox"/> Inflorescence: number of flowers	many	few	medium
<input type="checkbox"/> Pedicel: length	short	medium	very long
<input type="checkbox"/> Pedicel: colour on sunny side	red	red	red green
<input type="checkbox"/> *Calyx: presence	present	present	present
<input checked="" type="checkbox"/> Calyx lobes: length of longest	medium	short	long
<input checked="" type="checkbox"/> *Flower: shape	funnel-shaped	open funnel-shaped	open funnel-shaped
<input type="checkbox"/> *Flower: diameter	medium	medium	medium
<input type="checkbox"/> Flower: fragrance	absent or very weak to weak	absent or very weak	absent or very weak
<input type="checkbox"/> *Flower: type	single	single	single
<input type="checkbox"/> *Corolla lobes: undulation of	medium	absent or very	weak



margin		weak	
<input checked="" type="checkbox"/> *Corolla lobe: colour of margin of upper side (RHS colour chart)	68A	68B	63B
<input checked="" type="checkbox"/> *Corolla lobe: colour of middle of upper side (RHS colour chart)	68A	68B	63B
<input checked="" type="checkbox"/> *Corolla lobe: colour of middle of lower side (RHS colour chart)	68B	68B	63B
<input type="checkbox"/> *Corolla lobe: conspicuousness of markings of the throat	strong	strong	medium
<input type="checkbox"/> Corolla lobe: type of markings	spots not touching each other	spots not touching each other	spots not touching each other
<input type="checkbox"/> Corolla lobe: colour of markings (RHS colour chart)	63A	63A	64B
<input type="checkbox"/> Anthers: colour	purple		purple
<input type="checkbox"/> Pistil: length in comparison with stamens	longer		longer
<input type="checkbox"/> Pistil: colour of stigma	red	red	red
<input checked="" type="checkbox"/> *Time of: beginning of flowering	very early	very early	medium

### Characteristics Additional to the Descriptor/TG

Organ/Plant Part: Context	'Conlet'	'Conles'	'Pride of Dorking'
<input type="checkbox"/> Mature leaf: colour of lower side	RHS 147C	RHS 147A	RHS 147B
<input type="checkbox"/> Flower: type	single RHS 147AB	single RHS 146A	single RHS 147A
<input checked="" type="checkbox"/> Stamen: anther	present	absent	present

### Prior Applications and Sales

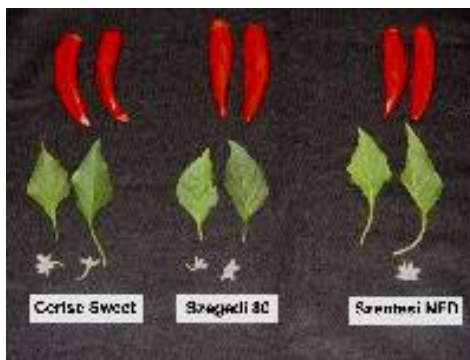
Country	Year	Current Status	Name Applied
USA	2000	Granted	'Conlet'

First sold in the USA in Mar 2000.

Description: **Deo Singh**, Ornatec Pty Ltd, Birkdale, QLD.

## Condiment Paprika (*Capsicum annum* var. *annuum* (Longum Group))

**Variety:** 'Cerise Sweet'  
**Synonym:** N/A  
**Application no:** 2004/091  
**Current status:** ACCEPTED  
**Certificate no:** N/A  
**Received:** 10-Mar-2004  
**Refused:** N/A  
**Accepted:** 20-Aug-2004  
**Withdrawn:** N/A  
**Granted:** N/A  
**Terminated:** N/A



**Description published in Plant Varieties Journal:** Volume 18, Issue 3

**Title Holder:** The University of Sydney, Rural Industries Research and Development Corporation and ASAS Pty Limited  
**Agent:** The University of Sydney  
**Telephone:** 0293517088  
**Fax:** 023513636

**Details of Application**  
**Application Number** 2004/091  
**Variety Name** 'Cerise Sweet'  
**Genus Species** *Capsicum annum* var. *annuum* (Longum Group)  
**Common Name** Condiment Paprika  
**Synonym** Nil

Accepted Date 20 Aug 2004  
 Applicant The University of Sydney, Rural Industries Research and Development Corporation and ASAS Pty Limited  
 Agent The University of Sydney  
 Qualified Person Jeremy Roake

#### Details of Comparative Trial

Location Plant Breeding Institute, Cobbitty, NSW latitude 34°01' S, longitude 150°40' E elevation 75m  
 Descriptor UPOV TG/76/7 (modified)  
 Period Spring-Summer 2004-2005  
 Conditions Trial was conducted in the field, seedlings transplanted at 6 weeks, irrigation, fertilisation and plant protection as required.  
 Trial Design Completely randomised block design with 3 replicates, 3m long 3 row plots, 40 cm row spacing, 20cm plant spacing  
 Measurements From 10 plants from the centre row of each plot with 3 replications  
 RHS Chart - edition 2001 edition

#### Origin and Breeding

Selfed seedling selection: this variety is selected from original parent material of NF Derera that became an ecotype, the original population now called 'Fuszer Paprika of Szentes' in Hungary. 'Cerise Sweet' was reselected from this population for its high fruit dry matter yield and superior 1st harvest fruit yield, and uniformity for its indeterminate plant growth habit (contrast to the ecotype which had both a semi-determinate and indeterminate plant growth habit). Propagation: seed. Breeder: Prof. N F Derera, ASAS Pty Ltd, Sydney, NSW.

#### Choice of Comparators Characteristics used for grouping varieties to identify the most similar Variety of Common Knowledge

Organ/Plant Part	Context	State of Expression in Group of Varieties
Plant	shortened internode (in upper part)	absent
Plant	anthocyanin colouration at level of nodes	absent or very weak
Plant	time of beginning of flowering	early
Plant	time of ripening	early
Plant	ASTA content	high

## Most Similar Varieties of Common Knowledge identified (VCK)

Name	Comments
'Szegedi 80'	It is the Hungarian variety also grown for high ASTA pigment content.
'Szentesi NFD'	It is the parent ecotype from which 'Cerise Sweet' was selected for higher fruit volume and fruit dry matter content, but having the same high ASTA content.

## Varieties of Common Knowledge identified and subsequently excluded

Variety	Distinguishing Characteristics	State of Expression in Candidate Variety	State of Expression in Comparator Variety
'Szegedi 20'	Fruit shape	triangular	round
'Szegedi 20'	Plant habit	indeterminate	determinate

## Variety Description and Distinctness - Characteristics which distinguish the candidate from one or more of the comparators are marked with a tick.

Organ/Plant Part: Context	'Cerise Sweet'	'Szegedi 80'	'Szentesi NFD'
<input type="checkbox"/> Seedling: anthocyanin colouration	present	present	present
<input checked="" type="checkbox"/> Plant: growth habit	indeterminate	indeterminate	indeterminate to semi-indeterminate
<input type="checkbox"/> Plant: height at flowering (cm)	39.35	38.42	37.55
<input type="checkbox"/> Plant: shortened internode (in upper part)	absent	absent	absent
<input type="checkbox"/> Plant: number of internodes between the first	none	none	none
<input type="checkbox"/> Plant: length of internode (mm) (Varieties without shortened internodes)	75.03	85.85	65.15
<input type="checkbox"/> Plant: anthocyanin colouration	absent or very weak to weak	absent or very weak to weak	absent or very weak
<input type="checkbox"/> Leaf: length of blade (mm)	96.95	94.1	93.03
<input type="checkbox"/> Leaf: width of blade (mm)	51.35	42.8	46.6

☑	Leaf: length/width ratio	1.89	2.2	2.00
☐	Leaf: colour (RHS colour chart)	143A	143A	143A
☐	Flower: attitude of peduncle	drooping	drooping	drooping
☐	Flower: colour (RHS colour chart)	white	white	white
☐	Fruit: colour before maturity (RHS colour chart)	143A	143A	143A
☐	Fruit: attitude	drooping	drooping	drooping
☑	Fruit: length (mm)	115.08	102.97	117
☐	Fruit: diameter (mm)	27.05	27.20	26.8
☐	Fruit: length/diameter ratio	4.27	3.79	4.37
☐	Fruit: volume (mm <sup>3</sup> , measured by the displacement of water)	367.0	412.5	338.2
☑	Fruit: predominant shape of longitudinal section	triangular	triangular	round
☑	Fruit: predominant shape of cross section (at level of placenta)	circular	angular	circular
☑	Fruit: colour at maturity (RHS colour chart)	46A	46A	46A
☐	Fruit: glossiness	medium to strong	medium to strong	medium to strong
☑	Fruit: stalk cavity	present	absent	present
☐	Fruit: shape of apex	acute	acute	acute
☐	Fruit: predominant number of locules	two and three	two and three	two and three
☐	Fruit: thickness of flesh (mm)	3.25	3.21	3.43
☐	Fruit: weight (g) (fresh fruit)	22.8	25.62	27.95
☑	Fruit: pigment content (ASTA unit or pigment g/kg)	307	392.5	321
☑	Fruit: dry matter content (%)	22.5	19.0	19.5
☐	Placenta: size (only for candidate)	medium		
☑	Stalk: length (mm)	58.4	46.8	54.05
☑	Stalk: thickness	medium	medium to thick	medium
☑	Time of: beginning of flowering (first flower on second flowering)	early	early	early to medium
☑	Time of: ripening (colour	early	early to medium	early to medium

change of fruits on 50%  
plants)

### Statistical Table

Organ/Plant Part: Context	'Cerise Sweet'	'Szegedi 80'	'Szentesi NFD'
<input type="checkbox"/> Plant: height at flowering (cm)			
Mean	39.35	38.43	37.55
Std. Deviation	2.14	2.29	2.44
LSD/sig	5.27	ns	ns
<input type="checkbox"/> Leaf: width of blade (mm)			
Mean	51.35	42.80	46.60
Std. Deviation	4.92	1.81	4.12
LSD/sig	8.84	ns	ns
<input checked="" type="checkbox"/> Leaf: length/width ratio			
Mean	1.89	2.20	2.00
Std. Deviation	0.05	0.07	0.04
LSD/sig	0.12	$P \leq 0.01$	ns
<input checked="" type="checkbox"/> Fruit: length (mm)			
Mean	115.08	102.97	117.00
Std. Deviation	2.49	2.95	4.47
LSD/sig	7.84	$P \leq 0.01$	ns
<input type="checkbox"/> Fruit: diameter (mm)			
Mean	27.05	27.20	26.80
Std. Deviation	2.58	0.99	2.65
LSD/sig	5.08	ns	ns
<input type="checkbox"/> Plant: length of internode (mm)			
Mean	75.03	85.85	65.15
Std. Deviation	11.88	6.86	8.50
LSD/sig	21.4	ns	ns
<input type="checkbox"/> Leaf: length of blade (mm)			
Mean	96.95	94.10	93.03
Std. Deviation	6.51	2.31	8.00
LSD/sig	14.02	ns	ns
<input type="checkbox"/> Fruit: length/diameter ratio			
Mean	4.27	3.79	4.37
Std. Deviation	0.39	0.08	0.40
LSD/sig	0.75	ns	ns
<input type="checkbox"/> Fruit: volume (mm <sup>3</sup> )			

Mean	367.00	412.5	338.3
Std. Deviation	45.75	3.57	2.68
LSD/sig	84.81	ns	ns
<input type="checkbox"/> Fruit: thickness of flesh (mm)			
Mean	3.25	3.21	3.43
Std. Deviation	0.19	0.22	0.34
LSD/sig	0.59	ns	ns
<input type="checkbox"/> Fruit: weight (g) (fresh fruit)			
Mean	22.80	25.63	27.95
Std. Deviation	2.45	2.84	2.83
LSD/sig	6.24	ns	ns
<input checked="" type="checkbox"/> Fruit: pigment content (ASTA)			
Mean	307.00	392.00	321.00
Std. Deviation	15.95	23.00	17.50
LSD/sig	43.99	P≤0.01	ns
<input checked="" type="checkbox"/> Stalk: length (mm)			
Mean	58.40	46.80	54.05
Std. Deviation	5.57	3.48	2.14
LSD/sig	9.17	P≤0.01	ns
<input checked="" type="checkbox"/> Fruit: dry matter content (%)			
Mean	22.50	19.00	19.50
Std. Deviation	1.29	0.82	1.91
LSD/sig	2.97	P≤0.01	P≤0.01

## Prior Applications and Sales

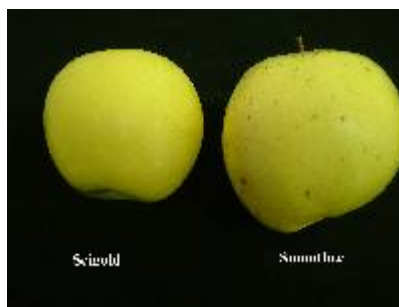
Prior applications nil. First sold in Australia in Sep 2003.

Description: **Jeremy Roake**, Plant Breeding Institute, University of Sydney, Cobbitty, NSW.

## Plant Breeders Rights - Search Result Details

### Apple (Malus domestica)

Variety: 'Scigold'  
Synonym: N/A  
  
Application no: 2004/067  
Current status: ACCEPTED  
Certificate no: N/A  
Received: 25-Feb-2004  
Refused: N/A  
Accepted: 31-Mar-2004  
Withdrawn: N/A  
Granted: N/A  
Terminated: N/A



Description published in Plant Varieties Journal: Volume 18, Issue 2

Title Holder: Prevar Limited  
Agent: Australian Nurseryman's Fruit Improvement Company Limited  
Telephone: 0263326960  
Fax: 0263326962

Details of Application  
Application Number 2004/067  
Variety Name 'Scigold'  
Genus Species Malus domestica  
Common Name Apple  
Synonym Nil



Accepted Date	31 Mar 2004
Applicant	The Horticulture and Food Research Institute of New Zealand Limited, Havelock North, New Zealand.
Agent	A J Park, Canberra, ACT.
Qualified Person	Michael Malone
Details of Comparative Trial	
Overseas Testing Authority	New Zealand Plant Variety Rights Office
Overseas Data Reference Number	APP132
Location	Cultivar Centre, HortResearch, Havelock North, New Zealand
Descriptor	TG/14/8
Period	1997-1999

### Origin and Breeding

Controlled pollination: developed from hybridisation of seed parent 'Braeburn' x pollen parent 'Royal Gala' in 1985 in a planned breeding programme at the HortResearch orchard Havelock North, New Zealand. The seed parent 'Braeburn' is characterised by orange-red striped, flat globose fruit maturing in the late season. The pollen parent 'Royal Gala' is characterised by red striped, globose conical fruit maturing in the early season. One seedling was selected for fruit texture in 1990, propagated onto clonal rootstock and planted at the HortResearch orchard, Havelock North, New Zealand for further evaluation. Selection criteria: skin colour, eating quality and storage. Breeder: Allan White, HortResearch, Havelock North, New Zealand.

### Choice of Comparators Characteristics used for grouping varieties to identify the most similar Variety of Common Knowledge

Organ/Plant Part	Context	State of Expression in Group of Varieties
Fruit	size	large
Fruit	ground colour of skin	green yellow
Fruit	amount of over colour of skin	low

## Most Similar Varieties of Common Knowledge identified (VCK)

Name		Comments			
'Smoother'		Fruit size large, amount of over colour low			
Variety	Distinguishing Characteristic	State of Expression in Candidate Variety	State of Expression in Candidate Variety	Comments	
Organ Context					
'Braeburn'	Fruit	pattern of over colour	washed out	only striped	seed parent
'Royal Gala'	Fruit	pattern of over colour	washed out	only striped	pollen parent
'Mountain Cove'	Time	of maturity	medium	early to medium	nil
'Mutsu'	Fruit	size	large	very large	triploid
'Golden Delicious'	Fruit	lenticels	not russeted	russeted	russeted

## Variety Description and Distinctness - Characteristics which distinguish the candidate from one or more of the comparators are marked with a tick.

Organ/Plant Part: Context	'Scigold'	*'Smoother'
<input type="checkbox"/> Tree: vigour	medium to strong	
<input type="checkbox"/> Tree: type	ramified	
<input type="checkbox"/> Tree: habit	spreading	
<input type="checkbox"/> Dormant one-year-old shoot: pubescence	medium to strong	
<input type="checkbox"/> Dormant one-year-old shoot: thickness	medium	
<input type="checkbox"/> *Dormant one-year-old shoot: length of internode	medium	
<input type="checkbox"/> *Dormant one-year-old shoot: number of lenticels	few	
<input type="checkbox"/> *Unopened flower: colour	light pink	
<input type="checkbox"/> *Flower: size	medium	
<input type="checkbox"/> *Petals: relative position of margins	overlapping	
<input type="checkbox"/> Leaf: attitude in relation to shoot	outwards	
<input type="checkbox"/> *Leaf blade: length	medium to long	
<input type="checkbox"/> *Leaf blade: width	medium	
<input type="checkbox"/> Leaf blade: ratio length/width	large	
<input type="checkbox"/> Leaf blade: shape of incisions of margin	serrate	
<input type="checkbox"/> *Petiole: length	medium	
<input type="checkbox"/> *Fruit: size	large	
<input type="checkbox"/> Fruit: position of maximum width	towards stalk	

<input checked="" type="checkbox"/>	*Fruit: shape	globose conical	conical
<input type="checkbox"/>	Fruit: ribbing	absent or very weak	
<input type="checkbox"/>	Fruit: crowning at calyx end	medium	
<input checked="" type="checkbox"/>	*Fruit: aperture of eye	closed	fully open
<input type="checkbox"/>	*Fruit: size of eye	medium	
<input type="checkbox"/>	Fruit: length of sepal	medium	
<input type="checkbox"/>	*Fruit: depth of eye basin	medium to deep	
<input type="checkbox"/>	Fruit: width of eye basin	medium	
<input type="checkbox"/>	*Fruit: thickness of stalk	medium	
<input type="checkbox"/>	*Fruit: length of stalk	short to medium	
<input type="checkbox"/>	*Fruit: depth of stalk cavity	medium to deep	
<input type="checkbox"/>	Fruit: width of stalk cavity	medium	
<input type="checkbox"/>	*Fruit: bloom of skin	absent or very weak	
<input type="checkbox"/>	Fruit: greasiness of skin	weak	
<input checked="" type="checkbox"/>	*Fruit: ground colour	green yellow	whitish green
<input type="checkbox"/>	*Fruit: amount of over colour	low	
<input type="checkbox"/>	Fruit: over colour	orange	
<input type="checkbox"/>	Fruit: intensity of over colour	light	
<input type="checkbox"/>	*Fruit: pattern of over colour of skin	washed out (faded)	
<input type="checkbox"/>	*Fruit: amount of russet around eye basin	absent or very low	
<input type="checkbox"/>	Fruit: amount of russet on cheeks	absent or very low	
<input type="checkbox"/>	*Fruit: amount of russet around stalk cavity	absent or very low	
<input checked="" type="checkbox"/>	*Fruit: size of lenticels	medium	small
<input type="checkbox"/>	*Fruit: firmness of the flesh	firm	
<input type="checkbox"/>	*Fruit: colour of the flesh	cream	
<input type="checkbox"/>	*Fruit in cross-section: aperture of locules	closed	
<input type="checkbox"/>	*Time of: beginning of flowering	early	
<input type="checkbox"/>	*Time of: maturity for consumption	medium	

### Prior Applications and Sales

Country	Year	Current Status	Name Applied
Canada	2004	Applied	'Scigold'
Chile	2004	Applied	'Scigold'
Japan	2004	Applied	'Scigold'
New Zealand	1997	Granted	'Scigold'
EU	1999	Granted	'Scigold'
Uruguay	2004	Applied	'Scigold'
South Africa	2004	Applied	'Scigold'

First sold in New Zealand in Mar 1998.

Description: **Michael Malone**, HortResearch, Havelock North, New Zealand.

# Intellectual Property and the Commercialisation of Research and Development



A Guide for Horticulture Industries

This guide was prepared independently by the Australian Centre for Intellectual Property in Agriculture with funding from Horticulture Australia Limited (Project HG04020 'Maximising the Benefits of Intellectual Property for the Australian Horticulture Industry').

ACIPA October 2006

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# Executive Summary

These guidelines provide an overview of issues related to the management and commercialisation of intellectual property. While of general application, the guidelines should be of particular interest to organisations which have a stake in projects that generate intellectual property rights and which have an interest in ensuring that the outcomes from such projects are adopted.

## The Essential Features of Intellectual Property and Acquiring Intellectual Property Rights

After outlining the nature of intellectual property rights in section 1 of these guidelines, section 2 examines the major categories of intellectual property rights. These are:

- Plant Breeder's Rights (PBR) – a highly specific branch of intellectual property which grants protection over new plant varieties that are distinct, uniform and stable;
- Patents – the branch of intellectual property dealing with inventions that are new, non-obvious and useful;
- Trade Marks – the branch of intellectual property dealing with words, logos and devices that traders use to distinguish their goods and/or services from those of other traders; and
- Copyright – the branch of intellectual property regulating the reproduction and dissemination of original literary, dramatic, musical and artistic works.

A discussion of the subject matter of the rights and detailed information about the process of acquiring the rights, both in Australia and overseas, is provided in each case. The law of confidential information, a related branch of judge-made law which imposes obligations on parties who receive information in confidence to maintain the confidentiality of that information, is dealt with separately. This is because it is not strictly an aspect of intellectual property, although it intersects with intellectual property rights in a number of ways. Related intellectual property rights such as registered designs, internet domain names, geographical indications of origin and certification marks are also considered.

## Ownership of Intellectual Property

Section 3 deals with issues specifically relating to the ownership of intellectual property. These are important in circumstances where a number of parties are involved in a research project, and in particular where parties are considering commercialising research outcomes. There is a tendency to view questions of ownership of intellectual property as something governed entirely by the contractual relationship between parties. This section demonstrates some of the problems with this view, and establishes why it is important to know who is entitled to own intellectual property rights at law, in order to facilitate the management of intellectual property rights within research projects. Ownership is also important for those wanting to use other people's intellectual property as you need to know whose permission you need.

After setting out some general rules of ownership of intellectual property rights, the section focuses in detail on the ownership of the major intellectual property rights identified in the preceding section, namely patents, plant breeder's rights, trade marks and copyright, as well as the issue of whether confidential information can be 'owned'. It then looks at some of the more complex issues relating to ownership, such as: what happens when a number of parties claim to have rights in the same intellectual property; how to determine whether an intellectual property right was created in the course of employment; and the particular problems involved in attempting to resolve issues of ownership through contract.

## Freedom to Operate

Section 4 examines the issue of freedom to operate. The concept of freedom to operate entails the ability to carry out research and development or commercialise a research outcome without incurring liability for infringement of intellectual property owned by a third party. Although freedom to operate may potentially arise as an issue in relation to any form of intellectual property, it is most frequently encountered in relation to patents and plant breeder's rights and the focus of this section is on these forms of intellectual property. In particular, it examines the current status of the research exemption under Australian patent law, and considers proposals for reform that have recently been formulated by the Advisory Council on Intellectual Property and the Australian Law Reform Commission. It also considers the way in which exceptions in the *Plant Breeder's Rights Act 1994* to infringement of plant breeder's rights facilitate freedom to operate in

plant breeding, and how these exemptions may be negated by contract and co-existent intellectual property rights. Finally, the section discusses the importance of freedom to operate or 'clearance' searches in the context of research proposals, and the consequences of failing to obtain freedom to operate at the outset of a research project. It also considers some characteristic warranties and indemnities found in licensing and collaborative research agreements pertaining to freedom to operate and minimising exposure to liability or loss where freedom to operate has not been secured by the licensor, collaborator or research provider.

## **Exploitation and Commercialisation of Intellectual Property**

Section 5 considers in detail the legal issues relating to the commercialisation of research outcomes. It acknowledges that commercialisation is merely one way that research outcomes may ultimately be adopted, but also notes the importance of ensuring that commercialisation remains a possibility even where commercialisation as a strategy is only pursued on an ad hoc basis. It looks at the various ways in which intellectual property can be commercialised, namely through assignment, exclusive and non-exclusive licences, equity ownerships, partnerships and closed-loop arrangements, and the legal rules affecting each of these modes of commercialisation.

It is important to note that commercialisation is not simply a matter of contract law. There are various legal doctrines and certain legal rights that may 'trump' freedom of contract. These are:

- laws that a court may use to strike down a contract;
- various statutes that provide special protection for creators of intellectual property rights (even where the creator is not the owner of the right); and
- situations where competition law may be used to control the way in which an owner of intellectual property can deal with those rights.

Each of these issues is considered in detail.

## **Enforcing Intellectual Property Rights and Related Issues**

Having looked at the way in which parties may choose to commercialise their intellectual property rights, Section 6 turns to the management of intellectual property. In particular, it focuses on two issues: ensuring that intellectual property registers and databases

remain accurate, and appropriate means of enforcing intellectual property rights. This latter issue is considered in detail. First, the various methods (both judicial and extra-judicial) of resolving intellectual property disputes are addressed, with particular attention paid to the procedures, costs and risks involved. The section then looks at the different remedies available to an intellectual property owner in enforcement proceedings, from interlocutory and final injunctions (which generally require the infringer to refrain from infringing the owner's intellectual property rights) to financial remedies such as damages and accounts of profits (both money sums that the infringer must pay to the owner in compensation). It also considers the possibility of bringing criminal proceedings against infringers.

# 1

## Introduction

### 1.1 Nature of Intellectual Property Rights

#### 1.1.1 Rights over Intangibles

Intellectual property rights do not create rights in physical or tangible objects as such. Rather, intellectual property rights protect the mental labour that is embodied in physical or tangible objects. Therefore, they are commonly referred to as 'intangible' rights. For example, copyright does not protect the ideas expressed in a research report, only the particular form in which they are expressed. Likewise, although it is common to think of inventions as physical objects, patents do not grant inventors rights over products as such, only inventive concepts or ideas that are embodied in a physical form.

An important consequence of the intangible nature of intellectual property rights is that it is possible for a number of different intellectual property rights to co-exist in relation to the same physical object. For example, a number of different copyrights may exist in relation to a book, such as copyright in the artwork appearing on the book's cover, copyright in the storyline or plot, and copyright in the typesetting and layout of the book. Likewise, a number of different patents may be granted in relation to a machine, such as patents over particular components of the machine, patents over the machine itself, and patents over improvements in the operation of the machine.

#### 1.1.2 Property Rights

It is important to emphasise that intellectual property rights are a type of property. This has a number of consequences. Most obviously it means that, for the most part, intellectual property rights can be dealt with in the same way as any other form of property – they can be bought, sold, assigned and mortgaged. In addition, the proprietary nature of intellectual property means that the owners of intellectual property rights have a right to control who uses their property and how their property is used, they do not merely have a right to be paid for use. The rights granted by intellectual property are primarily rights to exclude others from exercising any of the exclusive rights that are conferred upon the owner of the intellectual property.

### **1.1.3 Protection of Creators**

In addition to the proprietary aspect of intellectual property rights, some types of intellectual property also create protection for the creators of the 'thing' in question. Such protection is particularly important in cases where the property vests in or has been transferred to another person. Copyright law provides the most extensive protection for creators through its system of 'moral rights'. Such rights include a right to be identified as the author of a work and the right to object to the work being subject to a derogatory treatment.

### **1.1.4 Registration and Creation**

One key distinction that is normally drawn between different types of intellectual property rights is between those rights that come into existence automatically when the subject matter is created (as, for example, is the case with copyright), and those rights that only come into existence when the subject matter is registered. These second type are where the potential owner has gone through an administrative process of registration to obtain intellectual property protection (as, for example, is the case with patents and PBR). However, not all types of intellectual property rights can be neatly divided in this way. In particular, while there is a system for the registration of trade marks and while registration offers the trade mark owner a number of advantages, trade signs may be protected even in the absence of registration.

### **1.1.5 Absolute and Relative Monopolies**

A second important distinction that is normally drawn between different types of intellectual property rights is between those rights that give an 'absolute' monopoly and those rights which merely give a 'relative' monopoly. An absolute monopoly, such as a patent or a trade mark, is effective without the need to show copying or derivation from the owner. In contrast, a relative monopoly, such as copyright, is only infringed where it can be shown that the defendant copied from the owner's work.

### **1.1.6 Duration**

Although they are a type of property, intellectual property rights are not, generally speaking, perpetual. Rather, they expire a number of years after a triggering event. In the case of patents and PBR this event is registration. In the case of copyright it is the death



of the author. Trade marks can remain protected indefinitely, but they have to be periodically renewed.

### **1.1.7 International Conventions and Regional Harmonisation**

One of the defining features of intellectual property rights is that they are national or territorial in nature. As such they are not ordinarily effective outside of the country where they are granted/arise. This has long been a potential problem for rights-holders whose works, inventions or brands are the subject of international trade. However, there are a number of international arrangements in place that minimise some of the problems associated with the territorial limitations of intellectual property rights. These international arrangements rest on three key principles: (1) a rule of non-discrimination, such that one member state must treat nationals of another member state in the same way that it treats its own nationals; (2) minimum standards of protection; and (3) where the type of right in question is dependent on registration, streamlined procedures for obtaining registration in more than one country.

Over and above the process of national harmonisation there has also been a process of regional harmonisation. In particular, in the European Union there has been a move towards creating harmonised laws and pan-European intellectual property rights. These developments have had consequences for Australia and elsewhere as Europe uses its harmonised regimes as the basis for its trade negotiations with other countries.

## 2

# The essential features of intellectual property and acquiring intellectual property rights

## 2.1 Forms of Intellectual Property and Their Acquisition in Australia

### 2.1.1 Plant Breeder's Rights

#### *(a) Introduction*

Plant Breeder's Rights (PBR) is a special regime of intellectual property for the protection of new plant varieties. In Australia, the protection of new plant varieties is regulated by the *Plant Breeder's Rights Act 1994* (Cth), which is administered by IP Australia. The Act implements the 1991 version of the *International Convention on the Protection of New Plant Varieties* (the 'UPOV Convention') and in some instances implements higher standards of protection for plant breeders than required by the 1991 text of UPOV.

#### *(b) Criteria for Registration*

A plant variety is capable of registration under the *Plant Breeder's Rights Act* if the variety:

- has a 'breeder';
- is 'new';
- is 'distinct';
- is 'uniform'; and
- is 'stable'.

#### *'Breeder'*

In order to be capable of protection, a variety must have a 'breeder'. The *Plant Breeder's Rights Act* provides little guidance as to what is meant by the term 'breeder', but states that breeding includes 'the discovery of a plant together with its use in selective

propagation so as to enable the development of a new plant variety'. Neither 'discovery' nor 'selective propagation' is defined. The limited definition of 'breeding' in the *Plant Breeder's Rights Act* has stimulated considerable debate as to what activities qualify as plant breeding. As a result, the Plant Breeder's Rights Office convened a panel of experts in 2002 to clarify the eligible plant breeding methodologies that conform with the *Plant Breeder's Rights Act* and internationally accepted practice in accordance with the UPOV Convention.

In their report, the Expert Panel on Breeding expressed the view that, for the purposes of the *Plant Breeder's Rights Act*, eligible breeding methodologies include the same three fundamental steps:

- 1 Amassing, or locating, plant material with sufficient variation ('source population') to enable genetic variation to be identified. This variation could be 'natural' variation (ie created without human interference, such as spontaneous mutation), or could be 'man-made' variation (eg through genetic transformation, cross-pollination, induced mutations, etc);
- 2 Selection of a particular plant, or group of plants, having a set of 'desirable' characteristics from *within* the source population; and
- 3 Propagation of the particular plant form (in preference to other plant forms in the source population), resulting in a change in the expression of one or more characteristics between the source population and the new variety. For a registrable new variety to be produced, this propagation would have to result in a variety that also met the criteria of distinctness, uniformity and stability, and of non-exploitation. (Varieties such as hybrids, synthetics etc may not need to include this step.)

The Expert Panel acknowledged that breeding methodologies continue to evolve and, therefore, it would be inappropriate to limit eligibility for PBR to varieties developed by the application of existing breeding methods. However, the Panel specifically noted that the finding or importation of a variety, by itself, does not meet the above criteria of breeding. The Expert Panel also noted that the *Plant Breeder's Rights Act* does not discriminate between varieties and, therefore, all varieties are assessed against the same criteria, regardless of the method of their origination.

### *'New'*

A plant variety is 'new' if it has not been sold or disposed of within Australia with the breeder's consent more than one year before the date on which an application for protection of the variety was lodged with IP Australia. A plant variety will also lack novelty where it has been sold or disposed of outside Australia more than four years before the application date or, in the case of trees and vines, more than six years before the application date.

### *'Distinct'*

A variety is 'distinct' if it is clearly distinguishable, by one or more characteristics, from any other variety whose existence is a matter of common knowledge at the time of the application. In practice, distinctiveness is measured against the most similar variety or varieties of common knowledge. The Act deems that a plant variety will be a matter of common knowledge if an application for protection of the variety has been lodged in a country that is a member of the UPOV Convention, provided that the application leads to the grant of a PBR or to the entering of the variety in the official register of varieties. A variety may also be regarded as a matter of common knowledge where propagating or harvested material of the variety has been commercialised before the priority date of the application for protection of the variety, or has been deposited in a publicly accessible plant collection. The applicant must provide a clear description of the differences between the variety for which protection is sought and the characteristics of other similar varieties.

There is no simple statement that covers all situations of when a variety is sufficiently distinct to justify protection. As a general rule of thumb a registrable variety has to be clearly distinct from all varieties of common knowledge by the expression of at least one characteristic that is genetically determined. In practice, the distinctiveness of varieties is considered on a case-by-case basis.

### *'Uniform'*

A variety is uniform if, subject to the variation that may be expected from the particular features of its propagation, a population of the variety is sufficiently consistent in those characteristics which make it distinct. UPOV has developed technical guidelines for a

number of different plant species that stipulate the degree of permissible variation within which a new variety of that species will be considered uniform. These guidelines can be accessed online at: [http://www.upov.org/en/publications/tg-rom/tg\\_index.htm](http://www.upov.org/en/publications/tg-rom/tg_index.htm). Where no technical guidelines have been developed for the variety in question, the PBR Office stipulates that the maximum number of off-types in vegetatively propagated or fully self-pollinated varieties must not exceed:

Number of Plants or Plant Parts Measured	Maximum Number of Off-Types
5	0
6-35	1
36-82	2
83-137	3

For partially self-pollinated varieties the allowable number of off-types is doubled. In cross-pollinated varieties, uniformity is assessed according to a comparison of variances. Measured characteristics are considered uniform if their variance is less than 1.6 times the average of the variances of the varieties used for comparison. Visually assessed characteristics are considered uniform if the number of off-types is the same as, or less than, the average number found in the comparator varieties.

#### *'Stable'*

A variety is stable if it remains true to description after repeated propagation or reproduction. Breeders of varieties propagated from seed need to demonstrate stability by including two generations in the comparative trial. If necessary, stability can be demonstrated in a separate trial. If the variety is to be vegetatively propagated and is uniform, a demonstration of stability is usually not required. It is the applicant's responsibility to ensure that the variety remains true to the description.

#### *Role of 'Qualified Persons'*

Australia's plant breeder's rights scheme relies on breeder testing to establish the distinctness, uniformity and stability of new varieties. Using international guidelines developed by UPOV, the applicant (or breeder) or the applicant's agent carry out comparative trials to establish that each new variety satisfies the 'DUS' criteria. To ensure technical rigour, the Plant Breeder's Rights Office requires all applicants to engage the services of an accredited 'qualified person'. The qualified person (or 'QP') acts as the applicant's technical consultant and is responsible for all aspects of the comparative

growing trial including the selection of comparator varieties for inclusion in the trial, experimental design, data collection, statistical analysis and preparation of a detailed description of the variety.

A comparative trial in Australia may not always be necessary provided that the variety has been test grown in a UPOV member country using official UPOV guidelines and test procedures, and all the most similar varieties of common knowledge have been included in the trial. If the test indicates the variety is clearly distinct from known Australian varieties, a comparative test may not be warranted. In both these cases, however, the Plant Breeders Rights Office still requires applicants to submit a description and photograph for publication in the *Plant Varieties Journal*.

Only one comparative trial is required in respect of each application. However, as part of the examination of an application, the Plant Breeder's Rights Office may conduct a field examination of the comparative growing trial.

#### *(c) Scope of PBR*

The registered owner of PBR has the exclusive right, in relation to propagating material of the registered variety, to:

- produce or reproduce the material;
- condition the material for the purpose of propagation (conditioning includes cleaning, coating, sorting, packaging and grading);
- offer the material for sale;
- sell the material;
- import the material;
- export the material; and
- stock the material for any of the above purposes.

Plant breeder's rights are personal property and capable of assignment or transmission.

### *Naming a new plant variety*

In addition to these exclusive rights, the *Plant Breeder's Rights Act* also provides protection for both the name and synonym of the protected plant variety. A synonym is an additional name which the applicant may also use to commercialise the variety in Australia. The Act imposes a number of limitations on plant variety names. In particular, the name must be a word or words (whether invented or not), to which may be added one or more letters or figures. Further, the name must not be:

- Likely to deceive or cause confusion (including confusion with the name of another plant variety of the same plant class);
- Contrary to law (for example by being a prohibited term under Australian legislation);
- Scandalous or offensive;
- A trade mark that is registered, or whose registration is being sought, under the *Trade Marks Act 1995* in respect of live plants, plant cells and/or plant tissues.
- The name of a natural person either living at the time of the application or who died within 10 years of the application (unless the person or their legal representative has given written consent); or
- The name of a corporation or other organisation (unless the corporation or other organisation has given its written consent).

In addition, the name must comply with the International Code of Nomenclature for Cultivated Plants.

The Plant Breeder's Rights Office has developed some simple guidelines to assist in the naming of new varieties to ensure compliance with the Code:

- The name should not contain more than 10 syllables and be no more than 30 characters long (excluding spaces and single quotation marks);
- The name should not exaggerate the merits of the variety (eg 'Freshest of All', 'Best Ever'), nor should the name be made up of simple descriptive words (eg 'Green', 'Giant');
- The name should not use certain words which are banned under the Code and must not be used – these are: 'cross', 'hybrid', 'grex', 'group', 'form', 'maintenance', 'mutant',

'seedling', 'selection', 'sport', 'strain', 'variety' (whether in singular or plural form), 'improved' or 'transformed';

- The only punctuation marks that should be used in the name are apostrophes, commas, single exclamation marks, hyphens or full stops; and
- If the name is a single word, it should not be the same as a genus, whether in botanical Latin or modern language. However, such a word may be used in a longer name as long as it does not form the final word of the name. Further, the name should contain neither the botanical or common name of its genus nor the common name of any species in that genus.

Finally, if an application for PBR has previously been filed in a UPOV member country overseas, the name used in the first filing must be the official registered name in Australia. This ensures that the variety is known by the same name worldwide. The variety may be marketed under a different name in Australia, although the official name should be included in the synonym.

#### *Harvested Material and Products Derived from Harvested Material*

In certain circumstances the exclusive rights of an owner of a protected variety extend beyond the propagating material of the variety to material harvested from propagating material of the variety and products obtained from the harvested material. The scope of the PBR owner's rights will extend beyond the propagating material of the protected variety to material harvested from the variety where the following three circumstances are present:

- 1 Propagating material of a plant variety covered by PBR is produced or reproduced without the authorisation of the PBR owner;
- 2 The PBR owner does not have a reasonable opportunity to exercise his or her exclusive rights in relation to the propagating material; and
- 3 Material is harvested from the propagating material.

In this situation, the harvested material will be treated as if it were propagating material. 'Harvested material' includes entire plants, parts of plants and plant material such as cut flower blooms. To illustrate the way in which this provision operates, consider the following situation:



*'Grower A' takes a cutting from a protected variety on his neighbour's land and grows and harvests a crop from that cutting. In this situation, the PBR owner will be unaware that 'Grower A' has reproduced propagating material of the protected variety and, therefore, will not have had a reasonable opportunity to exercise its exclusive rights in relation to the propagating material. 'Grower A' will then infringe the PBR in the variety if, for instance, he sells the harvested material without the PBR owner's permission.*

Similarly, the PBR owner's rights will extend to products obtained from harvested material where the PBR owner does not have reasonable opportunity to exercise its exclusive rights in relation to both the propagating material and material harvested from the propagating material.

#### *Essentially Derived Varieties and Dependent Varieties*

In some situations the scope of protection given to the owner of a protected variety extends beyond the registered variety to other varieties that are 'dependent' on the protected variety or 'essentially derived' from the protected variety. Dependent plant varieties are varieties that:

- are not clearly distinguishable from the protected variety, but are distinguishable from all other varieties of common knowledge; or
- cannot be reproduced except by repeated use of the protected variety or the non-clearly distinguishable variety (for example, hybrids).
- A plant variety is taken to be an essentially derived variety of another plant variety if:
  - it is predominantly derived from that other plant variety;
  - it retains the essential characteristics that result from the genotype or combination of genotypes of that other variety; and
  - it does not exhibit any important (as distinct from cosmetic) features that differentiate it from the other variety.

The concept of essential derivation represents an attempted compromise between the principle of the freedom to operate (discussed in section 4) and achieving adequate protection for breeders of new varieties. Whilst some degree of uncertainty surrounds the

precise scope of the concept of essential derivation, the Expert Panel on Plant Breeding takes the view that it is directed towards protection against 'copycat' activity, not against incremental breeding and the innovation that springs from that endeavour. Genetic modification, whether done by 'traditional' or 'biotech' methods, is not necessarily 'copying'.

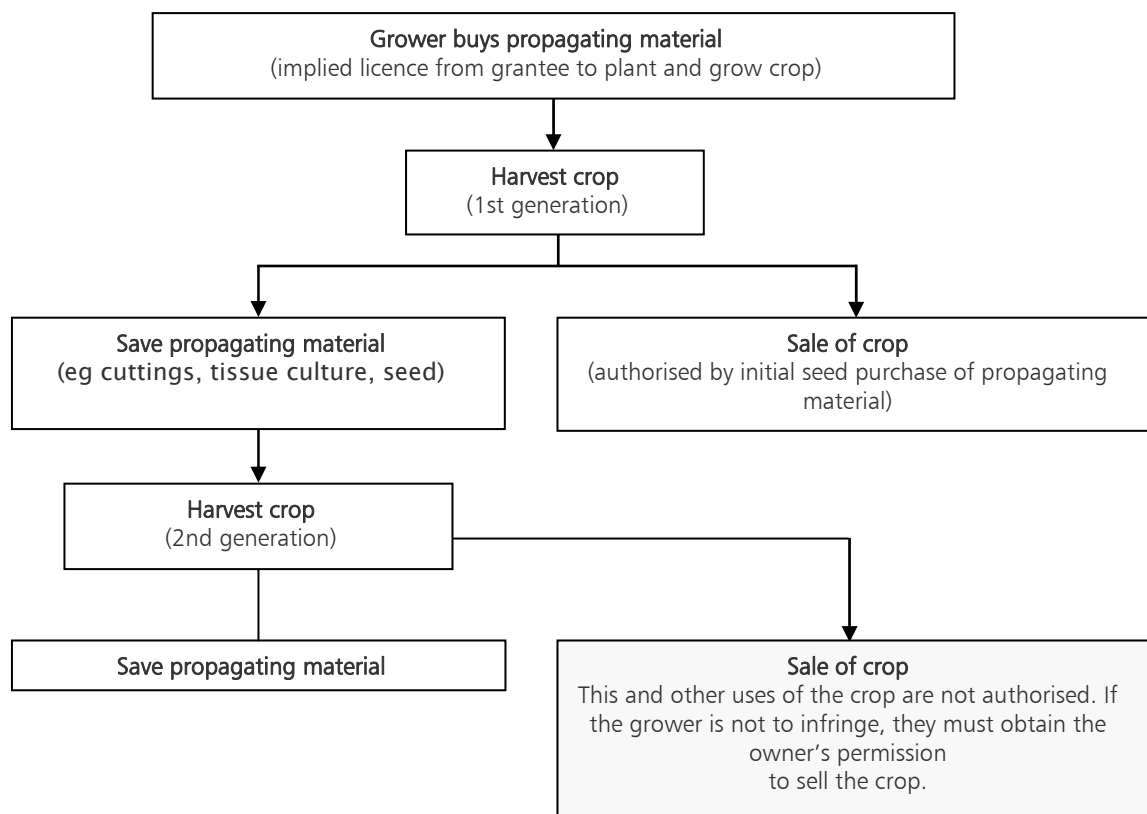
The breeder of an essentially derived or dependent variety is not prevented from obtaining PBR protection for that variety. In the case of an essentially derived variety, the owner of the protected variety from which the new variety is essentially derived may apply to the Plant Breeder's Rights Office for a declaration of essential derivation. If a declaration of essential derivation is made, the breeder of the essentially derived variety cannot commercially exploit the variety without the permission of the owner of the variety from which it is essentially derived. At the time of writing no applications for declarations of essential derivation have been made.

The Plant Breeder's Rights Office envisages that any dispute regarding essential derivation will be resolved by negotiation between the researcher and the owner of the protected variety and, as such, few applications for declarations of essential derivation are expected to be made. The International Seed Federation is presently developing norms based on molecular marking techniques for a number of crops which can be used as guidelines for determining when a variety can be regarded as essentially derived. At present, guidelines have only been developed for Perennial Ryegrass and Lettuce. For more information, see [http://www.worldseed.org/Arbitration\\_EDV.htm](http://www.worldseed.org/Arbitration_EDV.htm).

#### *(d) Exceptions and Limitations to Protection*

The *Plant Breeder's Rights Act* contains a number of defences to the infringement of a PBR owner's exclusive rights. First, a person who generates a crop from legitimately obtained (ie purchased) propagating material of a protected variety ('first generation crop') is permitted to save further propagating material harvested from the first generation crop and use this propagating material to generate second and subsequent generation crops without infringing the PBR in that variety. This is known as the 'farm-saved seed' exception, although the exception applies to all types of propagating material.

There are a number of important limitations to the scope of the farm-saved seed exception. In particular, the Federal Court of Australia has held that the exception is strictly limited to further conditioning and reproduction of propagating material only. If a grower wishes to sell, trade or barter propagating material from second and subsequent generation crops they must first obtain the permission of the PBR owner. Failure to do so may result in infringement of PBR in the variety, as will any sale etc of any material harvested from second and subsequent generation crops. In effect, the grower is entitled only to save and reproduce further propagating material from first generation crops for their own personal use for replanting. The operation of farm-saved propagating material is summarised in the figure produced below:



As with other exceptions to infringement under the *Plant Breeder's Rights Act*, the PBR owner can restrict a grower's ability to save and reproduce propagating material by contractual terms that are brought to the grower's attention at the time of purchasing the propagating material. *The Plant Breeder's Rights Act* also makes provision for certain taxa to be declared exempt from the operation of the farm-saved seed exemption. At the time of writing, no such declarations had been made.

A second and more wide-ranging exception to infringement of PBR relates to the use of propagating material protected by PBR for the purpose of plant breeding and experimentation. To this end, the *Plant Breeder's Rights Act* provides that acts done in relation to a protected variety for:

- private and non-commercial purposes;
- experimental purposes; or
- for the purpose of breeding other varieties,

will not constitute infringement of PBR in a variety. This means that a variety protected by PBR can be used as an initial source of variation in a breeding program without infringing the rights of the owner of the protected variety or varieties.

#### *(e) Application Process*

The application form for Plant Breeder's Rights is available from the Plant Breeder's Rights Office. The form is divided into two discrete parts. Part 1 requires general information about:

- the applicant, agent and/or breeder;
- the variety (including characteristics which make this variety distinct from the most similar varieties of common knowledge and its parents/source material);
- the origin and breeding procedure used to produce the variety; and
- the Genetic Resources Centre where propagating material will be maintained, and where the comparative growing trial (needed to establish distinctness, uniformity and stability) will take place

Part 1 is lodged with an application fee of \$300 (at the time of writing).

Part 2 of the form is used to present the results of the comparative growing trial, which is used to show the evidence of distinctness, uniformity and stability as required for registration. Part 2 is lodged with the examination fee of between \$800 and \$1,400. If these criteria are satisfied, the evidence of distinctness is published in the *Plant Varieties Journal*. At the time of writing the registration fee is \$300.

From 1 July 2005, the detailed description in Part 2 of the application form must be completed using the on-line Interactive Variety Description System (IVDS). After this date, detailed descriptions will only be accepted in this format. The main purpose of the system is to harmonise variety descriptions at both national and international level and to make the PBR application process as smooth and efficient as possible. The IVDS allows qualified persons to fill in descriptions on-line by accessing relevant test guidelines and selecting specific characteristics with their various states of expressions from the options provided. The IVDS incorporates all of the approved UPOV test guidelines (and some national equivalents where a UPOV test guideline is not available) into interactive forms with easy to use drop-down menus. Qualified persons can also “build” their own additional/special characteristics if they are not available in the guideline. The IVDS also accepts statistical information. Access to the IVDS is available only to registered qualified persons.

Once an application has been lodged, the Plant Breeder's Rights Office undertakes a 'preliminary examination' of the application to ensure that no similar applications have already been lodged and the plant variety is on the face of the application distinct from all other varieties that are a matter of common knowledge. If the application meets these criteria, it will be given 'provisional protection' which protects the variety against infringement during the period between the date on which the application for PBR was made and the date on which PBR is eventually granted. Once provisional protection has been obtained, the applicant can commercialise the variety without compromising their application. However, the applicant can only sue for infringement during the period of provisional protection once PBR has been granted.

Provisional protection will be lost unless the applicant files a detailed description (Part 2 of the application) of the variety within 12 months of the application being accepted. The detailed description is published in the next issue of the Plant Varieties Journal (which is published online four times a year at [http://www.ipaustralia.gov.au/pbr/journal\\_download.shtml](http://www.ipaustralia.gov.au/pbr/journal_download.shtml)). The detailed description is a comprehensive description of the characteristics of the variety, including those characteristics that distinguish the variety from other varieties, the existence of which is a matter of common knowledge, and particulars of any test growing that has been conducted in order to establish that the variety is distinct, uniform and stable.

Within six months of the date of publication of the detailed description in the *Plant Varieties Journal*, third parties whose commercial interests would be affected by the grant of PBR for the variety may file a written objection to the grant with the Plant Breeder's Rights Office. The written objection must provide particulars of the manner in which the person considers his or her commercial interests would be affected by the grant, and the reasons why the person considers that the application does not satisfy the criteria for protection.

If no objections are received or the objections are unsuccessful, the PBR Office will then examine the application. If the application meets the necessary criteria, PBR protection will be granted for the variety.

#### *(f) Duration of PBR*

PBR protection commences on the day that the grant of the PBR is made, although as noted above, PBR owners can sue for retrospective acts of infringement of the PBR during the period of provisional protection. The rights last for 25 years in the case of trees and vines, and 20 years in the case of all other varieties.

### 2.1.2 Patents

#### *(a) Introduction*

A patent is a form of personal property granted under the *Patents Act 1990* (Cth) that confers exclusive rights to 'exploit' an invention upon the person to whom the patent is granted (known as the 'patentee'). Generally speaking, the rights conferred upon someone who invents a product are greater in scope than those granted to a person who invents a method or process. Where the invention is a product, this allows the patentee to (or offer to) make, hire, sell, or otherwise dispose of the product, use or import it, or keep it for the purpose of doing any of those things. Where the invention is a method or process, the patentee can use the method or process or do any act mentioned above in respect of a product resulting from such use.

Patent protection is dependent upon registration. It is important to register prior to disclosing the invention to the public. After disclosure, it is, generally speaking, impossible to obtain patent protection.

### (b) Patentable Inventions

A 'patentable invention' is an invention that:

- is a 'manner of manufacture';
- is novel;
- involves the taking of an inventive step;
- is useful; and
- has not been secretly used by the applicant within Australia before the priority date of the patent application.

**'Manner of Manufacture':** To be capable of patent protection an invention must be a 'manner of manufacture'. The words 'manner of manufacture' appear in the English *Statute of Monopolies*, which was enacted in 1623. Although the meaning of the phrase is obscure, the Australian High Court has held that an invention is a 'manner of manufacture' if it can be characterised as an 'artificially created state of affairs' that is practically useful in a field of economic endeavour. As such, the scope of subject matter that falls within this definition is extremely broad. The only types of subject matter expressly excluded from patentability by the *Patents Act* are human beings and the biological process for their generation. In addition, plants and animals and the biological processes for their generation cannot be protected by an innovation patent (see paragraph 2.1.2(f) for more on innovation patents).

Generally speaking, there has been a gradual expansion over time of what is regarded as patentable subject matter:

Year	Case	Subject Matter
1799	Hornblower v Boulton	Steam engine
1819	R v Wheeler	Method of drying and preparing malt
1842	Crane v Price	Use of anthracite in a blast furnace
1851	Electric Telegraph Co v Brett	Method of giving duplicate electric signals
1893	Moser v Marsden	Improvements in gig mills
1924	AEW's Application	Odometer
1935	Rau's Application	Selective cultivation of lupin seeds
1943	GEC's Application	Any 'vendible product'
1947	Rantzen	Modulating an electric signal
1951	Standard Oil	Improving a tract of land by applying a herbicide

1957	Lenard	A method of pruning clove trees
1961	Swift & Co	All agricultural processes, including treating animals
1961	NRDC	Any artificially created state of affairs having practical utility
1972	Joos	Cosmetic treatment of humans
1976	Rank Hovis	Mutant micro-organisms
1981	Chakrabarty	Genetically-engineered organisms
1991	IBM	A computer program for generating a smooth curve on a computer
1994	Rescare	Methods of treatment of the human body
1998	State Street	Internet business methods
2001	Wellcome v Catuity	Loyalty program using a smart card
2005	Lundgren	A method of compensating a manager
Future		Stem cells?

Despite this expansion in the scope of patentable subject matter, the Australian Patent Office has indicated in a number of recent decisions that there are some restrictions to what can be patented. In particular, the Australian Patent Office has expressed the view that patents are only available in respect of inventions that involve the discovery or application of laws of nature or the application of science or technology. Likewise, the European Patent Office takes the view that European patents are only available where the invention involves a 'technical effect'. In contrast, the United States Patent and Trademark Office recently decided that there is no such limitation under United States patent law.

Another potential fetter on the availability of patents is the requirement that the grant of a patent must not be 'generally inconvenient'. This phrase also derives from the *Statute of Monopolies* and, like the phrase 'manner of manufacture', its meaning is somewhat obscure. Until recently, patents for methods of medical treatment were not available in Australia on this basis, and it has been suggested that socially and morally objectionable inventions might similarly be refused patent protection. In recent years, however, Australian courts have been reluctant to revoke patents on this basis, whilst the Australian Patent Office takes the view that social or moral considerations are not relevant to the question of patentability.

**Novelty:** To be patentable, an invention must be novel, or disclose something that was not previously known or used. A patent will lack novelty if all the essential features of the invention or information disclosing all of the essential features of the invention have been made publicly available anywhere in the world before the 'priority date' of the patent. The priority date serves as the temporal reference point for determining the validity of a



patent, in particular novelty and inventive step. Usually, the priority date of an application will be the date on which a complete application is filed, unless an associated provisional application has been filed earlier, in which case the priority date will be the date of filing of the provisional application (see below – paragraph ©). To deprive an alleged invention of novelty, the disclosure must also enable the invention to be performed or reproduced by a person skilled in the field of technology to which the invention relates.

There are a number of limited exceptions to the operation of the novelty requirement. First, a patent will not lack novelty where the invention has been made publicly available by publication or use of the invention by, or with the consent of, the patentee within 12 months of the filing date of the *complete* application (this is known as the 'grace period'). In contrast, where information about the invention is made publicly available before the priority date without the consent of the patentee (for example, in breach of confidence), the patentee retains the right to file a provisional application, provided this is done within 12 months of the date on which the information was made publicly available. The grace period is an attempt by the patent system to accommodate scientific norms, such as free and prompt dissemination of information about new discoveries and revelations, which were often seen to be in conflict with the novelty requirement (which demands that information about the invention be suppressed until a patent has been applied for). However, its effectiveness is limited by a number of factors. First, the patent systems of a number of important markets (most notably Europe) do not contain grace periods. This means that patent protection will be unavailable in certain countries where the patentee has disclosed the invention before filing for protection in those countries. Secondly, the grace period is only available in respect of information about an invention that is made publicly available by, or with the consent of, the patentee after 1 April 2002.

A second exception to the operation of the novelty requirement that is of particular importance to the horticultural industry relates to the situation where it is necessary to work the invention in public before applying for a patent (eg in field trials). In that situation, use of the invention in public will not deprive the patent of novelty provided that:

- the use of the invention was genuinely experimental and was conducted in an open area for the purpose of determining the utility of the invention;
- the performance of the experiment involved unavoidable disclosure of the invention;

- any profit or advantage derived from the experiment was accidental; and
- a patent application is made within 12 months of the first public working of the invention.

**Inventive step:** To be patentable, an invention must involve an inventive step. An invention will lack an inventive step if the invention claimed would be obvious to a person of ordinary skill in a relevant field of technology. Obviousness is assessed against the common general knowledge available to persons working in the relevant field of technology, and information which a skilled person could be reasonably expected to have ascertained, understood, and regarded as relevant to work in the field in Australia. As such, the threshold of obviousness in Australia is potentially lower than most other jurisdictions, where inventive step is assessed against the common general knowledge of a skilled worker located anywhere in the world. 'Obviousness' has been described in various ways and is notoriously difficult to anticipate. A test commonly employed is: 'would the notional research group at the relevant date, in all the circumstances, which include a knowledge of all the relevant prior art, directly be led as a matter of course to try one avenue of inquiry in the expectation that it might well produce a useful result or alternative?' Further, factors such as whether the invention fulfils a 'long-felt want', overcomes difficulties or problems which others have tried unsuccessfully to overcome, the willingness of rivals to imitate, contrary indications in the prior art, and the commercial success of the invention will be regarded as relevant to determining whether or not an invention is obvious.

**Usefulness:** To be patentable, an invention must be useful (sometimes referred to as 'utility' or 'industrial applicability'). The utility requirement in Australia operates at a very low standard. An invention will be useful under Australian patent law if by following the directions in the specification something useful within each claim can be made. The concept of utility in patent law does not mean that an invention must be socially useful in the sense of fulfilling some desirable function, but simply that the invention should attain the result that the inventor has promised. Further, an invention does not lack utility merely because the invention lacks perfection or performs crudely. Commercial success is not required, nor is it essential that the invention accomplish all of its intended functions, or operate under all conditions – partial success is sufficient to demonstrate utility.

In contrast to the Australian position, patent offices in other major markets – in particular, the United States, Europe and Japan – have in recent years introduced more exacting standards of utility. In 2001 the United States Patent and Trademark Office introduced new Utility Examination Guidelines. These Guidelines require all patentable inventions to have a 'specific, substantial and credible' utility. In essence, an invention will possess patentable utility under these guidelines where the invention is capable of fulfilling a useful purpose in currently available form. The purposes for which the invention is claimed to be useful must be specifically described and must be capable of being put to this purpose without further research and experimentation.

The United States Court of Appeals for the Federal Circuit recently endorsed these guidelines as being consistent with US patent law. The European Patent Office has also endorsed the use of these guidelines in the examination of the European patent applications, as have both the Australian Law Reform Commission (ALRC) and the Intellectual Property and Competition Review Committee (IPCRC) in Australia. However, the Federal Government is yet to respond to the recommendations made by the ARLC and the IPCRC.

**Secret Use:** A patent will be invalid where the applicant has secretly used the invention within Australia before the priority date of the application. The prohibition on secret use is designed to prevent patentees from obtaining a *de facto* extension of the term of the patent by working the invention in secret (for example, marketing a product that is incapable of being reverse-engineered) and then applying for patent protection when the secret is likely to be discovered by another. A patentee will usually be found to have secretly used their invention where they have derived commercial benefit from the invention before the priority date. For example, accepting an offer to sell a patented product before the priority date will amount to secret use of the invention, even where the transaction is not completed until after the priority date.

To avoid depriving patentees of their rights on the basis of appropriate uses of the invention during the developmental stage prior to the filing of an application, the *Patents Act* lists certain uses which will not preclude patenting:

- use for the purpose of a reasonable trial or experiment only;
- use occurring solely in the course of a confidential disclosure of the invention;

- any other use of the invention for a purpose other than trade or commerce; and
- use by the Commonwealth, a State or Territory where the patentee has disclosed the invention to the Crown.

**The Patent Specification:** The patent specification is the kernel of patent law. Patent specifications are highly complex documents which consist of two distinct parts: the body and the claims. The function of the body of the specification is to provide a full description of the invention and to instruct persons skilled in the relevant field of technology to which the invention relates, (rather than the public at large), in how to make and use the invention. In contrast, the function of the claims is to define the invention in clear and precise terms so that others may know the exact boundaries within which they will be trespassers. In this sense, patent claims are analogous to fence posts which mark the boundaries of real property.

The practice of drafting patent specifications is a delicate and complex task that should be undertaken by registered patent attorneys who have been trained in the practice of patent drafting and who hold tertiary qualifications (usually at the postgraduate level) in a relevant field of science or technology. One of the reasons why patent drafting is so complex is because a key principle of patent drafting is to attempt to capture with the wording of the claim(s) as many different applications of the principle which lies behind the invention as possible. As such, patent claims are often expressed in general, abstract language based upon specific examples described in the body of the specification. For example, a screw or nail might be referred to in a claim as 'fastening means', or a door handle or lever as 'actuating means'.

However, patent attorneys need to be cautious not to claim too broadly. Where a claim is drafted in terms more extensive than the description contained in the body of the specification it runs the risk of being held invalid for lack of 'fair basis'. For this reason, it is common practice for patent specifications to include multiple claims relating to different aspects of the invention. Patent claims are commonly drafted in hierarchical fashion, starting with the broadest claim and descending into various levels of particularity with each successive claim. These claims may be appended to preceding claims (known as 'dependent' or 'subsidiary' claims) or be independent from them. The logic behind this mode of drafting is to ensure that the patentee receives some form of protection in the event that the broader claims are struck out on one or more grounds of

invalidity. The validity of one claim is not affected by the validity of any other claim (unless they are dependent of another claim).

### *(c) The application process*

**Applicants:** A patent can be granted to an inventor or a person to whom the patent has been assigned or who is entitled to have a patent assigned to them, typically an employer. However, in all cases the inventor has the right to be named in the application as such.

**Application:** The Australian patent system operates on a first-to-file basis (as opposed to the United States, which grants patents to the first to invent). An applicant may file either a provisional application or a complete application. In practice, provisional applications are favoured because the *Patents Act* imposes less stringent requirements for these sorts of applications. A complete application must be accompanied by a complete specification which fully describes the invention, including the best method of performing the invention (so that others can reproduce it from the information given), and end with claims defining the invention (or the monopoly which is sought). In contrast, a provisional application need only be accompanied by a provisional specification which sets out a general description of the invention. The provisional filing system therefore enables the applicant to obtain an early priority date. Generally speaking, any disclosure or commercialisation of the invention after the priority date will not compromise the validity of the patent, provided that the applicant files a complete application with IP Australia within 12 months of the filing date of the provisional specification.

To prevent abuses of the provisional filing system, the *Patents Act* provides that a complete application is not entitled to rely on an earlier priority date established by the filing of a provisional application unless the invention claimed in the complete specification is 'fairly based' upon matter disclosed in the provisional specification. In general, a claim will be fairly based on matter disclosed in a provisional specification if the invention claimed is a development along the same line of thought which underlies the invention described in the provisional specification. However, if a claim includes additional features about which the provisional specification is silent that involve the taking of an inventive step or a departure from the line of thought disclosed in the provisional specification, then it will lack fair basis. As such, the fair basis requirement

acts as a gate-keeper to prevent applicants from abusing the provisional filing system by filing for patent protection at too early a stage in the development of the invention before the inventive concept has crystallised in the mind of the inventor (in US patent law this is referred to as the formation of a 'permanent and definite idea').

A finding of lack of fair basis in relation to a provisional specification (as opposed to a claim of a complete specification) does not automatically result in the claim being invalid – it simply means that the claim is not entitled to the priority date obtained by the filing of the provisional specification. Further, the validity of any other independent claims which are fairly based upon matter disclosed in the provisional specification will not be adversely affected by a finding of lack of fair basis in relation to any other claim. However, the validity of claims lacking fair basis may be compromised where the inventor has disclosed the invention after filing for provisional protection (because the applicant is no longer entitled to the provisional filing date), or because a competitor has filed an application for a patent relating to the same invention in the intervening period.

At the time of writing, the application fee for a complete application is \$320 (\$290 if filed electronically); the filing fee for a provisional application is \$80. Depending on the type of invention made and the extent of objections raised by the Patent Office, the overall cost on prosecuting a patent application in the Australian Patent Office ranges from around \$5,000 to up to \$20,000. The cost of obtaining patent protection in all important markets can therefore reach into the hundreds of thousands of dollars. Much of this cost is related to the complexity of writing the claim and specification, and the need to have professional help from a Patent Attorney.

**Publication:** Approximately 18 months after the priority date of an application the complete specification is published in the *Australian Official Journal of Patents*. This informs the public about the details of the invention, and places it on notice that protection has been applied for. Liability for patent infringement accrues from the date of publication (this is why goods often bear the mark 'patent pending'), however, proceedings cannot be commenced until the patent has been granted.

**Examination and grant:** The Australian patent system is based upon the principle of 'deferred examination'. This means that the Australian Patent Office does not examine patent applications unless and until requested by the applicant. Examination of the

application can be requested at any stage, but must be requested no later than 5 years from the date of filing of the complete application otherwise the application will lapse. In practice, the Patent Office will direct the applicant to lodge a request for examination within 1 to 2 years of the date of filing of the complete application. If the applicant does not comply with this demand within 6 months of the date of its issue, the application will also lapse. The Patent Office examines the application to ensure that the invention relates to a manner of manufacture, is novel, involves the taking of an inventive step, and complies with the requirements in relation to specifications and claims (section 40). The Patent Office's examination of novelty and inventive step is limited to documentary evidence – it does not consider allegations of undocumented prior use, nor does it consider whether the invention is useful or has been secretly used (although these issues may be raised in opposition and revocation proceedings).

Often, applicants delay requesting examination, for example, in order to assess the progress of commercialisation of the invention or the value of continuing with the patent process. The request for examination fee is \$340. If there are problems with the application, such as that the claims are too broad, then the patent examiner will notify the applicant. If the application is accepted, a Notice of Acceptance is published in the *Australian Official Journal of Patents*. Within 3 months of the date of publication of the Notice of Acceptance any person may oppose the grant of the patent by filing a notice of opposition with IP Australia. The grounds of opposition available to opponents are wider than those available during examination by the Patent Office, in particular, opponents can raise allegations that the patent is invalid because of prior use or secret use by the patentee, and because the invention is not useful. In practice, opposition proceedings are frequently concerned with disputes over entitlement to the patent (ie who is the 'inventor'). Once this period expires, opposition proceedings may no longer be brought, but the validity of the patent may still be challenged in later proceedings (in particular, it is common for defendants to challenge the validity of the patent in infringement proceedings). If no oppositions to the patent are lodged or any oppositions are unsuccessful, the Patent Office must grant a patent for the invention.

#### *(d) Duration*

In Australia, a standard patent lasts for up to 20 years or, in the case of innovation patents, up to 8 years. There is special provision for the term of patents for

pharmaceutical substances to be increased up to 25 years. Maintenance fees become payable from the 5<sup>th</sup> anniversary of the patent (or the 2<sup>nd</sup> anniversary in the case of innovation patents). For standard patents, maintenance fees commence at \$180 and increase to \$1000 by the 19<sup>th</sup> anniversary. The average life of a patent is approximately 12 years (ie people choose not to maintain them for the full 20 years in many cases).

The grant of a patent is no guarantee of its validity. Despite the grant of a patent, a court may at the request of any person, revoke the patent for invalidity. Proceedings for revocation of a patent are usually commenced by way of cross-claim to infringement proceedings. The grounds on which a patent can be revoked are essentially the same as those on which the grant of a patent may be opposed, with the exception that a patent can be revoked on the additional ground that the patent was obtained by fraud, false suggestion or misrepresentation.

#### *(e) Commercialisation and exploitation*

The exclusive rights of the patentee are personal property which can be sold, assigned, licensed, mortgaged or bequeathed by will. To be effective, an assignment of a patent must be in writing, signed by, or on behalf of, the patent owner and the assignee, and registered with IP Australia. A patent can be assigned on a geographical basis with rights assigned for exploitation of the patent in a particular place or region in Australia. Importantly, a co-owner of a patent cannot grant a licence or assign an interest in it without the consent of the other owners, subject to any contrary agreement.

A patent confers a limited temporal monopoly in respect of the patented invention. Once the patent term has expired, the invention becomes part of the public domain and is open to anyone to use, provided that this does not infringe any patent further (eg a patented improvement of the original invention). The owner of the patent granted under the *Patents Act* obtains exclusive rights to exploit the invention or to authorise another person to exploit it throughout Australia for the term of the patent. Where the invention is a product, this allows the patentee to make, hire, sell, or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things. Where the invention is a method or process, the patentee can use the method or process or do any act mentioned above in respect of a product resulting from such use.



Co-owners of a patent are each entitled to exercise the exclusive rights conferred by the patent without having to account to the others.

#### *(f) Innovation Patents*

Innovation patents were introduced into Australian law in 2001. They are intended to provide intellectual property rights for incremental and lower-level inventions that would not be sufficiently inventive to qualify for standard patent protection. Innovation patents are not required to meet the test for *inventive step*, as with a standard patent. Rather they are required only to meet a lower test of *innovative step*.

The application is in the same form as the complete standard application, but an innovation patent can only contain a maximum of 5 claims. The application fee is \$180 (\$150 for an online application). Innovation patents can be granted without a substantive examination and there is no pre-grant opposition period. However, innovation patents are only enforceable once an *examination* has been requested and paid for, and the patent is certified. Innovation patents are granted for an initial period of 2 years and can remain in force for a maximum of 8 years, with annual maintenance fees payable after the first year.

### **2.1.3 Trade Marks and Related Rights**

#### *(a) Introduction*

Trade marks are a shorthand way of communicating information that purchasers need in order to make informed purchasing choices. It is said that they reduce customers' costs of shopping by informing them that an item is made by the same producer as other similarly marked items that they have liked (or disliked) in the past. The information provided by trade marks is said to be particularly important in relation to so-called "experience goods", that is, goods that a consumer cannot judge merely through inspection.

#### *(b) Registered and Unregistered Marks*

Under Australian law, trade marks may be protected even without being registered when they have been used in the marketplace and enjoy consumer recognition (they are protected through the law of 'passing off'). It might therefore be asked why a trader would take the trouble of registering a mark under the *Trade Marks Act 1995* (Cth) given that this can be a costly and time-consuming process. The answer is that registering a

mark confers a number of benefits to the proprietor. In contrast to the law of passing off, which protects unregistered marks, registration enables traders to protect their marks before they are used in the marketplace. Registration is also advantageous in that it confers greater certainty and therefore should reduce the likelihood of disputes. It also makes infringement easier and cheaper to prove as the registration provides prima facie evidence of ownership. From the public and business perspective, having a registration system is desirable because the register acts as an important source of information about what signs are protected and in which commercial spheres a mark is being used.

### *(c) Criteria for Registration*

In order for a mark to be registrable it must be shown that there are neither 'absolute' nor 'relative' grounds for rejecting the mark.

*'Absolute' grounds of refusal:* these relate to the inherent characteristics of the mark. Reasons for rejecting a mark include that it is misleading (for example, 'Orlwool' for goods made of nylon) or offensive (for example, it was recently indicated in the United Kingdom that French Connection's 'FCUK' mark might be objectionable on this basis). The most important 'absolute' ground of refusal, however, is that the mark lacks 'distinctiveness'. Distinctiveness in this context concerns whether the average consumer would understand the sign as indicating the trade origin of the goods. It is assumed that marks which apparently refer to the quality of the goods (luxurious, comfortable) or to their geographical origin ('English' marmalade, 'Oregon' for machinery) or to their purpose, value etc will not be viewed by consumers as indicating that they were produced by a particular manufacturer. A secondary, but nevertheless highly important, factor in making the assessment of whether a mark is distinctive is whether other traders would honestly desire to use the mark in question or something closely resembling it.

Even if a mark lacks inherent distinctiveness it may acquire distinctiveness as a result of the way it is used. The key is whether the mark has come to be understood as an indication of the source of the goods. Once a mark has acquired distinctiveness in this sense it will become registrable (for example, 'Oxford' for books is registrable because the average consumer now understands this to mean that the book is published by Oxford University Press and not merely that the book has been printed in the city of Oxford).

*'Relative' grounds of refusal:* these relate to the right of the applicant to apply for the mark, rather than the characteristics of the mark itself. The most important 'relative' ground of refusal is that the mark is identical to or deceptively similar to an earlier trade mark.

In addition, trade marks cannot be the same as the name of a plant variety. The *Plant Breeder's Rights Act 1994* specifically excludes the use of a trade mark as a variety name. Similarly IP Australia would not register a PBR protected variety name as it would have the potential to confuse the market place. A trade mark can be used in conjunction with a variety name. For example there is a registered trade mark 'Aussie Royale' that covers plants and trees for ornamental horticulture. If the owner of the trade mark also had PBR over a number of ornamental varieties, they could use the combination 'Aussie Royale' plus [Variety Name].

#### *(d) Registration Process*

Trade marks are registered in relation to specific goods/services. Application is made to IP Australia via an approved form (available at [www.ipaustralia.gov.au](http://www.ipaustralia.gov.au)) which can be submitted in hard copy or electronically. This application can be made by the owner of the mark, by the owner's legal representative, or by a number of parties if the trade mark is used jointly by each of them. The application must give details of the applicant (name, address and address for correspondence), provide a graphic representation of the trade mark, and specify the goods and/or services in respect of which the mark is to be registered. IP Australia uses a system where all goods and/or services are classified in 45 classes, and the applicant must ensure that the goods and/or services are grouped in their correct class or classes.

There is a fee for registration which is determined by the range of goods and/or services for which the mark is to be registered. For a single class application the fee is \$150 for an application in hard copy and \$120 for an electronic application. There is a further \$300 registration fee payable within six months of acceptance of the application by the Registry.

The application will initially be examined to ensure that it can be registered. If the Registrar decides to reject the application the applicant will be given an opportunity to make a case to have this decision reversed. Third parties will also have an opportunity to

object to the registration once it is accepted by the Registrar. In such cases the registrar will hear representations from both parties before deciding whether to accept or reject the mark.

Examples of registered trade marks in the horticulture industries include 'Aussie Royale' (can be used for plants, trees for ornamental horticulture and general horticultural use), 'Plumtastic' (can be used for live plants, flowers, seeds, bulbs, plant propagation materials in this class), and 'Speaking Rose' (can be used for flowers, including cut flowers and flowering plants).

#### *(e) Duration and Loss of Registration*

Registered trade marks have to be renewed every ten years, although there is no limit to the number of times that a mark can be renewed. There are, however, certain ways in which the right to renew may be lost. Most importantly, a registration is liable to be removed from the register if the owner has failed to use the mark in the preceding three years.

#### *(f) Related Rights*

##### *Certification Trade Marks*

A certification trade mark is a highly specialised form of trade mark that indicates that goods or services comply with certain standards, for example, as to safety, accuracy or quality. Commonly encountered examples include the Heart Foundation's 'Tick' and the 'Woolmark' logo. Well known certification trade marks in the horticulture industries are the 'Australia fresh' mark and the Australian Pome Fruit Improvement Program mark shown below. With each of these schemes certain quality parameters must be met before the mark can be used:



The difference between certification trade marks and standard trade marks is that the former can only be used where certain quality standards or conditions of use have been met. An applicant for a certification trade mark must file with IP Australia a copy of the proposed rules governing the conditions under which a trader will be given permission to use the mark and how disputes governing use of the mark are to be settled. The application and the proposed rules will then be forwarded to the Australian Competition and Consumer Commission (ACCC) which must approve the application and the rules governing use, having particular regard to the parts of the *Trade Practices Act 1974* (Cth) dealing with anti-competitive conduct, unconscionable conduct and consumer protection.

Certification trade marks are normally administered by an independent body or organisation that does not itself trade in the relevant goods or services. Rather, the owner of the certification trade mark will give permission for use to approved users in respect of the goods and services for which it is registered. (Unusually, however, under Australian law a trader can at least in theory apply for a certification trade mark provided it also approves its use by other traders who meet the relevant standards.)

Certification trade marks can also be used as geographical indications of origin. For example, use of the designation 'Stilton' for cheese has been controlled by a certification trade mark for many years in the United Kingdom. Certification trade marks are also particularly important in relation to organic produce in Europe where the Soil Association, for example, maintains a zero tolerance threshold for GM contamination - a stricter approach than that contained in EC law governing the marketing of products as 'organic'.

#### *Geographical Indications of Origin*

Geographical indications are marks which identify a good as originating in the territory of a particular country, or a region or locality in that country, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin. Article 22(2) of the TRIPs Agreement requires Australia to allow parties to prevent the designation or presentation of goods that indicates or suggests that the goods in question originated in a geographical area other than the true place of origin in a manner so as to mislead the public as to the geographical origin of the goods.

The legal protection for geographical indications is piecemeal in Australia. Some protection is available under the tort of passing off, where producers of goods bearing the name of a particular region (eg, 'Champagne') have been able to take action against traders wishing to use that name in respect of (usually inferior) products that do not originate in that region (eg, a fizzy drink called 'Elderflower champagne').

The *Australian Wine and Brandy Corporation Act 1980* (Cth) makes it an offence to sell, export or import wine with a false or misleading description or presentation. This includes a false or misleading indication of the geographical origin of the wine. This is so, even if the geographical indication is registered and if words such as 'like', 'style' or 'imitation' are used with the geographical indication. The Geographical Indications Committee, established under the Act, has the power to determine a geographical indication in relation to a region or locality in Australia. Certification trade marks may also protect geographical indications of origin. Actions under the *Trade Practices Act 1974* (Cth) and associated consumer protection legislation may also be used to protect geographical indications of origin.

#### *Internet Domain Names*

Internet domain names allow people to access internet sites. Many companies use their trade marks within their domain names, since this provides the simplest method of locating and accessing websites (eg [www.horticulture.com.au](http://www.horticulture.com.au)). Domain names thus serve a similar function to trade marks in that they ensure that a company's goods and services can be located.

The allocation of domain names is the responsibility of the Internet Corporation for Assigned Names and Numbers (ICANN), which in turn allows various bodies in charge of different domains, for example the <.com.au> domain, to determine the conditions under which domain names are allocated. Certain domain names, such as those in the <.com> domain, are allocated on a first-come, first-served basis, without regard to pre-existing trade mark rights. However, if the owner of a domain name containing another's trade mark uses that domain they run the risk of trade mark infringement, although in practice trade mark infringement proceedings are rarely brought. Instead, trade mark owners often seek a transfer of the domain name through arbitration under the Uniform Domain Name Dispute Resolution Policy (UDRP), administered by ICANN. Under this

policy, a domain name can be transferred if (1) it is identical or confusingly similar to a trade mark in which the complainant has rights; (2) the domain name owner has no rights or legitimate interests in respect of the domain name; and (3) the domain name has been registered and is being used in bad faith.

#### 2.1.4 Designs

Designs are protected under the *Designs Act 2003* (Cth). This Act protects the visual appearance of articles, for example, the shape of a chair or the pattern on a teapot. It does not protect the method by which an object is constructed or the functional features of an article. It should be noted that designs law in other countries is somewhat different. For example, in the European Union, it might be possible to protect some of the functional elements of a new machine, such as a combine harvester, by designs law in circumstances where the stringent criteria for patentability could not be met. In Australia, the nearest equivalent is the innovation patent (see Patents above).

#### 2.1.5 Copyright

##### *(a) Introduction*

Copyright protects creations in a range of fields. Subject matter protected under the *Copyright Act 1968* (Cth) includes:

- 'literary works', such as books, computer programs, databases and research reports;
- 'dramatic works', such as plays, movie scripts, and choreographic shows;
- 'musical works', such as the musical score of a song;
- 'artistic works', such as paintings, drawings, sculptures, and photographs;
- sound recordings, or devices on which sounds are embodied, such as compact discs and cassette tapes;
- cinematographic films, or 'moving pictures';
- television and sound broadcasts, such as television and radio programmes; and
- published editions of works, such as the typographical layout of newspapers.

It is important to emphasise that although copyright is often referred to as protecting 'artistic' subject matter, the law avoids making assessments of the artistic merits of a work

and hence does not require a work to be creative in order to be protected. Consequently, business letters will, for example, be protected as literary works and technical drawings will be protected as artistic works.

#### *(b) Meaning of 'Literary Work' under Australian law*

The legal category of 'literary works' is not confined to works of literature but extends to cover a wide variety of subject matter. Generally speaking, any work expressed in print or writing (other than a dramatic or a musical work) will be protected as a literary work provided they are 'original' (see below). Research papers will almost certainly attract protection as literary works, even if they are very short. Computer programs and databases (both in print form and electronic form) will also be protected as literary works. Until recently there was some doubt as to whether databases arranged according to very simple criteria (for example, where the information is arranged numerically or alphabetically) would attract copyright protection. However, it has now been held that such works do attract copyright protection in Australia, although this may not be the case elsewhere (see Acquiring Intellectual Property Rights Overseas, section 2.2).

#### *(c) Works must be Original in Order to be Protected*

The *Copyright Act* provides that a work will only attract protection where the work is 'original'. In Australia, the originality test is set at a very low level. The law does not require that a work be novel or creative in order to attract protection. Rather, 'originality' in this context means primarily that the work be 'not copied' - works which merely reproduce an earlier work will not attract protection. In contrast, where a work has been substantially altered this will attract separate copyright protection (but see Subsistence of Copyright and Infringement, below).

#### *(d) Subsistence of Copyright and Infringement*

One common misunderstanding in relation to copyright concerns the relationship between the subsistence of copyright and infringement. Generally speaking, these issues must be considered in isolation - the mere fact that a work attracts its own copyright protection does not prevent it from being an infringement of an earlier underlying work. This point is perhaps best illustrated by considering the position of translations. One of the exclusive rights of the copyright owner is to control translations of the work. An unauthorised translation will therefore infringe copyright, even though translations also



attract independent protection. Similarly, it would be no defence to an action for infringement of copyright in a database to demonstrate that a database is original because it consists largely of new material - if it can be shown that the database in question nevertheless copies a substantial portion of an earlier database it will still amount to an infringement.

#### *(e) Acquiring Copyright*

Unlike registrable forms of intellectual property, copyright protection arises automatically on creation of a work. Copyright therefore subsists in both published and unpublished works and there is no need to register copyright in Australia in order to gain protection. Nor is there a need to place a copyright notice (© Year, Name) on a work. It is often said that steps should be taken in order to prove when a work was created but such steps have no formal legal significance. The only formal requirement for copyright protection is that the work be expressed in a material form, that is, that it be sufficiently 'fixed' in order to allow determination of the content of the work. Modes of fixation include writing, electronic storage and sound recordings. Thus handwritten laboratory notes, notes stored on a computer and laboratory notes spoken into a Dictaphone would all attract literary copyright (in the latter case there would also be copyright in the sound recording itself).

#### *(f) The Economic Rights of the Copyright Owner and Infringement*

Copyright protection confers upon the copyright owner a number of exclusive economic rights. The scope of the rights enjoyed by the copyright owner depends upon the nature of the copyright material, but the most important rights are to:

- reproduce the work in any material form;
- publish the work;
- communicate the work to the public (including web transmission); and
- make an adaptation of the work (including the right of translation).

#### *(g) Infringement*

Someone infringes copyright if they do an act which falls within the exclusive rights of the copyright owner without the owner's permission (express or implied). It is not

necessary that the infringing act be done in relation to the whole of the copyright material, rather the *Copyright Act* provides that it is sufficient if the act is done in relation to a 'substantial part' of the copyright material. The phrase 'substantial part' is not otherwise defined in the Act, and this has therefore been a matter for judicial interpretation. Generally speaking, however, it operates as a low threshold, and has both qualitative and quantitative aspects.

#### *(h) Defences to Infringement*

The Act provides that certain acts that would otherwise amount to an infringement of copyright are privileged and will not infringe the copyright owner's rights. These 'exceptions' or 'users rights' play an important role in protecting the interests of the public. The most important of these exceptions are the four fair dealing provisions which allow copying for the purposes of:

- research or study;
- criticism or review;
- reporting of the news; and
- professional advice given by a legal practitioner or patent attorney.

It is important to note that these rights of fair dealing are limited under Australian law and that great care needs to be taken when relying upon them.

#### *(i) Duration*

In Australia, the length of protection varies according to the nature of the copyright material, and whether or not it has been published. Copyright protection for literary works generally lasts for a period of 70 years from the death of the author. It should be noted that the term of protection is calculated by reference to the author's life, even after the transfer of the copyright to another person and even if the author was not the first owner of copyright (as where the author is an employee and the work is created in the course of employment).

#### *(j) Copyright Ownership and Exploitation*

Ownership and exploitation is dealt with in detail in sections 3 and 5, but it may be worth noting some issues at this point. The basic rule as regards first ownership of

literary works is that the author is the first owner of copyright. However, where a work is made by an author 'in pursuance of the terms of his employment by another person under a contract of service or apprenticeship' the work belongs to the employer. Copyright, like other forms of intellectual property, can be assigned or licensed. The Act provides that copyright assignment and licensing can be limited in respect of classes of acts, place, time, or part of Australia.

#### *(k) Moral Rights*

In addition to the economic rights given to the copyright owner, the author of a copyright work (who may or may not also be the copyright owner) enjoys a number of personal or 'moral' rights, including:

- The right of attribution - the right to be identified as the author of a work;
- The right against false attribution - the right to not be falsely identified as the author of a work; and
- The right of integrity - the right to object to derogatory treatment of a copyright work which harms the honour and reputation of the author.

In contrast to the economic rights, moral rights are personal to the author and cannot be assigned, licensed or waived. However, an author may grant consent to particular uses of a copyright work. The impact of these rights on the commercialisation of copyright material is considered in detail in section 5.5.

### **2.1.6 Confidential information**

#### *(a) Information as 'Property'*

Confidential information is often treated by scientists and research managers as a form of intellectual property. Although confidential information can meaningfully be treated in this way, it is important to note that the law has refused to recognise a property right in ideas or information. Instead, the law focuses on the obligation that exists between the creator or holder of information and its recipient.

This focus on the obligation of confidence rather than property in information per se has a number of important practical consequences. One such consequence is that confidential information cannot be assigned in the same way as statutory forms of

intellectual property. A further consequence is that should a recipient of information receive that information free from an obligation of confidence, they will be free to use that information in any way whatsoever. A third consequence of the law's focus on the obligation of confidence rather than the information itself is that a wide range of information can be protected by the law of confidence. Technical information, such as industrial and chemical processes, mechanical techniques, recipes, and formulae, commercial information such as customer lists and sales figures, and marketing, professional, and managerial procedures can all be protected under the action for breach of confidence. The law of confidence therefore tends to be relatively unconcerned with whether the subject matter is of an appropriate type. In contrast, statutory intellectual property schemes strictly define the subject matter that can be protected.

*(b) The relationship between breach of confidence and Intellectual Property rights*

The action for breach of confidence intersects with statutory intellectual property regimes in a number of ways. First, there are circumstances in which confidential information may provide an alternative method of protecting intellectual property to one of the statutory schemes. For example, there may be times at which a new production method could be protected by keeping it secret rather than by obtaining a patent over the method in question. Secondly, the law of confidential information can provide protection while an idea is still at a preliminary stage (ie before the creation of a copyright work or an invention) at a time when a potential author/inventor is seeking expressions of interest and/or financial backing. Thirdly, confidential information can protect 'know-how' and as such is often the subject of technology transfer agreements and patent licences.

*(c) Elements of the Action for Breach of Confidence*

In order to be able to maintain an action for breach of confidence it is necessary to be able to demonstrate three things: (1) that the information is confidential; (2) that it was imparted in circumstances importing an obligation of confidence; (3) that there has been an unauthorised use or disclosure of the information.

*(d) Protectable Information*

In order to establish that the information in question is capable of being protected it is not necessary to show that the information is 'absolutely' secret. It is enough to show that the information is 'relatively' secret. Under this test information may be secret in one

industry but not another, in one country but not another, and at one point in time but not another.

Information can also be protected irrespective of the form in which it appears. Thus the action applies equally to information contained in written format, drawings, photographs or products. It is also clear that there is no need for the information to be fixed or in a permanent form. Information communicated orally may therefore be protected.

#### *(e) Obligations of Confidence*

The second element that must be proved is that the recipient was under a legal (as opposed to a purely moral) obligation of confidence. In some cases an obligation of confidence will be deemed to arise automatically as a result of the type of relationship that exists between the parties. For example, the relationship between solicitor and client automatically gives rise to an obligation of confidence. An obligation of confidence will also arise where confidential information comes to the knowledge of a person in circumstances where he or she has notice that the information is confidential. For example, a person who receives an email mistakenly sent to their email address will come under an obligation not to use or disclose that information. More commonly, obligations of confidence arise contractually as the result of an express or an implied term in the contract between the parties.

*Employees:* Special consideration needs to be given to the position of employees. Different obligations are imposed on an employee during the employment and after the employment has ended. In many cases the contract of employment will include express provisions dealing with the nature and scope of the obligation of confidence owed by the employee to the employer. During the period of employment courts will enforce the express terms of the contract. Even in the absence of an express contractual obligation courts will often imply an obligation of confidence into the employment relationship. At times the courts have imposed more onerous obligations on senior employees.

Once the employment relationship is terminated different considerations apply. In particular, courts have been concerned that obligations of confidence should not prevent employees from working in the same field in the future or create too great an obstacle to mobility in the labour market. Express terms restricting what the employee can reveal or

the industries in which an employee can work therefore take effect subject to the 'restraint of trade' doctrine. In practice this doctrine will prevent an employer from enforcing terms that would prevent the employee from exercising his or her ordinary skill and knowledge. In contrast, courts will enforce terms that are aimed at protecting specific 'trade secrets'. While the line between the two is often difficult to draw, the courts have indicated that trade secrets may include chemical formulae, secret manufacturing processes, specific designs and special methods of construction. More generally, it is clear that for the information to continue to be capable of protection it must be capable of being defined with some degree of precision and it is important that the information can be isolated from other information (such as the employee's stock of knowledge, skill and expertise).

*Third Parties:* A person who receives information as the result of another's breach of confidence will be restrained from using or disclosing the information once they are informed or once they should reasonably have been aware that the information was imparted in breach of an obligation of confidence.

#### *(f) Breach*

In order to determine whether an obligation has been breached it is first necessary to determine the scope of the obligation. In some circumstances the obligation may be that the information should not be used or disclosed in any circumstances whatsoever. However, in the commercial context it is more normal that the recipient may only use the information for limited purposes, or for a limited amount of time. Where the recipient uses information for some other purpose or beyond the period allowed it will be reasonably easy to establish a breach. More difficult questions arise where the question is whether the recipient had an implied right to communicate the information to a third party, for example, to someone working within the same team within the recipient's organisation.

## **2.2 Acquiring Intellectual Property Rights Overseas**

### **2.2.1 Acquiring Rights Internationally**

As has already been noted, there has long been interest in the international harmonisation of intellectual property rights. This has led to the introduction of several

international conventions relating to intellectual property rights. One of the founding principles of these conventions is 'national treatment' - that Member States must treat nationals of other signatories in the same way that they treat their own nationals. In relation to registered forms of intellectual property this principle only entitles nationals from other countries to apply for rights in the same way as nationals of the country in question. In recognition of the fact that this would make the acquisition of rights internationally expensive and time consuming, the international conventions also establish procedures to facilitate the grant of rights in more than one country. Different procedures apply to each of the major forms of registered intellectual property.

### **2.2.2 Plant Breeder's Rights**

International cooperation in the PBR field takes place through the International Union for the Protection of New Varieties of Plants (UPOV). UPOV has established a detailed set of general principles for the conduct of examination of plant varieties for distinctness, uniformity and stability, and more specific guidelines for some 170 genera and species. These documents are progressively updated and extended. Their use is not limited to plant variety protection but extends to other areas such as national listing and seed certification.

The most intense cooperation between members concerns the examination of plant varieties. It is based on arrangements whereby one member conducts tests on behalf of others or whereby one member accepts the test results produced by others as the basis for its decision on the grant of a breeder's right. Australian breeders are entitled to apply for protection in all other UPOV member countries. Breeders wishing to obtain plant variety protection must make an application in that country, but, as noted above, tests conducted in one country may be accepted in others.

The UPOV Convention also facilitates the process of obtaining protection for new plant varieties in more than one country by establishing a priority filing system similar to that of the patent system. This enables an applicant seeking protection in more than one country to take advantage of the filing date of an Australian application, provided that the applicant files for protection in one or more foreign countries within 12 months of the lodgement date of the Australian application. This means that the validity of applications made in foreign countries is assessed against the lodgement date of the Australian application, rather than the date on which the applicant files for protection in

the foreign country. It should also be noted that the European Union now has a Community Plant Variety which provides protection throughout the European Union. Where protection is desired in a number of European Union countries this will be the easiest and cheapest option.

### **2.2.3 Patents**

Although attempts to harmonise patent laws worldwide are ongoing, there is no such thing as a 'worldwide' patent. Patent protection in overseas countries can be obtained in one of two ways. The first way is to file individual applications in each country where patent protection is sought. In this case, an applicant may be able to take advantage of an earlier Australian priority date if the foreign application is filed within 12 months of the Australian priority date. This is known as a 'Convention Application'.

The second and most popular method is to file an international application under the Patent Cooperation Treaty (PCT) designating the countries where protection is sought. The PCT is administered by the World Intellectual Property Organisation (WIPO) and provides a streamlined and centralised procedure for acquiring patent protection in over 100 countries. The PCT procedure consists of two main stages: the 'international phase' and the 'national phase'.

An applicant enters the international phase by filing with IP Australia within 12 months of the priority date of their Australian application (known as the 'basic application') a PCT application specifying the member countries in which protection is sought. The priority date of the basic application is recognised in each country where registration is sought. IP Australia then forwards the PCT application to WIPO, which prepares an International Search Report (at a cost of \$1,000), indicating whether there are similar inventions in other parts of the world. After receiving the report, the applicant may request a non-binding Preliminary Examination, to alert the applicant to any problems with the application. The International Search Report and Preliminary Examination are intended to provide the applicant with sufficient guidance to determine the value of proceeding with the application. The applicant then must within 31 months of the priority date of the basic application enter the 'national phase' by furnishing each designated patent office where protection is sought with (where necessary) a certified translation of the specification together with payment of the prescribed fee. The application will then be



examined by each country where registration is sought under that country's national laws. Rejection in one country will not affect the application as a whole.

#### **2.2.4 Trade Marks**

As with international patent applications, a trade mark owner may apply for registration of a trade mark overseas in one of two ways. The first method is simply to apply individually to each national Trade Mark Office in various overseas countries where registration is sought. The second method is by making an international application under the Madrid Protocol, in which an applicant may apply for trade mark registration in up to 57 member countries through the one application.

Under this process, the applicant files an international application with IP Australia, based on an existing Australian trade mark application or registration for that trade mark. This international application designates certain countries under the Madrid Protocol where registration is sought. IP Australia then forwards the application to the International Bureau at WIPO. The International Bureau make a formalities check of the application to ensure that the correct fees have been paid and that the application is in the correct form. If there are no irregularities, the mark is entered in the International Register, and then sent to the various designated countries, where the application is examined according to each country's national laws. Each of these designated countries has a fixed period of time then to examine the application under its local laws. If these countries make objections, the International Bureau is notified, who in turn notifies the applicant. Where no refusal is notified, or if refusal is withdrawn in a designated country, the International Registration shall have the same effect as a national registration in that country.

The key advantages of making an international application under the Madrid Protocol are convenience and the ease of amending the international registration to add new countries or to change ownership. The key disadvantages are that acceptance of the international application is dependent on the validity of the Australian application or registration, and if the Australian application is rejected or the registration is revoked this in turn will cause the International Bureau to cancel the International Registration. Further, some of Australia's major trading partners (such as USA, Canada, New Zealand) are not yet members of the Protocol.

### 2.2.5 Copyright

As an unregistered form of intellectual property, different considerations apply to copyright. The principle of national treatment means that, generally speaking, there is no need to take any special steps in order to acquire copyright protection overseas. For example, a research paper created by an Australian author will automatically acquire copyright protection in all other signatories to the Berne Convention, which is the major international copyright agreement (signatories include all the member states of the European Union, Canada, China, India, Japan and the United States).

However, it is important to note two further points. First, copyright laws differ as to the subject matter that is protected. For example, many countries, including the United States and the European Union, have a more restrictive approach towards granting copyright in databases. Thus, some works that receive copyright protection in Australia may not be protected overseas (the principle of national treatment is not implicated because these countries treat all databases in the same way). Secondly, although it is never necessary to register copyright in order to get protection overseas, some countries, including Canada and the United States, maintain a registration system. Although registration is not absolutely essential in these countries it does confer a number of benefits. For example, without registration in the United States an owner may receive less damages and will not be awarded costs in copyright infringement proceedings.

# 3

## Ownership of intellectual property

### 3.1 Introduction

#### 3.1.1 The Rules Regulating Ownership

When thinking about whether and how to commercialise research outcomes it is essential that attention be paid to questions of ownership of intellectual property rights. Questions of ownership are resolved in three different ways. First, there are various statutory rules governing both first ownership and assignment of intellectual property rights. Second, there are various common law (ie judge-made) rules governing questions of ownership. Third, questions of ownership are frequently governed by contract. There is perhaps a tendency to view questions of ownership solely in terms of the contractual relationship between the parties. However, it is also important to understand the other ways in which the law governs questions of ownership. In particular:

- When negotiating ownership by contract it is essential to understand who would be entitled to ownership in the absence of agreement - this is vital in ensuring that contractual negotiations take place between the correct parties and that all the people who would be entitled to a share of ownership in the absence of agreement are bound by the agreement. For example, an agreement between an Research and Development Corporation and a university on division of ownership will not have the desired effect if the university is not entitled to negotiate on behalf of the researchers;
- When negotiating ownership it can be extremely useful to have an understanding of how statute and common law deal with questions of ownership, because these legal rules form the basis from which the parties are negotiating. There is good evidence that the agreements that parties reach are in part conditioned by their understanding of what their 'rights' are;
- Should the parties fail to reach agreement on questions of ownership (and there are circumstances where this can occur by accident) then the statutory and common law rules will apply;

- The validity of certain contractual terms and conditions will be governed by statutory and common law rules; and
- Statutory and common law rules that determine what rights an owner has. For example, whilst a contract may determine that two parties are co-owners of intellectual property, it is still necessary to look to statutory and common law rules to determine what rights a co-owner enjoys.

### 3.1.2 General Rules of Thumb

It is important to appreciate that the rules governing the ownership and assignment of intellectual property rights in Australia vary between different forms of intellectual property. Moreover, rules as to intellectual property ownership remain largely outside the international harmonisation of intellectual property rights. Consequently, rules on ownership vary dramatically between different countries. Nevertheless, it is possible to identify some very general rules of thumb that are useful when thinking about ownership issues:

- Except where a work is made in the course of employment, the person entitled to first ownership of an intellectual property right will be its creator(s), that is, the person or group of persons most directly responsible for the production of the work, invention etc;
- Where a work is made by an employee in the course of his/her employment the person entitled to first ownership will in the absence of an agreement to the contrary be the employer;
- Intellectual property rights are a type of property and, generally speaking, they can be dealt with in the same way as any other form of property. Intellectual property rights can be bought and sold, licensed, mortgaged or bequeathed by will;
- Under Australian law (as in other common law jurisdictions) it is possible to assign ownership in an intellectual property right that has not yet come into existence (eg an invention that has been created but not yet been registered);
- There are some rules under Australian law that regulate the form and content of agreements dealing with intellectual property rights. For example, in relation to the form of an agreement, there are rules regarding formalities for assignments of intellectual property rights (generally speaking a contract of assignment has to be

signed writing in order to take effect). Competition law and common law rules relating to restraint of trade may impact on the content of agreements dealing with intellectual property rights. Other countries, however, go much further in regulating the content of intellectual property agreements and have special principles of contractual interpretation that have no equivalent under Australian law. In particular, many civil law countries (such as France and Germany) have special rules dealing with contracts relating to copyright. These rules are designed to protect the authors of copyright works and are intended to address an alleged inequality of bargaining power as between authors and publishers etc; and

- A further, related, issue is that some types of intellectual property create separate protection for the creators of the 'thing' in question (who may or may not be the owner of the intellectual property). In other words, even though the property may have been vested in or may have been transferred to another person, the author or inventor may retain certain rights in relation to how the property is dealt with or managed. Australian law has generally been reluctant to recognise such rights, but the position is changing. Most notably, recent amendments to the *Copyright Act* have seen the introduction of 'moral rights' for authors. Moral rights and related forms of protection overseas can have an important impact on the management and commercialisation of intellectual property rights. (This issue will be discussed in detail in section 5.5).

In the following sections the rules relating to each of the major forms of intellectual property are considered in more detail.

## 3.2 Ownership of Plant Breeder's Rights

The *Plant Breeder's Rights Act* 1994 (Cth) provides that a breeder of a plant variety, or a person who has acquired the right in the variety, can apply under the Act for PBR. In practice this means that a PBR can be applied for by an individual breeder or an employer where the variety was developed in the course of employment, or by an assignee. PBRs can be dealt with in much the same way as patents or copyrights (as outlined below), that is, they can be assigned, licensed, mortgaged etc.

### 3.3 Ownership of Patent Rights

Patents are registered in the name of their owners (often described as the 'patentee,' 'patent holder' or, where ownership of the patent has been assigned, 'assignee'). The law's starting point is that it is the inventor who will be entitled to first ownership of the patent. Inventors can therefore apply for a patent and if their application is successful they will be the patent owner. However, where an invention is made by an employee in the course of his or her duties the rule is that the invention becomes the property of the employer, unless there is an explicit agreement to the effect that the employee is to retain ownership. Even in the absence of an employment relationship an inventor may have assigned his or her rights to an invention prior to its creation or may have assigned his or her rights thereafter (for example, to a start up company or large commercial enterprise). In practice it is rare for individual inventors to be the patent owner.

It is also common practice for the basic rules relating to employee inventions to be reinforced and supplemented by specific terms in the employment contract that provide that the employer is to own inventions created in the course of employment. Difficulties arise where there is doubt as to whether the work was created in the course of employment or where there are overlapping employment relationships (see section 3.8).

It should also be noted that over and above questions relating to ownership, patent laws generally provide inventors with the right to be named as such on the patent specification. A number of countries (not including Australia) also provide employees with an entitlement to specific rewards in recognition of the economic benefits of an invention. Such rights explored in detail in section 5.5.2.

### 3.4 Ownership of Trade Marks

Trade mark law is concerned with protecting information used by consumers to make informed purchasing decisions. Consequently, the justifications for the protection of trade marks are not normally said to lie in the creation of the trade mark as such, and rights over trade marks are afforded in many cases where the trade mark has not been created in the sense that we would talk about the creation of a copyright work or an invention. The rules relating to first ownership of trade marks are therefore concerned with use of the trade mark and not with how the trade mark was created. In order to be

entitled to ownership of a trade mark the person must be the first to use the trade mark in relation to the goods or services in question or (in the case of an application for a registered trade mark prior to the commencement of trade) the person must intend to start using the trade mark in relation to the goods or services in question.

The rules relating to the transmissibility of registered trade marks are similar to the rules relating to other forms of statutory intellectual property - registered trade marks can be licensed, assigned etc. However, where a trade mark is unregistered (that is, protected by the law of passing off and related actions) a more restricted rule applies. Because a passing off action does not provide a property right in the trade mark as such (only the 'goodwill' associated with the trade mark), it is not possible to assign an unregistered mark. Rights in an unregistered mark can only be transferred with the sale of the underlying business to which the 'goodwill' in the unregistered mark is attached.

### 3.5 Ownership of Copyright

The basic rule as regards ownership of copyright is similar to the rule relating to ownership of patents - the first owner of copyright will be the author, that is, the person who actually creates or makes the copyright work. There are a number of exceptions to this basic rule. For example, where a photograph is commissioned for private and domestic purposes the person commissioning the photograph is given certain rights under the Copyright Act. The main exception is virtually identical to that in patent law - where a work is made in the course of employment the first owner will be the employer, subject to any agreement to the contrary. Again, as is the case with patents, even in the absence of an employment relationship an author may have assigned his or her rights to a work and assignments relating to 'future' copyrights will be valid, provided that they identify the subject matter with sufficient precision. Note, however, that without any agreement (contract) to the contrary, a person who commissions the creation of a copyright work does not thereby become the owner of that work. However, the party who commissioned the work will retain the right (an 'implied licence') to use the work for the purposes for which it was commissioned.

### 3.6 'Ownership' of Confidential Information

When considering the 'ownership' of confidential information it should be remembered that the law has refused to recognise a property right in information per se. As has been seen, for this reason it is not always appropriate to think of confidential information as a form of intellectual property. The practical effect of the law's refusal to treat confidential information as property is that it is not possible to deal with confidential information in the same way as 'other' IP rights. In particular, confidential information cannot be assigned. However, it remains possible to license the use of confidential information and this is a common occurrence in technology transfer agreements. The licensing of 'know-how' and trade secrets associated with patented inventions is also commonplace, and in many cases this information is as valuable, if not more so, than the information disclosed in the patent specification. In effect, the law will enforce an agreement whereby one party agrees to share information with another party in return for payment of a licence fee. Similarly, although an employer will not, in a strict sense, 'own' confidential information generated by an employee, the law will prevent the employee from revealing that information to a third party or using that information for their own benefit (but subject to important exceptions relating to mobility within the labour market, that is, 'restraint of trade' – see section 3.8.2).

### 3.7 Co-ownership and Joint Ownership of Intellectual Property Rights

Implicit in much of what has been said above is that the law allows joint or co-ownership of intellectual property rights. It is important to appreciate the rights each co-owner will enjoy.

#### 3.7.1 Plant Breeder's Rights

As is the case with patents, a plant breeder's right can be granted to two or more breeders who, either jointly or independently, bred a new variety, unless the variety was bred in the course of performing duties as an employee. In the latter case, the employer is entitled to make an application for the grant of PBR in the variety, or to have the PBR assigned to them. Unlike the situation with patents, however, if two or more persons bred a plant variety jointly, one of those persons is not entitled to apply for the grant of PBR in the variety otherwise than jointly with, or with the consent in writing of, each



other of those persons. Where two or more persons lodge a joint application for the grant of PBR, PBR will be granted to them jointly. Without any agreement to the contrary, joint owners will be presumed to own the PBR in equal shares.

The right to apply for the grant of PBR can be assigned to another party, as can a PBR once granted. However, in both instances the assignment must be in writing signed by or on behalf of the party making the assignment.

### **3.7.2 Patents**

A patent can be co-owned, either on the basis that more than one inventor contributed to the invention, or that the patent has been assigned to more than one owner. Disputes frequently arise as to whether a person that has contributed to the development of an invention is entitled to the grant of a patent. In resolving these disputes the Patent Office applies the 'material effect' test. A person is entitled to a patent under this test where that person's contribution, either solely or jointly with others, had a material effect on the final concept of the invention. Generally speaking, a person will have a material effect upon an invention where the invention could not have occurred without that person's involvement. This contribution may or may not involve the taking of an inventive step, but must consist of something more than merely following the instructions of others in performing experiments.

Where an invention has two or more inventors they will hold the patent jointly in equal, undivided shares irrespective of the value of their respective contributions. However, co-owners can agree as to the shares of ownership of the patent. Importantly, a co-owner of a patent is entitled to exploit the patent independently of the other co-owners but cannot grant a licence or assign an interest in it without the consent of the other owners, subject to any contrary agreement. This is the case regardless of each party's respective shares in the patent. If the parties own unequal shares, there will be a presumption that the parties are responsible for paying maintenance fees in accordance with their shares. Generally, one co-owner can sue for infringement of the patent, but must join the other co-owners in the proceedings.

### 3.7.3 Trade Marks

In contrast to the situation which obtains in relation to other forms of intellectual property, trade mark rights are granted to the person who first uses the mark in Australia, irrespective of who has actually developed it or whether the mark has been used overseas. As such it is, generally speaking, not possible for a registered trade mark to be jointly owned.

A registered trade mark can be assigned, as can the right to apply for registration of a trade mark. However, where a trade mark is assigned without the goodwill of a business it is important that the party making the assignment puts in place safeguards in order to prevent deception or confusion of the public, or the development of some other ground for rejection or removal of the trade mark. Whilst an assignment of a registered trade mark need not be in writing, the Registrar of Trade Marks will require some proof of the assignee's title. Certification trade marks cannot be assigned without the permission of the Australian Competition and Consumer Commission.

### 3.7.4 Copyright

In copyright, co-ownership may come about in one of two ways – because of the joint creation of the work, or because an interest is assigned to more than one person or organisation. Joint authorship arises where the contributions of the authors are inseparable from each other and, subject to rules governing employee works, each joint author becomes a joint owner of copyright in the work. Generally, some contribution to the actual form and content of the copyright work (rather than the contribution of mere ideas) is required for a person to be considered an author. Without any agreement to the contrary, joint owners will be presumed to own the copyright in equal shares, however, in exceptional cases a court might conclude that they hold the copyright in proportion with their contributions. It is therefore preferable if this issue is resolved contractually.

In contrast, when the contributions of two or more authors to a work are distinct from each other (for example, separate chapters of a collection where the authors of individual chapters are identified), the authors become co-authors of the resulting work and, subject to rules governing employee works, co-owners of the copyright in the work. Co-owners only have rights in respect of the part of the work that they actually own, and

can therefore only sue for infringement and assign or license rights in respect of their part of the copyright work.

### **3.7.5 Confidential Information**

As we have noted earlier, Australian courts have thus far refused to recognise property rights in ideas or information. Instead, the focus of the law in this area is upon the obligation that arises when one party communicates secret information to another in confidence. As a consequence information cannot be 'owned' in the same way as other forms of intellectual property. Questions therefore frequently arise as to who 'owns' confidential information. The issue of ownership is frequently resolved by contractual agreement. For example, it will usually be an express term of an employment contract that any information discovered or created by an employee in the course of their employment will 'belong' to the employer. Where joint effort has produced the information and no agreement can be discerned on the matter, the position appears to be that each of the parties concerned will be able to enforce confidentiality against others to whom they make disclosures, but not against each other.

In relation to confidential information, the question of ownership is usually posed in terms of which person(s) have standing to commence legal proceedings to enforce a duty of confidence. That duty usually arises through possession of secret information, no matter how the information came into existence. Generally speaking, any person who would be prejudiced by disclosure or use of the information by another person will be entitled to commence proceedings to enforce a duty of confidence.

## **3.8 Further Issues**

### **3.8.1 Overlapping Ownership**

One general difficulty is that researchers are frequently employed by, or have connections with, a number of different entities. For example, it is not uncommon for an academic to be employed by a university and have some form of commercial relationship with a Co-operative Research Centre (CRC). In a case where a researcher works for more than one organisation, that researcher may have entered into more than one contract in which it is stated that any intellectual property rights arising out of work done by that researcher belong to the other contracting party. For example, a university may be entitled to

intellectual property created by an academic in the course of employment, but simultaneously, a CRC may be entitled to an assignment of intellectual property created by the academic in the course of a CRC project.

In practice, it can be difficult, if not impossible, to determine where an academic's work for a university ends and his/her work for CRC begins. Because this is an unusual state of affairs, there is a danger that standard form commercial contracts will not adequately resolve these issues. Nor, for reasons that are explored below, can these problems be resolved merely by parties agreeing with the research provider who is to own the intellectual property. Thought therefore needs to be given to mechanisms capable of dealing with this unusual situation.

The most important first step is to have a procedure for identifying all of the parties who may be entitled to a share of any intellectual property rights, and then to ensure that all of these parties reach agreement on ownership. In the absence of such agreement, an organisation may discover that some other party is entitled to a share of ownership, or even in some cases be liable for inducing a breach of contract. Careful thought also needs to be given to the formal legal structure of the entities with which parties are negotiating. In particular, difficulties may arise in respect of unincorporated CRCs.

### **3.8.2 'The Course of Employment'**

Even if a contract stipulates that an employer owns the intellectual property of an employee, this will only be the case if the employee is acting in the course of his or her contract of employment when creating the intellectual property. In many cases it will be obvious that the work was made by an employee in circumstances where the employer is entitled to ownership. There are, however, some situations where determining ownership can be much more difficult. In particular, difficulties can arise where an employee creates a work or invention that is remotely related to the employer's business outside of ordinary office hours. Similarly, problems can arise where the employee occupies a position within an organisation where the production of works or inventions is not to be expected. Difficulties can also arise where there is some doubt as to whether the individual in question is to be treated as an employee or an independent contractor/consultant.

There is no clear way of determining when a particular course of conduct will or will not be considered to be part of an employee's course of employment. In the patent and

copyright context a number of factors have been taken into account by the courts in determining this, such as:

- the nature of the employee's position in regard to the business in which he or she is employed. For example, in some cases the courts have indicated that more senior employees are more likely to be treated as having made the work for the benefit of the employer;
- what the employee was engaged for and instructed to do during the time of his or her employment, in particular whether the employee was directed to apply his or her mind for the purpose of devising anything in the nature of an invention or copyright material;
- the extent to which the invention or copyright material was created during ordinary working hours; and
- whether the inventor used the materials and facilities of his or her employer.

None of these factors is determinative, and the courts have indicated that this is not an exhaustive list of factors.

Further, there is no absolute means of determining when an inventor will be an employee as distinct from independent contractor/consultant. The courts have indicated that the following factors will be relevant to determining whether a party is an employee:

- an employer has the right to control how, when and where work is done;
- an employer generally supervises the conduct and work of their employees;
- an employee is paid by salary or wages and not by reference to completion of tasks;
- an employee performs duties in furtherance of the employer's business rather than operating on their own account;
- an employee is represented by the employer to the world at large as an 'emanation' of the employer's business;
- an employer provides and maintains equipment for employees to use;
- an employer sets the hours of work and provision for leave;
- an employer is responsible for the deduction of income tax and the payment of superannuation contributions;

- an employer has the right to delegate work; and
- an employer has the right to suspend or dismiss the employee for misconduct or poor performance.

### 3.8.3 Resolving Ownership through Contract: Difficulties and Pitfalls

As we have already indicated, it cannot be assumed that all issues relating to the ownership of IP can be resolved through contract. In particular, there are three key issues that need to be borne in mind:

- First, it must be remembered that the law imposes obligations as to the form of certain contracts dealing with ownership of IP rights. As noted above, the general rule is that contracts for assignment must be in writing and signed, but this is merely a rule of thumb, and it is important to be aware of the specific rules dealing with each of the forms of IP.
  - *Plant Breeders' Rights*: an assignment of a PBR (or of a PBR that has not yet come into existence – that is, in formal legal terms a right to apply for a PBR) only has legal effect if it is in writing and signed by both the assignor and the assignee. An assignment of a PBR must be entered in the Register of Plant Varieties maintained by IP Australia. An important consequence of failing to register the assignment is that the assignee of PBR cannot enforce its rights until the assignment is entered in the Register.
  - *Patents*: an assignment of a patent (again, including a future invention) must be in writing and signed by or on behalf of both the assignor and assignee. To be legally effective, an assignment of a patent must be entered in the Register of Patents maintained by IP Australia. As with PBR, an assignee of a patent cannot enforce its rights until the assignment is entered in the Register.
  - *Registered Trade Marks*: there is no formal requirement that an assignment of a registered trade mark or an application for registration be in signed writing. However, assignments of registered trade marks and applications for registration must be recorded by IP Australia, and IP Australia requires documentary evidence as proof of the transfer of ownership. A certification trade mark can only be assigned with the consent of the ACCC. A collective trade mark cannot be assigned.

- *Copyright*: an assignment of copyright (including for a work that has not yet come into existence) only has legal effect if it is in writing and signed by the assignor.
  - *Confidential Information and Unregistered Trade Marks*: confidential information and unregistered trade marks cannot in a formal sense be assigned.
  - *Agreements not complying with the above formalities*: what is stated above does not mean that oral or unsigned agreements to assign are of no effect. The law has certain mechanisms to deal with a situation where the parties have failed to comply with legal formalities – the law will often treat agreements that do not comply with necessary formalities as binding 'in equity', and hence you may encounter reference to 'equitable assignments'. It is important to emphasise, however, that the recognition of such 'equitable assignments' is by no means automatic and that even if there has been an 'equitable assignment', the rights obtained are far less certain and are liable to be overridden by a third party acting in good faith in relation to the property in question.
- Second, a party can only assign what the party actually owns. It is therefore essential that all of the persons entitled at law to a share in the ownership of the intellectual property are included in any contractual negotiations. For example, an agreement between a university and an RDC to share ownership would not have the desired effect if the university is not entitled to negotiate on behalf of the researchers. This might occur if one of the researchers is a PhD student who is entitled to retain ownership of any intellectual property rights. Similarly, it is possible that a researcher might be employed by the university but that the work or invention is made in the course of his/her employment with a CRC or other organisation.
  - Third, in light of the above difficulties, there might be a temptation to attempt to determine in the contract who will be the 'inventor'/author'. For example, a contract between an RDC and a university might state that it is only academic staff and not research students who are to be treated as 'authors'/inventors'. Again, however, this term will not have the desired effect where:
    - the contract could not bind individuals not party to the agreement (for example, the situation involving the PhD student described above); and

- even between parties to the contract, there is reason to believe that the issue of who is an author/inventor is not capable of being determined by contract. These questions are to be determined by law and it is only through assignments and licences that determination of questions of ownership can be effected by contract.

#### **3.8.4 Renegotiation of Research Contracts**

A final issue here is ensuring that a person renegotiating a research contract has authority to be able to do so. The general rule is that a person is entitled to assume that someone who is 'held out' by an organisation as being entitled to negotiate on that organisation's behalf has the authority to be able to do so. This is regardless of whether or not that person being 'held out' does in fact have actual authority to act on his or her organisation's behalf. It is difficult to determine when a person will have been 'held out': the courts have established that no assertion by the purported agent him or herself will suffice, since the holding out must come from the organisation. This will depend in part on matters such as the position of the purported agent within the organisation, the nature and scope of the negotiations, and the parties' customary dealings. Only if a person has notice of the fact that the agent has not been held out by his or her company will any renegotiations undertaken by the purported agent not be binding on his or her company.

Because of the lack of certainty surrounding the concept of 'holding out', organisations need to have clear rules and procedures in place as to which persons within the organisation have the authority to renegotiate contracts, and the point at which renegotiation needs to be formally approved by more senior management and/or the legal team.



# 4

## Freedom to operate

### 4.1 Introduction

Freedom to operate refers to the ability to conduct research and development, commercialise a research outcome or use another person's intellectual property in your business without infringing intellectual property owned by a third party. Frequently, securing freedom to operate involves obtaining licences or assignments of intellectual property from a number of different sources. Whilst freedom to operate may potentially arise as an issue in relation to any form of intellectual property, it is most frequently encountered with patented inventions and plant varieties protected by plant breeder's rights.

### 4.2 Freedom to Operate and Plant Breeder's Rights

In contrast to the patent system, the *Plant Breeder's Rights Act 1994* contains a number of exemptions to the exclusive rights enjoyed by owners of new plant varieties which are designed to facilitate freedom to operate in plant breeding. In particular, the *Plant Breeder's Rights Act* provides that acts done in relation to a protected variety for:

- private and non-commercial purposes;
- experimental purposes; or
- for the purpose of breeding other plant varieties;

do not constitute an infringement of PBR in a protected variety. This means that a protected variety can be used as an initial source of variation in a breeding program without infringing the rights of the owner of the protected variety or varieties.

However, freedom to operate may nevertheless be inhibited where the development of a new variety requires repeated use of a protected variety (for example, in the development of hybrid varieties) or where a new variety is essentially derived from a protected variety. The breeder of essentially derived varieties can obtain PBR but cannot commercially exploit the variety without the permission of the owner of the variety from which it was

essentially derived if the original breeder has sought a declaration of essential derivation. At the time of writing no applications for declarations of essential derivation have been made. In relation to dependent varieties, the PBR of the initial variety also extends to a dependent variety so the owner of the latter cannot exploit it without the permission of the initial variety owner.

The Plant Breeder's Rights Office envisages that any dispute regarding dependency or essential derivation will be resolved by negotiation between the researcher and the owner of the protected variety and, as such, few applications for declarations of dependency or essential derivation are expected to be made. The International Seed Federation is presently developing norms based on molecular marking techniques for a number of crops which can be used as guidelines for determining when a variety can be regarded as essentially derived. At present, guidelines have only been developed for Perennial Ryegrass and Lettuce. For more information, see [http://www.worldseed.org/Arbitration\\_EDV.htm](http://www.worldseed.org/Arbitration_EDV.htm).

Freedom to operate may also be hindered where research involving a protected variety is simultaneously protected by both patent and PBR (for example, a genetically-modified plant containing a patented gene). It is common for breeders of genetically-modified varieties to apply for both patent and PBR protection to ensure that the breeder has some amount of protection in the event that the patent does not proceed to grant or is revoked at a later stage following legal challenge. Where concurrent protection of a variety under patent and PBR exists, any research involving use of the protected variety may give rise to liability for patent infringement. In those circumstances, the freedom to operate provided by the *Plant Breeder's Rights Act* will effectively be negated by the existence of the patent.

In addition, freedom to operate may also be restricted by the terms of a licence for use or propagation of a plant variety, whether protected by PBR or not. It is common, for example, for the breeders' exemption under the *Plant Breeder's Rights Act* to be excluded by the terms of a licence for a protected variety. In those circumstances, the terms of the licence agreement will override the exceptions to infringement contained in the *Plant Breeder's Rights Act* and freedom to operate will have to be renegotiated with the PBR owner

### 4.3 Freedom to Operate and Patents

Contrary to a widely-held perception, the use of a patented invention in non-commercial settings, such as universities, or in research having no immediate commercial outcome, is not exempt from patent infringement. In Australia, there is no formal research exemption in the *Patents Act* 1990, although there is case law from the nineteenth century which suggests that bona fide use of a patented invention with a view to improving upon it, or ascertaining whether an improvement can be made, does not constitute patent infringement. Whilst this decision has been applied in both the United Kingdom and New Zealand, it has not been considered by any Australian court. Confusion therefore exists as to the applicability of this authority to the current research environment, given the period of time which has elapsed since the cases in question were decided, and the vastly different circumstances in which research is currently conducted.

Whilst many patent owners have in the past been prepared to turn a blind eye to exploitation of patented inventions in universities and non-commercial settings, there has been a reversal of this trend in recent years. A prime example of this is the decision taken by Melbourne based company, Genetic Technologies Ltd, to extract from academics and non-profit organisations a 'nominal' licence fee of US\$1,000 for research involving non-coding DNA, over which it holds several patents.

The issue of whether a formal research exemption should be introduced into Australian patent law was recently considered by both the Australian Law Reform Commission (ALRC) and the Advisory Council on Intellectual Property (ACIP). The ALRC recommended that a formal research exemption be introduced, and that this exemption should apply irrespective of whether the research occurs in a commercial context or might potentially have commercial applications. However, the ALRC recommended that the proposed exemption should only have effect where research is carried out on the patented invention (eg for the purpose of finding out something unknown about the invention or testing a hypothesis relating to the invention), as opposed to the situation where research is carried out with the patented invention. This would mean that whilst research upon a patented gene or chemical compound with a view to identifying further properties or functions of the gene or compound would not constitute an infringement under ALRC's proposal, research which makes use of patented research tools (for

example, the use of polymerase chain reaction in DNA amplification) will constitute patent infringement.

The approach advanced by the ALRC accords with the approach to experimental use applied by a number of European countries, which similarly draw no distinction between commercial and non-commercial research. It is, however, at odds with the approach taken by courts in the United States where, like Australia, no formal, statutory research exemption exists. In the recent decision of *Madey v Duke University*, the United States Court of Appeals for the Federal Circuit stated that the experimental use exception under United States patent law is 'strictly limited' and 'truly narrow', and has no application where the use has 'the slightest commercial application' or where the act is done 'in furtherance of the alleged infringer's legitimate business interests'. In essence, use of an invention protected by a United States patent will only be exempted from infringement where that use is for amusement, to satisfy idle curiosity, or for strictly philosophical inquiry. Significantly, the Court held in *Madey v Duke University* that the activities of universities are often inherently commercial, and, as such, use of patented inventions by academic scientists and researchers in the United States will not be exempt from infringement under United States patent law.

More recently, ACIP supported the ARLC's recommendation for the introduction of a formal research exemption in the *Patents Act 1990*. However, ACIP took the view that the approach formulated by the ALRC was problematic because it will often be difficult to distinguish experimentation 'on' an invention from experimentation 'with' an invention. Instead, it proposed the following test:

'The rights of a patentee are not infringed by acts done for experimental purposes relating to the subject matter of the invention that do not unreasonably conflict with the normal exploitation of a patent.

Acts done for experimental purposes relating to the subject matter of the invention include:

- determining how the invention works;
- determining the scope of the invention;
- determining the validity of the claims; and

- seeking an improvement to the invention.

Whilst ACIP expressed concern that the test proposed by the ALRC may lead to uncertainty, the alternative test proposed by ACIP gives rise to uncertainties of its own. For instance, it is far from clear what constitutes 'unreasonable' conflict with the 'normal' exploitation of a patent. Moreover, it is apparent from the examples listed above that the test proposed by ACIP is potentially narrower than the test recommended by the ALRC. For instance, experimentation on a patented gene or chemical compound would not appear to be exempt from infringement under the ACIP proposal unless that experimentation was undertaken with a view to ascertaining how the invention works or determining the scope of the invention. However, the right to carry out experimentation of this nature is arguably already implicit in the requirement to lodge a patent specification before patent protection is granted. Research directed to ascertaining further properties or functions of a patented gene or compound would also appear to be outside the scope of the ACIP proposal unless this can be considered as an 'improvement' to the invention.

It remains to be seen whether the Federal government will accept the ALRC's and ACIP's recommendations and, if so, which formulation it is likely to prefer (if other). In the meantime, the law relating to experimental use of a patented invention in Australia remains uncertain, and the unauthorised use of patented inventions in research should be approached with caution.

#### **4.3.1 Securing Freedom to Operate**

Before commencing a research project, a freedom to operate or 'clearance' search should be undertaken. A clearance search aims at locating patents that are currently in force with a view to ascertaining whether the research project is likely to infringe the claims of any existing patents. The search should not be limited to the location in which the research is undertaken, but should also include those countries in which any research results may be commercialised. Because patent applications are generally not published until approximately eighteen months after their priority date, clearance searches should continue to be carried out throughout the life of a research project.

Ideally, the search should not be limited to discovering relevant patents, but should also include some analysis of the validity of those claims which might potentially be infringed.

This task, as well as the search itself, is usually carried out by a patent attorney at a cost of between approximately \$2,000 to \$8,000 depending on the number of patents discovered and the quality of analysis. Once the clearance search and analysis has been completed decisions can then be made on what licences are required, what patents can be worked around, what patents can be ignored, and whether or not the project will go ahead.

Failure to obtain freedom to operate or to perform clearance searches at the outset of a research proposal can have drastic consequences: it may jeopardise completion of the research project and any expenditure already incurred, and may also expose those conducting and/or funding the research to liability for patent infringement, possibly involving litigation. Patent infringement litigation is notoriously expensive. A report into the cost of patent litigation in 1993 estimated that the average cost of patent litigation varied between \$50,000 and \$250,000, whilst more recent estimates place the cost between \$750,000 to \$1,000,000.

There are a number of options available where freedom to operate is impeded by intellectual property owned by a third party. The primary option in most circumstances is to seek a licence from the patent holder to use the patented invention. Another option for those holding their own IP portfolio is to negotiate a cross-licence with the patent holder. Alternatively, if the patent is of great value to the research project, the company may attempt to obtain an assignment of the patent from the patent owner. Where possible, a further option is to attempt to 'invent around' the patent or, if the patent holder is unwilling to grant a licence or refuses to licence on reasonable terms, a compulsory licence may be sought, although the difficulties associated with obtaining compulsory licences of patents in Australia are formidable. A final option is to ignore the patent and proceed with the research, and then bring revocation proceedings if challenged by the patent holder or, where the patent has not proceeded to grant, seek to oppose the grant of the patent in opposition proceedings. However, this option should only ever be countenanced where advice is received to the effect that the patent or the patent application is not a strong one.

Ultimately, the option chosen will depend on a careful cost/benefit analysis of the relevant merits of each available option, including the possibility of abandoning the project.

## 4.4 Warranties and Indemnities

Where a licence is taken from the owner of intellectual property to secure freedom to operate, it is common practice to obtain from the owner certain warranties and to incorporate these into the licence agreement. A warranty is a term of a contract that is collateral to the main object of the contract, and can be contrasted with a condition, which is a term of such fundamental importance that a breach of it gives rise to a right to terminate performance of the contract. In contrast, breach of a warranty generally entitles the party affected by the breach only to damages.

Some characteristic warranties found in licence agreements include warranties to the effect that:

- neither the execution of the licence or the performance of the agreement by the licensor will cause it to be in breach of any agreement to which it is a party or is subject;
- full details of all trade secrets relevant to or necessary for the exploitation of the patent have been disclosed;
- the licensor has and for the duration of the licence will continue to have full right and title to the intellectual property and any associated trade secrets;
- the intellectual property being used is absolutely free from encumbrances;
- all maintenance fees due in respect of the patent have been paid;
- the use and licence for use by the licensee of the intellectual property and any associated trade secrets will not infringe any intellectual property rights of any person, nor give rise to payment by the licensee of any royalty to any third party or to any liability to pay compensation;
- the licensor is not aware of any fact by which the patent or PBR may be declared invalid, or any claim by which the patent or PBR should be amended; and
- (where the licence is an exclusive licence or the intellectual property is being assigned) no other licences or user rights have been granted by the licensor/assignor to any other person in relation to any rights, title or interest in the patent.

In addition, appropriate indemnities should be obtained from the licensor which insure the licensee against, for example, any losses, claims, judgments or other liabilities arising directly or indirectly out of or in conjunction with any breach by the licensor of any of the warranties given by the licensor.

In many instances, the licensor will seek to resist the giving of warranties or to qualify their potential exposure to liability under them. However, a properly conducted and thorough freedom to operate/clearance search will in the majority of cases negate the necessity of obtaining wide-ranging warranties. Where this is not done, warranties will effectively perform the role of freedom to operate questions, or provide reassurance where the results of freedom to operate searches are uncertain. Moreover, the preparedness of the licensee or research provider to provide certain warranties will often depend on the maturity of the technology involved. For example, where the technology to be licensed or assigned is relatively new or in the early stages of development the licensor or vendor may be justifiably reluctant to warrant that the patent is valid or that the exploitation of the technology will not infringe the rights of any third party. Alternatively, the licensor or assignor may attempt to qualify or limit any such warranty; for example, by stating that the facts warranted are true 'to the best of licensor's/assignee's knowledge after having made proper inquiry'.

In a collaborative context, it is also important to ensure that appropriate warranties are obtained from research partners/providers in relation to any 'background' intellectual property which they may bring to the project, and also in relation to any intellectual property which they propose to exploit during the project. Some common warranties found in agreements relating to such projects include:

- that the research partner has absolute, unencumbered title to any background intellectual property that will be exploited during the course of the project;
- that the research partner is not aware of any fact by which the background intellectual property may be declared invalid, or any claim by which the intellectual property should be amended;
- that the research partner is entitled to make all patent applications which it has made, and none of the inventions which are the subject of any such application are part of the state of the art;



- that the exploitation of the background intellectual property will not infringe any intellectual property rights of any person, nor give rise to payment by the research partner of the any royalty to any third party or to any liability to pay compensation;
- (where the research project will require the use of intellectual property to which the research partner does not have title) that the research partner has made proper inquiry to ascertain whether completion of the research proposal will cause the research partner to infringe any intellectual property rights of any person, nor give rise to payment by the licensee of the any royalty to any third party or to any liability to pay compensation; and
- that, having made proper inquiry, the research partner has or will procure all necessary licenses or permissions to exploit the intellectual property rights of any person necessary for completion of the research project.

Appropriate indemnities in the form described above should be obtained from the research partner.

## 4.5 Permission to Operate

Freedom to operate should be distinguished from permission to operate. Freedom to operate from the point of view of intellectual property rights does not necessarily clear the way to develop and commercialise a new technology. There may be a range of government regulations, industry guidelines and ethical standards with which to comply before permission to operate is granted. For example, approval from the Office of the Gene Technology Regulator is required before a genetically-modified plant can be placed on the market. A clearance search should therefore include an assessment of where permission to operate may be required.

Funding proposals should therefore include (where appropriate) warranties that all necessary ethics clearances have been obtained, as well as undertakings to obtain certification and/or regulatory approval where commercialisation of any technology resulting from the research project is envisaged.

# 5

## Exploitation and commercialisation of intellectual property

### 5.1 Introduction

This section examines legal issues relating to the commercialisation of research in more detail. The legal issues arising out of commercialisation can be subdivided as follows:

There are a number of different paths by which research can be commercialised. Each of these paths or modes of commercialisation takes place against a backdrop of legal rules dealing with what type of entities enjoy legal personality (and thus can enter into contracts etc in their own right), how ownership of company or partnership property is determined and divided (including when a company or partnership is wound up), and who has the power to act on behalf of a company or partnership.

Most modes of commercialisation are ultimately dependent on the transfer of property to another entity or granting to another entity the right to use the underlying intellectual property – that is, granting a licence. As was seen in section 3, the law places some controls on the form that an assignment or licence can take and these rules apply as much to the transfer of rights to a third party as they do to the transfer of rights between the creator and the 'first' owner of intellectual property rights.

The law has certain doctrines and provides certain rights that can 'trump' freedom of contract. These can be divided into three categories:

- First, there are various common law rules that a Court can use to set a contract aside. These rules are particularly important as between the creator of intellectual property rights and the 'first' owner.
- Secondly, there are various statutory regimes that provide protection for the creators of intellectual property, even in circumstances where the creator is not the owner (eg 'moral rights'). As was noted in section 3, Australian law has generally been reluctant to recognise such rights, but the position is changing. Most notably, recent amendments to the *Copyright Act* have seen the introduction of 'moral rights' for

authors. Moral rights and related forms of protection overseas can have an important impact on the management and commercialisation of intellectual property rights.

- Thirdly, there are situations in which competition law can be used to control how an owner of intellectual property deals with its rights. Unlike the first and second categories referred to above, competition law chiefly applies as between the owner of the right and a third party and, in particular, where the third party is seeking a licence from the owner, but the owner has refused to grant a licence or has only offered a licence on terms that the third party regards as unreasonable. It should be noted at the outset that the relationship between intellectual property rights and competition law is inherently complex. At the heart of this complexity lies mutually incompatible starting points – competition law is principally concerned with control of monopoly power, whilst intellectual property rights are designed to grant monopolies.

The other issue dealt with in this section is the relationship between decisions not to commercialise intellectual property rights. Decisions not to commercialise raise two quite different sets of issues. First, a failure to *exploit* intellectual property rights can have legal consequences. Most dramatically, a failure to use a trade mark will result in its cancellation. Secondly, and more importantly, there is sometimes a danger that a decision *not to commercialise* is treated as a reason for ignoring questions of ownership - a potentially serious mistake.

Before considering these issues however, it may be worth dwelling on certain principles of commercialisation.

## 5.2 Principles of Commercialisation

In practice, decisions about whether to commercialise and, if so, the mode of commercialisation to be adopted may be determined by a range of factors. Nevertheless, there are basic principles that should be remembered when designing a commercialisation strategy.

### 5.2.1 Deciding whether commercialisation is appropriate

There is considerable pressure on organisations to commercialise their intellectual property, but thought always needs to be given to whether a research management strategy that places emphasis on commercialisation is appropriate for any given

organisation. Having a viable commercialisation strategy can impose its own costs. Most obviously, it may be necessary to employ additional staff to run the commercialisation policy. In addition it is sometimes claimed that an emphasis on commercialisation can impact negatively on the research culture of an organisation. Some publicly funded organisations have also decided that it may not be appropriate to commercialise research where this would impose additional costs on primary stakeholders. However, even if an organisation decides that commercialisation will only sometimes be appropriate it will still need to take steps to ensure that commercialisation will be *possible* in those cases. In addition, protection of intellectual property provides control over how it is used, even if the terms of use are that there will be no charge.

### 5.2.2 Ensuring that Commercialisation is Possible

Given that it is often impossible to predict in advance whether a particular research project will give rise to valuable intellectual property rights, even if an organisation decides that it will only pursue commercialisation on an *ad hoc* basis, research must be managed in such a way to ensure that it is capable of being protected in cases where this is deemed desirable.

Ensuring that rights are capable of being protected and commercialised by the organisation in question involves two key considerations: (1) the organisation must ensure that it owns the research output in question (2) the organisation must ensure that intellectual property rights are not inadvertently lost. In particular, in the case of potentially patentable inventions, procedures must be put in place to ensure that the opportunity to obtain a patent is not lost through prior publication or disclosure of the invention.

When thinking about prior publication or disclosure it is also important to understand the limits of the newly introduced 'grace period'. Some attention has been given to recent changes to the *Patents Act* which mean that an inventor will not automatically destroy the novelty of an invention by publishing or disclosing information about his or her invention before applying for a patent. Provided that the inventor files with IP Australia a complete application for a patent within 12 months of the date on which the invention was published or disclosed, the invention will not lack novelty. However, there are two key problems which mean that routine reliance on the grace period would be a mistake. First, it should be noted that many other countries do not have similar provisions (in

particular, there is no grace period under the European patent system) and hence any publication or disclosure of the invention may still destroy novelty in certain countries. Secondly, the grace period is only available in respect of information that was published or disclosed by or with the consent of the patentee after 1 April 2002.

Organisations that wish to pursue a commercialisation strategy should establish procedures that identify, as early as possible, research that may be suitable for commercialisation. This will include intellectual property from planned research (which should be identified at pre-project stage). Invariably, unexpected research results will arise after a project has started. As such, it is also important to have in place reporting mechanisms as well as mechanisms to monitor the progress of research throughout the duration of a project.

## **5.3 Modes of Commercialisation**

While the mode of commercialisation will often have to be decided on a case-by-case basis, it is possible to identify some general issues that are likely to impact upon the preferred mode of commercialisation.

### **5.3.1 Assignment**

An assignment is a transfer of ownership of intellectual property rights. As a result of an assignment, the assignee (that is, the person to whom the rights have been transferred) becomes the owner of the intellectual property and is free to deal with it accordingly. Assignment of intellectual property is analogous to selling a house and by so doing the seller has no further right or obligations in relation to that house.

One potential problem with an assignment is that it will result in the assignor losing the ability to control how the intellectual property is used and developed, and hence the assignor will be unable to prevent the intellectual property from being exploited in a manner prejudicial to the interests of its stakeholders. An assignment will therefore generally be the preferred option only where the assignor can be confident that the interests of its stakeholders will not be adversely affected, and where the financial risk is such that a commercial partner could not reasonably be expected to agree to anything less than an outright assignment. Further, the assignor will not have any rights to seek a new partner should the assignee fail to exploit the research. However, parties are free to

impose conditions in assignments as to reassignment in the event of certain circumstances (such as failure to exploit).

As noted earlier, with the exception of registered trade marks, an assignment must be in writing and signed by the parties in order to be effective. Certification trade marks can only be assigned with the authorisation of the Australian Competition and Consumer Commission (ACCC). Assignments of patents and PBR must be registered with IP Australia in order to take effect. In addition, the *Patents Act 1990* provides that a patent may be assigned for a place in, or part of, the patent area.

### 5.3.2 Exclusive licence

An exclusive licence authorises the licensee, to the exclusion of all other persons, including the person granting the licence, to exercise the rights which would otherwise be exercisable exclusively by the owner of the intellectual property. As such, an exclusive licence is in many respects similar to an assignment. The key difference between an assignment and an exclusive licence is one of control. An owner of intellectual property who wishes to permit another to exploit the intellectual property can retain better protection by giving an exclusive licence. This is because an exclusive licence only gives to the licensee permission to exploit the intellectual property. Unlike an assignment, a licensor who grants an exclusive licence to another retains legal ownership of, and title to, the intellectual property. In contrast, an assignment is understood as an outright sale that, generally speaking, brings the assignor's interest in the property to an end. There are, in addition, certain technical legal differences between an exclusive licence and an assignment that mean that the exclusive licensee's rights are less certain than those of an assignee, and can be defeated at the hands of a bona fide purchaser. Moreover, an exclusive licensee, unlike an assignee, may not always be able to grant a sub-licence or transfer the benefit of the licence to a third party.

There are no formal requirements in Australia for exclusive licences. An exclusive licensee of a patent or copyright can sue infringers on its own initiative, but must join the owner of the IP as a party to the litigation. In contrast, an action for infringement of a PBR may only be brought by the owner of the PBR.

In some cases, it may be appropriate for an IP owner to enter into an exclusive licence with a commercialising partner. Exclusive licences are generally attractive to commercial

partners and may be attractive because they make the process of monitoring exploitation much less complicated. Where an exclusive licence is granted, it would normally be expected that the commercialising partner would pay a royalty or dividend for the use of the intellectual property. In addition, the commercialising partner would be expected to market, distribute and service this technology on terms that will safeguard the interests of stakeholders.

Common provisions in exclusive licence agreements relate to:

- 'granting back' intellectual property rights to improvements of, or inventions arising from the use of, the licensed technology;
- obligations to obtain regulatory and quality approvals;
- the licensor agreeing not to challenge the validity of the licensed technology;
- keeping licensed know-how confidential;
- auditing rights;
- responsibilities to enforce the licensed intellectual property rights; and
- various warranties, indemnities and limitations on liability.

Normally, an exclusive licence will allow the owner of the intellectual property to reserve the right to bring the licence to an end should the partner cease exploiting the research.

### **5.3.3 Non-exclusive licence**

In other cases an owner of IP will enter into a non-exclusive licence arrangement with the partner responsible for commercialisation. Under a non-exclusive licence, the licensee is granted the right to exploit the IP, but the licensor retains the rights to exploit the IP itself and to license other parties to do so. In general, the commercialising partner will pay a royalty, fee, or dividend in return for the right to use the intellectual property.

### **5.3.4 Equity Owner**

Instead of assigning or licensing the intellectual property rights for an initial licence fee and a royalty payment, an IP owner may consider taking an equity share in a licensee company or start-up firm. The primary advantage of this approach is that it offers the IP

owner the possibility of maximising its revenue stream. It runs up against the problem, however, that it increases the IP owners' risk.

### 5.3.5 Partnerships

Another mode of commercialisation is through a partnership with another company or organisation. Partnerships are regulated by State and Territory legislation throughout Australia. A partnership is a legal relationship whereby two or more parties agree to carry on a business in common with a view to profit. A partnership may be created by a written or verbal agreement, or it may be inferred from a course of dealing adopted or agreed upon by all the partners. The receipt by a person of a share in the net profits of a business will generally be prima facie evidence of the existence of a partnership, especially if each member bears a share of the losses. Unlike proprietary or limited liability companies, partnerships do not create a separate legal entity apart from its members, and the partners own the assets of the partnership jointly.

One important consequence of the establishment of a partnership is it creates what is known as a 'fiduciary' relationship between each of the partners. Fiduciary relationships entail a number of different obligations, the most important being that each of the partners must act in the best interests of the partnership and not for their own interest. Where a conflict between the interests of the partnership and a partner's personal interest arises, the law requires the affected partner to make full disclosure of the conflict to the other partners. The problem with partnership arrangements is that in some States and Territories the partners have unlimited legal liability and, in practice, the running of a partnership formed from two or more legal entities (ie companies) can be extremely complex. Moreover, partners are jointly and severally liable for debts incurred by the partnership. A partnership arrangement is therefore unlikely to be an attractive mechanism of commercialisation of IP.

However, it is important to understand that there are situations in which the law will imply a partnership arrangement. The factors that will lead a court to imply a partnership are complex and are therefore not capable of being easily summarised, but it is clear that an agreement to share ownership of property or revenue streams from exploitation of property (including intellectual property) will not in and of itself be sufficient.



One area in which the law of partnerships is directly relevant is in relation to unincorporated CRCs. Such CRCs could be deemed to be partnerships at law and hence legal rules governing ownership of partnership property, authority to negotiate on behalf of the partnership and what happens to partnership property on dissolution are important.

### 5.3.6 Closed-Loop Arrangements and Compulsory Licences

It is increasingly common for varieties protected by plant breeder's rights to be exploited via 'closed-loop' arrangements. 'Closed-loop' is an industry term rather than a legal category of contract and the expression can be used to describe a wide range of contractual arrangements. Typically, this type of arrangement exists where one party imposes restrictions on another party's freedom to choose with whom, in what, or where they deal. Frequently, a closed-loop contract will require a grower who purchases a protected variety from the PBR owner to sell harvested materials or products obtained from harvested materials either back to the PBR owner, or to a specified collection agency. The owner may also stipulate that the grower must propagate the protected variety exclusively (ie no other varieties can be propagated on the grower's property). In this way, the owner/licensee can control the production, distribution and marketing of the protected variety and products derived from it.

It is important to appreciate that the use of closed-loop arrangements may have a number of unintended consequences. One possible consequence of using a closed-loop arrangement is that it may leave the PBR owner vulnerable to a claim that they are not providing reasonable public access to the protected variety. Section 19 of the *Plant Breeder's Rights Act* imposes an obligation on the owner of a protected variety to make propagating material (as opposed to the harvested product) of 'reasonable quality' available to the public at 'reasonable prices' and in 'sufficient quantities' to meet demand. Where this does not occur, a grower may seek a compulsory licence over the variety from the Plant Breeder's Rights Office.

A compulsory licence is different from other types of licence insofar as it is imposed on the owner of the PBR by statute (as opposed to other licences that are voluntarily entered into). For a compulsory licence to be granted, a party whose interests are affected must make a written application to the PBR Office. The applicant must show that within two years of the rights being granted, the PBR owner has not taken all reasonable steps to

ensure reasonable public access to the propagating material of that plant variety. The owner is given the opportunity to refute the claims and to demonstrate that reasonable public access is being provided before a compulsory licence is granted. If the PBR Office is not satisfied that reasonable public access to propagating material of the protected variety is being provided, it can license a person to produce and sell propagating material of the protected variety for such period of time and on such terms and conditions (including reasonable remuneration to the PBR owner) as it considers would be granted by the PBR owner in the 'normal course of business'. The compulsory licence might also allow growers to sell saved propagating material to other growers.

Closed-loop arrangements may not contravene this clause: the owner or licensee of a protected variety may well ensure that demand for the variety is met, notwithstanding that each grower that buys the propagating material is subject to the closed-loop arrangement. If other contractual conditions are also put on, but on balance do not negate the argument that there are sufficient quantities available at reasonable price, then such closed-loop contracts would not provide grounds for the grant of a compulsory licence. However, the owner of a protected variety may be vulnerable to an application for a compulsory licence where it denies a grower access to propagating material because the grower is unwilling to accept certain terms of the closed-loop contract, for example the contract requires the grower to pay a royalty on the harvested material (rather than the propagating material).

Another possible consequence of using a closed-loop arrangement is that the contract may contravene the *Trade Practices Act 1974* (Cth). Of particular importance are sections 45 and 47 of the *Trade Practices Act*. Section 45 prohibits (among other things) the making or giving effect to an exclusionary provision in a contract, arrangement or understanding. An exclusionary provision is one made between competitors which has the purpose of preventing, restricting or limiting the supply or acquisition of goods or services to or from particular persons or classes of persons either altogether or in particular circumstances or on particular conditions. Section 47 also prohibits corporations from engaging, in relation to goods or services, in the practice of exclusive dealing, such as 'third-line forcing'. Third-line forcing occurs when a corporation sells goods or services or gives a discount, but only on condition that the purchaser acquires other goods or services from a third person.

Unlike patents, copyright works and registered trade marks, licences relating to plant breeder's rights are not exempted from these provisions. However, the Australian Competition and Consumer Commission (ACCC) can authorise an exclusionary provision or conduct that amounts to exclusive dealing. An application for authorisation must be made by a party to an exclusionary provision or a person engaging in exclusive conduct. The applicant must satisfy the ACCC that there is public benefit arising from the conduct and that the public benefit outweighs any detriment, including any caused by a lessening of competition. If granted, authorisation provides protection from action by the ACCC or any other party for potential breaches of the *Trade Practices Act*.

An application for authorisation of a closed-loop arrangement was recently made by the Australian Nurserymen's Fruit Improvement Co. Ltd. (ANFIC). ANFIC is a company comprised of 12 members each of which are commercial plant nurseries. These nurseries supply propagating material to fruit growers for commercial production. ANFIC proposes to establish a closed-loop arrangement between its 12 members and various participants in the supply chain, including growers and wholesalers, to undertake joint marketing and production of high quality fruit varieties (referred to by ANFIC as 'exceptional fruit'). The proposed arrangement would allow ANFIC's members to standardise their royalty collections and determine the supply of the nominated fruit varieties. ANFIC's application submitted that the proposed arrangement would provide a number of public benefits, including providing a co-ordinated approach to marketing and, through changes to royalty arrangements and income streams to nurseries, continued improvements in plant varieties.

On 23 March 2006 the ACCC issued a draft determination rejecting ANFIC's application. The ACCC took the view that the proposed public benefits are unlikely to achieve any greater benefits than those that are already provided for by the *Plant Breeder's Rights Act*. The ACCC did recognise, however, that supply chain agreements can provide for improvements in intellectual property protection and in the promotion of appropriate investment incentives. The ACCC also expressed concern that closed-loop arrangements may result in a less efficient outcome for society, for example, less choice and higher prices. However, the ACCC did indicate that closed-loop arrangements that are smaller in size and scope may provide sufficient public benefit to outweigh these detriments.

The ACCC's decision confirms that parties to closed-loop contracts should always seek legal advice before entering into them to avoid potentially incurring liability for breach of the *Trade Practices Act*.

## 5.4 Restrictions on Contractual Freedom 1: Common Law Rules

Generally speaking, common law systems, such as Australia and the United Kingdom, are reluctant to refuse to enforce contractual obligations. There are, however, a small number of legal principles that will allow a court to set aside a contract, and there may be circumstances in which these principles will come into play. The most important of these principles are the doctrines of 'restraint of trade', 'undue influence', and 'economic duress'.

### 5.4.1 Restraint of Trade

One legal doctrine that has been employed to protect creators from disadvantageous contractual arrangements is the doctrine of 'restraint of trade'. This doctrine reflects a general policy of the common law that a person should be freely able to practise his or her trade. The general rule is that contracts which restrict this right are contrary to public policy and are *prima facie void*. Despite this, contracts of employment frequently contain terms which seek to restrict employees from practising their trade within a certain area and/or for a certain period of time after their employment has come to an end, and the courts may uphold such terms provided that they are justified. Restraints of trade are only justified where the restriction is reasonably required to protect both the legitimate interests of the person seeking to rely on the clause and the interests of the public. A good example of where the restraint of trade doctrine might come into play is where a researcher is prevented by a clause of his or her employment contract from working in the same or a similar field after their period of employment comes to an end.

It is often difficult to say in advance when, precisely, a clause will be deemed to be invalid. Much depends on the nature of the industry involved and the seniority of the employee. Generally speaking, however, a clause will be valid if it restricts a researcher from reutilising specific trade secrets or 'know how' but will be invalid if it seeks to prevent a researcher from using his or her 'general skill and knowledge'. In New South Wales, the *Restraints of Trade Act 1976* enables courts to 'read down' or vary the terms of an illegal restraint of trade clause to make it reasonable. However, courts in other

jurisdictions have no such powers and a restraint of trade clause will be unenforceable whenever it is unreasonable.

It is also important to appreciate the relevance of the doctrine of restraint of trade to commercial contracts, such as licences of intellectual property or technology transfer agreements. Although the courts have on occasion sought to uphold standards of commercial morality, a term of a contract which restricts a party from doing certain acts which other persons not party to the contract can lawfully do, is likely to be struck down as contrary to the doctrine of restraint of trade. For example, a term of a licence to propagate a protected plant variety which requires a grower to continue to pay royalties to the PBR owner after the term of the PBR for the variety has expired may be regarded as an unreasonable restraint of trade.

#### 5.4.2 Undue Influence

If an unfavourable bargain is the result of the exercise of undue influence placed upon the party adversely affected the court may set the bargain aside. An extreme example would be where a creator has assigned rights because of threats made by the assignee. However, the court's power to interfere extends beyond such extremes to all situations where a "person in a position of domination has used that position to obtain unfair advantage for himself, and so cause injury to the person relying on his authority or aid".

Two elements must therefore be present for the principle of undue influence to come into play: first, there must be a relationship in which one person has influence over another; and secondly, there must be a manifestly unfavourable transaction resulting from the exercise of that influence. The question is not whether the party seeking relief understood the transaction but whether it was the result of a free exercise of his or her will. If undue influence exists, any contract is 'voidable', that is, able to be rescinded by the party subjected to the undue influence or liable to be set aside by the court, and any rights assigned may be restored to the creator. Undue influence might be relevant if, for example, a postgraduate student were persuaded by a senior researcher to assign rights to, say, a research organisation without provision being made for adequate financial remuneration – contracts entered by young and inexperienced creators without independent legal advice are particularly vulnerable. It seems, however, that since a contract entered into as a result of undue influence is voidable (as opposed to being automatically void), *bona fide* contractual dealings before the contract is avoided will

remain binding. This should protect an organisation that, for example, deals with a CRC in good faith, not realising that the research organisation has only acquired title as a result of the exercise of undue influence.

### **5.4.3 Economic Duress**

A third avenue for some creators might be to claim that a contract has been made in circumstances of economic duress. One scenario where this might occur is where a would-be owner attempts to force an assignment of rights after the work, invention etc has been created and supplied and where the assignment operates as a condition for being paid. Although it will always be a matter of construction, if:

- the original agreement is merely one of supply in return for payment;
- the would-be owner is in effect demanding the assignment of rights as an additional condition by threatening not to pay in accordance with the terms of the initial agreement; and
- the effect of the threat is to induce the assignment,

A court may find there has been an exercise of economic duress and/or lack of consideration for the contractual variation, such that the creator may be able to get the transfer set aside. Much the same principles would apply if, say, a university attempted to force a PhD student to assign his or her rights after creation as a condition of continued supervision etc, or a funding body attempted to force a PhD student to assign rights as a condition of continuing to provide an agreed scholarship. In short, it will not always be possible to correct what one party considers to be a contractual defect by that party using its financial power to force a transfer of ownership.

### **5.4.4 Contractual Interpretation**

A fourth avenue which creators may attempt to use to avoid contractual arrangements is to argue that the contract should be interpreted in a restrictive way. Strictly speaking, of course, this is not a method of 'setting aside a contract', but as a practical matter this is a method by which creators may be able to avoid certain obligations. Such attempts are perhaps most likely to be successful where there is an attempt to exploit or disseminate intellectual property rights using new technologies. For example, a contract signed in 1919 by which the author Sir James Barrie granted Famous Players Film Co "the sole and

exclusive licence to produce [Peter Pan] in cinematograph or moving picture films” was held not to cover the making of cinematographic films which had soundtracks (“talkies”). The parties could not have anticipated use in relation to films with soundtracks since the technology was not available until 1923 and not commercially usable until 1927. It might well be possible for an author of a copyright work to raise a similar argument if an assignee of 'reproduction' rights in a copyright work wishes to make a work available online and the contract was entered into prior to use of the Internet becoming widespread.

More generally it should be remembered that according to Australian law, contracts are to be interpreted in the same way as any serious utterance would be interpreted in ordinary life: by ascertaining the meaning which the words would convey to a reasonable person having all the background knowledge that would reasonably be available to the parties at the time of the contract. The language of the document is understood against the background, and while that background will usually require the words be understood as bearing their ordinary meaning, the background may be such as to require that words be read in a different way or even ignored.

In addition, in cases of ambiguity, courts in Australia will sometimes apply the so-called *contra proferentem* rule. The basis of this rule “is that a person who puts forward the wording of a proposed agreement may be assumed to have looked after his own interests, so that if the words leave room for doubt about whether he is intended to have a particular benefit, there is reason to suppose that he is not”. This so-called rule is often very weak, but it can have some force as part of an overall picture. That is particularly the case where one party is a large organisation with a knowledge of the market and financial ability to employ and obtain the best legal and other advice, and the other party is a small individual with very limited funds and knowledge. However, its *limitations* must be *emphasised*: it only applies where conventional rules of interpretation give rise to ambiguity, that is, where the document is open to more than one interpretation.

#### 5.4.5 Implied terms

There are also situations where courts will imply terms into a contract. There are a number of situations where this might occur, such as:

- where an unforeseen problem arises on which the express terms of the contract are silent, and one party argues that a term should be implied in order to resolve the problem;
- where custom or trade dictates that certain terms should be included; and
- due to the previous course of dealings between the parties.

The courts have stated that terms will be implied where these are "necessary for the reasonable or effective operation of the contract in the circumstances of the case". The five key criteria to be applied are that the term must:

- be reasonable and equitable;
- be necessary to give business efficacy to the contract so that no term will be implied if the contract is effective without it;
- be so obvious that "it goes without saying";
- be capable of clear expression; and
- not contradict any express term of the contract.

Further, in particular industries, courts are prepared to hold that by reason of custom or usage, there are certain terms that operate in trade contracts of which all parties are expected to know.

## 5.5 Restrictions on Contractual Freedom 2: Statutory Protection for Creators

It was seen in the first section that in addition to the economic aspects of intellectual property regimes, some intellectual property systems also provide protection for the creators of the work, invention etc. Such protection is often specifically intended to protect creators against employers and other 'first' owners of intellectual property rights. As has been noted, Australia has been slow to recognise such rights, but the position is beginning to change.

### 5.5.1 Copyright and Moral Rights

In addition to the economic rights created by the *Copyright Act* (which as we have seen can be transferred), Australian law also gives creators of certain works 'moral rights'.



Moral rights (the term is derived from the French *droit moral*) are intended to protect an author's non-pecuniary or non-economic interests. Such rights have been included in the provisions of the leading international convention on copyright, The Berne Convention, since its 1928 revision. However, it is only recently that such rights have been granted in Australia. It is important to emphasise that such rights continue to be exercisable by the author of the work even after copyright has been assigned and that moral rights themselves are not transferable other than on the author's death.

Australian law grants three moral rights:

- 1 The right to be named as the author when a work is copied or communicated to the public (the right of attribution). Any attribution must be clear and reasonably prominent;
- 2 The right to prevent false attribution, that is, the right to prevent attribution as author in relation to a work that the author did not create. Significantly, the right against false attribution will also arise where a work that has been substantially altered is dealt with as the unaltered work of an author - in such a case it needs to be made clear that the work has been changed; and
- 3 The right to prevent derogatory treatment of the work (the right of integrity). This right applies where a work has been altered in such a way as to prejudice the author's honour or reputation. Because moral rights are a recent addition to Australian law, as yet we have little guidance on when an alteration will amount to a derogatory treatment.

Although moral rights cannot be assigned they can be 'waived'. This means that authors can agree not to enforce them. Under Australian law such waivers can only be in relation to specific actions – a general waiver will not be enforceable.

Moral rights might be particularly important in a case where an organisation wishes to amalgamate a number of research reports and present this as the work of a group of researchers. In such a case the only safe course of action is to seek specific approval from all of the researchers involved.

As a final point it should be noted that other countries, particularly civil law countries such as France and Germany, provide authors with a greater range of much stronger moral rights.

### **5.5.2 Protection for Inventors**

Australian law provides very little protection for inventors as creators. The only right enjoyed by inventors is the right to be named as such on the patent documentation, a right that is also found in most other countries. In contrast, certain other countries provide inventors with much greater protection. In particular, some countries provide inventors with the right to share in profits. Such a right is, for example, to be found under UK law, although the statutory right in question has been given a restrictive interpretation by the courts. Perhaps the most comprehensive system of protection for inventors is to be found under German law which includes, for example, a provision that allows an employee to take title of an invention that is not being exploited by his or her employer.

While protection for inventors overseas should cause few difficulties in the vast majority of cases, when dealing with exceptionally valuable inventions, for which there is a worldwide market, the existence of such rights must be remembered.

## **5.6 Restrictions on Contractual Freedom 3: Competition Law**

### **5.6.1 Overview**

The restrictions on contractual freedom already considered focus primarily on the relationship between the creator of intellectual property and the owner of the intellectual property. There are, however, restrictions that operate as between the owner of intellectual property and the world at large. These restrictions are generally imposed by laws against anti-competitive conduct.

As has been seen, there is some tension between competition law and intellectual property laws. IP laws grant limited monopolies in certain subject matter, in particular giving owners of IP rights exclusive rights to exploit their IP or allow people or organisations of their choosing to exploit the IP. Competition law, on the other hand, aims to prevent conduct that restricts competition, such as the ability of one party to restrict others from trading in a particular market. The most controversial area is when an

owner of IP rights refuses to licence its technology, particular when that technology is highly unusual and may open up new product markets.

To understand this tension, and how the Commonwealth has attempted to resolve it, regard must be had to Part IV of the *Trade Practices Act 1974* (Cth). This Act prohibits certain anti-competitive conduct. The most important prohibitions for present purposes are:

- s 45: entering into a contract, arrangement or understanding that has the purpose or likely effect of substantially lessening competition in the relevant market;
- s 45A: entering into a contract, arrangement or understanding that has the purpose or likely effect of price fixing, without there needing to be a substantial lessening of competition in the relevant market (nb – for joint ventures for the supply of services, there must be a substantial lessening of competition);
- s 46: misuse of market power: the prohibition applies if an organisation has a substantial degree of power in a market and uses that power for the purpose of eliminating or damaging a competitor, preventing the entry of a person into the market, or preventing any person from competing against the organisation;
- s 47: exclusive dealing. This captures a range of conduct, including:
  - the supply of goods or services on the basis that the recipient will not acquire similar goods from other suppliers; or
  - the refusal to supply goods or services on the basis that the recipient has acquired similar goods from other suppliers,

where the effect of the arrangement is substantially to lessen competition.

Penalties for contravention of Part IV provisions are severe.

However, the Act also provides an exception to much of this conduct in section 51(3) in recognition of the exclusive rights granted to owners of IP. This provision states as that a person will not contravene sections 45, 45A and 47 in one of three situations:

- a. imposing or giving effect to a condition in any of the following:
  - a licence granted by the proprietor, licensee, owner of or applicant for a patent;

- a licence granted by the proprietor, licensee or owner of copyright;
- an assignment of a patent or the right to apply for a patent; or
- an assignment of copyright,

to the extent that the condition relates to:

- the invention to which the patent or application for a patent relates or articles made by the use of that invention; or
  - the work or other subject matter in which the copyright subsists;
- b. including, in a contract, arrangement or understanding authorising the use of a certification trade mark, a provision in accordance with rules applicable under the *Trade Marks Act*; and
- c. including, in a contract, arrangement or understanding between the registered proprietor of a trade mark (other than a certification trade mark) and a person registered as a registered user of that trade mark, a provision to the extent that the provision relates to the kinds, qualities or standards of goods bearing the mark that may be produced or supplied.

### 5.6.2 Examples of provisions falling within section 51(3)

The chief problem with section 51(3) is that it is not clear what sort of arrangements concerning IP licensing will fall within the exception. In particular, it is unclear whether the term 'relates to' in (a) and (c) is to be interpreted broadly or narrowly. It has been suggested that for patents and copyright, the owner of the IP has the ability in licence agreements or assignments to exercise control over price, quantity, quality, customers and territory. Some examples of provisions in commercialisation contracts that are likely to fall within the exception in section 51(3) are:

- mutual cross-licensing agreements between IP owners;
- licensing of 'background IP'; and
- exclusive licensing of IP owned by a number of enterprises to an incorporated entity responsible for commercialising the IP.

In each case, it is likely that the relevant licence provisions would 'relate to' the patent or copyright material in question. In these cases, the provisions will not contravene the

*Trade Practices Act*, even if they result in a substantial lessening of competition in the relevant market.

### 5.6.3 Examples of provisions falling outside section 51(3)

Other provisions in IP licence agreements may not 'relate to' the subject matter in which the IP exists, and thus fall outside the scope of section 51(3). Some examples are:

- Certain 'tying' provisions imposed by the IP owner in a licence agreement – for example, requiring a licensee to use with the licensed product another of the IP owner's products or a third party's products. For example, an obligation to purchase in conjunction with the sale of a GM herbicide-resistant crop a particular brand of herbicide would be likely to fall foul of competition law. Even here, however, there are difficult cases at the margins - it is not easy, for example, to know how to treat provisions that make a warranty conditional on the use of a particular 'related' product;
- A provision that seeks to prevent the licensee from acquiring technology that competes with the licensed product; and
- A restriction on the licensee developing its own technology.

Other provisions may not fall within the section 51(3) exception because of limitations in the wording of section 51(3). As mentioned earlier, the provision does not cover all forms of IP. In particular, it does not cover Plant Breeder's Rights or unregistered trade marks. Licence agreements relating to such subject matter are therefore subject to the prohibitions in sections 45, 45A and 47. Further, section 51(3) does not cover future IP rights. Thus, while the licensing of background IP will likely fall within the exception, the licensing of future IP will not. Similarly, licence agreements often contain 'grant back clauses', requiring the licensee to transfer ownership of any new developments of the licensed technology to the licensor. These provisions will be subject to sections 45, 45A and 47.

This is not to say that commercialisation agreements with provisions not covered by section 51(3) will raise competition issues. Section 45 and parts of section 47 both require that the purpose or effect of the agreement is that there be a substantial lessening of competition. This requires an assessment of a range of factors, including how the relevant 'market' is to be defined, the market share and market power of the

owner of the IP, the presence or absence of barriers to entry into the market, the extent to which the arrangement keeps competitors out of the market, and the length of time over which the restriction operates.

#### **5.6.4 Refusal to licence**

An important issue that is not resolved by section 51(3) is the extent to which an owner of IP (other than PBR) may refuse to give access to that IP. The most common example is a refusal to license. In this situation, the question will be whether the refusal to do so constitutes a misuse of market power, in contravention to section 46 of the *Trade Practices Act*. The key issue here is the extent to which IP rights themselves confer market power on the owners of the IP. The present position in Australia is that IP rights alone do not do so, in part because the relevant market will usually be broader than the market for the invention or copyright material the subject of the IP rights. Another reason why refusals to licence IP will seldom be regarded as a misuse of market power is that a corporation will only be liable for misuse of market power where that corporation has 'taken advantage' of its market power. This requirement has been interpreted strictly: where an organisation enjoys a natural monopoly (for example, through technological factors or by legislation) and decides to refuse supply to a particular person, the courts have held that the corporation does not necessarily take advantage of its market power.

In respect of PBR, as noted above section 19 of the *Plant Breeder's Rights Act* requires owners of PBR to provide reasonable public access to the protected variety – that is, at reasonable prices and in sufficient quantities to meet public demand. If the owner fails to do so, the Secretary of IP Australia may on the application of a person whose interests are affected by the failure to provide reasonable public access to the protected variety license that person to exploit the PBR on such terms and for such a period of time that the Secretary considers would be granted by the owner of the PBR in the normal course of business.

#### **5.6.5 The role of the Australian Competition and Consumer Commission (ACCC)**

The ACCC is chiefly responsible for taking action to enforce contraventions of Part IV of the *Trade Practices Act*. It can also, on the application of parties, authorise certain conduct that would otherwise be in breach of sections 45, 45A and 47.

The ACCC has been asked by the Federal Government to issue guidelines that outline the application of Part IV to intellectual property. The Federal Government has suggested that these guidelines should provide sufficient direction to owners of IP rights to clarify the types of provisions likely to result in a substantial lessening of competition.

## **5.7 Decisions Not to Exploit or Commercialise: Impact on Intellectual Property**

Even if it is decided that a particular research output should not be commercialised, thought should still be given to intellectual property-related issues. One issue that needs to be considered is what impact a decision not to exploit will have on any intellectual property rights that are already owned. Non-exploitation can have important legal consequences. For example, a trade mark becomes liable to be revoked where there has been no use of the mark for a period of three years (or five years after first grant).

While patents cannot be revoked for non-use in the same way, some patent systems allow for compulsory licences to be obtained in situations where the reasonable requirements of the public are not being satisfied by the owner of a patent or where demand for the patented subject matter is not being met on reasonable terms (for instance, such provisions exist in both Australia and in Europe).

A second issue that should be considered is what steps should be taken in the event a decision not to commercialise is taken. In particular, where the research output is of a type or in a field that might allow for the grant of a patent, thought should be given to placing research outputs in the public domain in such a way that fully discloses the research. This will prevent third parties from procuring a monopoly over any substantially identical outcome.

A further consideration is that a decision not to commercialise can lead to inattentiveness towards issues of ownership which can be a problem if another party then decides it wishes to monopolise research outputs.

# 6

## Enforcing intellectual property rights and related issues

### 6.1 Overview of Enforcement

This section covers two key issues, namely, the steps that can be taken to ensure that Intellectual Property Registers are accurate, and the ways in which intellectual property rights can be enforced. We begin by considering issues relating to enforcement. This involves consideration of a number of related issues:

- Firstly, thought needs to be given to the methods by which intellectual property rights can be enforced. It is widely accepted that litigation should normally only be used as a last resort. We therefore begin by considering what other steps can be taken to enforce intellectual property rights. This in turn involves considering the benefits and pitfalls of non-judicial forms of dispute resolution and the practical steps that can be taken in order to bring pressure on an individual or organisation to comply with intellectual property rights;
- Secondly, deciding whether to pursue an action for infringement is ultimately a commercial decision, but there are a number of factors that ought to inform such a decision. Most obviously, consideration needs to be given to the likelihood of success and the cost of proceeding. In addition, thought should be given to what results can be expected from a successful action, other risks that attach to intellectual property litigation (in particular, that in the case of registered forms of intellectual property the defendant will normally attempt to have the right in question revoked), and the risks associated with not bringing an action for infringement (which are more significant than is sometimes appreciated); and
- Finally, an understanding of the processes by which rights can be enforced, including an understanding of what bringing an action for infringement will entail, can increase confidence when dealing with potential infringers and this can in turn make disputes less likely.



## 6.2 Methods of Resolving Disputes

### 6.2.1 Direct Contact

Given the potential costs associated with litigation a logical first step in cases where infringement is suspected might seem to be to contact the suspected infringer in order to obtain further details and to attempt to resolve the matter directly. There are, however, good reasons for avoiding contact of this kind. First, direct contact between the parties can often cause friction and lead the parties to harden their positions, thus making a settlement (such as an agreement to pay royalties) harder to achieve. Secondly, there are statutory provisions that prohibit the issuing of groundless threats in relation to intellectual property rights. The *Trade Marks Act*, *Patents Act* and *Copyright Act* each make provision for groundless threats. Under each Act, if a person threatens to commence proceedings for infringement of the registered trade mark, patent or copyright against another person, the person (or persons) aggrieved by the threat is entitled to apply to a court for an injunction against the continuance of the threats. In addition, a court that is satisfied that the threats are unjustified can order the person making the threat to pay damages to the aggrieved party for any damage sustained by the applicant as a result of the threats. Thus, although direct communication with a suspected infringer is usually designed to forestall or avert legal proceedings, in certain situations this may actually result in the opposite of the desired effect.

These provisions were introduced because it was recognised that the cost and burden of intellectual property litigation means that the mere threat of litigation has the potential to act as a potent commercial weapon. Perhaps the most important thing to note about the provisions relating to threats is that the mere fact that a threat was made in the honest belief that an infringement was taking place does not provide a defence.

The courts have interpreted what constitutes a threat liberally. There is no need for the IP owner to state explicitly that it will take action. For example, showing a retailer a copy of a provisional patent and intimating that this would give the owner enforceable rights once the full patent was granted and requesting that the retailer withdraw its goods from sale was held to constitute a threat. On the other hand, correspondence which simply draws the existence of the intellectual property rights to the addressee together with an offer of a licence is unlikely to be regarded as an unjustified threat.

However, the courts will pay close attention to the initial impression the communication would make on a reasonable addressee. Organisations which suspect an infringement would therefore be well advised to seek legal advice before making contact with the suspected infringer. IP owners should also be aware that while legal practitioners should know what constitutes a threat and what does not, a threatening letter sent by a legal practitioner does not protect the IP owner from an action for groundless threats of legal proceedings (although the owner might well have a legal remedy against a legal practitioner that exposed it to this form of liability suing for professional negligence is always fraught with difficulty).

In contrast with registrable forms of intellectual property, there are no statutory provisions that protect against unjustified threats to sue in relation to confidential information or unregistered trade marks. A person making an allegation of infringement must still be cautious, however, since a person aggrieved by a threat may be able to bring an action for injurious falsehood (part of the law of defamation).

### **6.2.2 Extrajudicial Methods of Resolving Disputes**

There are a number of methods of dispute resolution that do not involve litigation. The two most relevant are arbitration and mediation. It is important to emphasise that although the terms 'arbitration' and 'mediation' are often used interchangeably, they are fundamentally different processes.

#### *(a) Arbitration*

Arbitration is in many respects very similar to litigation. It is a process whereby a dispute between parties is referred to be determined by an accredited arbitrator, rather than a court of law. It is a highly formal process, regulated throughout Australia by uniform legislation. Parties to an arbitration must present evidence and argue their cases before the arbitrator, and the arbitrator must decide the dispute in a judicial manner, that is, by observing the ordinary rules of procedural fairness and evidence. The arbitrator's decision is called an 'award' and is binding on the parties to the arbitration.

Parties usually agree, either in advance or once a dispute has arisen, to refer disputes to arbitration. Care must be taken in drafting arbitration agreements or clauses to ensure that they reflect the desires of the parties – many licence agreements contain clauses

requiring the parties to submit to arbitration in the event of a dispute, whereas the parties might wish only to mediate their disputes (see discussion below).

The arbitration process is often set out in detail in a licence agreement. Generally speaking, in the event of a dispute, one party sends a notice of dispute to the other. If the dispute is not resolved, the parties will then appoint an arbitrator (or if they cannot agree on who should be appointed to arbitrate the dispute, an organisation such as the Australian Commercial Disputes Centre or the Institute of Arbitrators and Mediators Australia).

The parties then attend a Preliminary Conference with the arbitrator, in which the arbitration process is explained and issues such as fees and time limits for the submission of evidence are discussed. From this stage, the arbitration process closely resembles litigation: one party submits its Points of Claim, and the other party responds with its Points of Defence; both parties support their positions by written evidence; and, the parties then attend the Hearing where parties may give oral evidence or rely on written evidence. The arbitrator then makes the award, and provides reasons for his/her decision. An award may be enforced by the Court in the same manner as a judgment of the Court. The parties have the right to appeal the award to a Court only on a question of law – as with Court judgments there is generally no right of appeal in relation to a decision about a disputed question of fact.

While the arbitration process is less formal than Court proceedings, given that the parties can choose the arbitrator and that the arbitrator has greater flexibility in the manner of conducting the arbitration, it does have limitations for IP owners. The arbitration process is slow, and can be delayed by an unwilling participant at various stages. An arbitrator does not have the same degree of power as a judge, and matters such as time limits for the submission of evidence can therefore be abused. Further, it is often very difficult to abandon arbitration proceedings. If an IP owner attempts to commence Court proceedings in respect of a dispute that the parties have agreed to submit to arbitration, the other party can ask the Court to stay these proceedings (which is usually granted). While the arbitration process is less expensive than litigation, parties are required to go to significant expense in gathering evidence and attending the Hearing, and since arbitral awards are frequently appealed, the arbitration process may ultimately be very costly.

### *(b) Mediation*

A second, perhaps preferable, method of resolving disputes is through mediation. This is an informal process whereby the parties agree to meet and discuss their concerns before a mediator (who is either a party accredited by a professional body or merely a private party holding him or herself out as having mediation experience). The mediator is neutral and impartial, and usually has practical experience in or knowledge about the particular industry in which the dispute arises. He or she has no power to make a decision that binds the parties or to make a determination on the merits of the parties' dispute. Rather, the mediator's role is to isolate issues and facilitate discussion between the parties so that they can resolve the dispute themselves.

Mediation is generally private, and mediators are bound by obligations of confidentiality. Further, negotiations in a mediation are generally "without prejudice" to the positions that the parties have taken or may take in pending or future court proceedings. Parties are therefore encouraged to speak and negotiate frankly. Unlike court proceedings, mediation can generally be arranged quickly, for however long and wherever the parties choose, and the major expense to the parties is the mediator's fee.

Parties can agree contractually that in the event of a dispute arising between them, they will follow certain procedures, including agreeing to submit to mediation. However, as with some arbitration clauses, the enforceability of some mediation clauses is still uncertain and care needs to be taken in their drafting. Alternatively, the courts have the power to refer proceedings to mediation with the parties' consent. Mediation is particularly useful in the IP context if the parties are in an ongoing relationship, for example, as a licensor and a licensee of IP. Often, disputes between such parties relate to the interpretation of terms of the IP licence agreement, which may be more easily resolved through discussion rather than litigation, particularly where the parties have to maintain a continuing working relationship.

### **6.2.3 Self Help Remedies**

Another alternative to bringing legal action can be to use a self-help remedy. Such remedies fall into two categories. First, provision is made in the Copyright and Trade

Mark Acts for an owner to notify the Chief Executive Officer of Customs in order to arrange for infringing items that are being imported to be seized. The legislation makes detailed provision as regards the procedure to be followed and customs may insist that the owner deposit a sum of money in order to reimburse the Commonwealth for expenses incurred as a result of the seizure. It should be noted that in Australia there is not a more general right to seize infringing articles at the point of sale in as is found in the legislation of certain other countries – provisions that are designed to deal with market traders. Self-help remedies for copyright and trade mark infringement of this first type are likely to be important only in rare circumstances.

## **6.3 Bringing an Action: Procedure, Costs and Risks**

### **6.3.1 Who May Sue**

In relation to registrable forms of intellectual property, proceedings for infringement may be brought by the registered owner of the IP (ie the original owner of the IP or a registered assignee), or by a person to whom an exclusive licence has been granted. As discussed above in section 5.3, an “exclusive licence” is a licence that authorises the licensee to the exclusion of all other persons, including the grantor of the licence, to exercise a right which would otherwise be exercisable exclusively by the owner of the IP. In some cases, infringement may give rise to concurrent rights of action by the owner of the IP and their exclusive licensee. An exclusive licensee of a patent or copyright can sue infringers on its own initiative, but must join the owner of the patent or copyright as a party to the litigation. An action for infringement of a PBR may only be brought by the owner of the PBR.

### **6.3.2 Liability for Infringement: General**

Generally speaking, intellectual property rights are infringed by any person who, without the authorisation of the owner of the IP, does, or authorises another person to do, any of the exclusive rights conferred upon the owner of the IP. There are circumstances in which ascertaining whether a particular act falls within one of the exclusive rights of the owner can be a complex matter. Generally speaking, however:

- Plant breeder's rights are infringed when a person produces, reproduces or sells, imports or exports, propagating material of the protected variety, or where the

person uses the name of a registered variety in relation to any other plant variety in the same plant class or a plant of any other variety of the same plant class;

- Patent infringement occurs when a person “exploits” the invention, for example, by making, using or selling a patented product, or by using a patented process;
- Trade marks will be infringed if the defendant affixes a registered or unregistered mark to goods, or uses a registered or unregistered mark in relation to services or in advertisements, business letters etc;
- Copyright will be infringed if the owner copies or communicates to the public a substantial part of the work (a low threshold), except in cases where the defendant can bring itself within one of a number of specific exceptions (such as fair dealing for the purposes of research or private study); and
- An action for breach of confidence (including misuse of trade secrets) will lie where information that is “secret” is communicated to a third party without the consent of the person with whom the information originated or disclosed it.

### **6.3.3 Liability for Infringement: Employers**

It is important to emphasise that the general rule that an employer will be vicariously liable when an employee commits a wrongful act in the course of their employment applies to infringement of intellectual property rights. It would therefore be normal to bring an action against the organisation concerned, rather than against particular individuals, but there are exceptions to this.

### **6.3.4 Time Limits**

Delay in bringing proceedings may lead to an action for infringement being 'barred', either under statutory provisions or on equitable principles. For example, an action for infringement of copyright must be commenced within six years of the infringement taking place. Similarly, in the case of patents the action must commence within six years of the infringement taking place or three years from when the patent was granted - whichever period ends later. Once begun within the requisite period, however, proceedings will only be struck out for want of prosecution if there is real prejudice to the defendant, as well as inordinate delay.

### 6.3.5 Obtaining Legal Representation

IP litigation is highly specialised, and care should be taken to retain legal practitioners with appropriate expertise in IP litigation, as distinct from commercial drafting alone, even if this involves retaining different firms. Further, even amongst larger commercial law firms, levels of fees differ greatly. Attention should be paid at the outset to the charging structures both of particular firms as a whole and also to the practitioners within those firms who would have carriage of the litigation. These factors could have significant costs implications for the running of the litigation. A good method of obtaining advice about appropriate legal representation is to ask other organisations about their experiences.

### 6.3.6 Obtaining and Preserving Evidence

#### *(a) Generally*

A potentially important source of evidence derives from the fact that owners are able to obtain a court order requiring a person to reveal information relevant to the action. This may include the names and addresses of relevant parties, the dates and quantities of importation, and the source of goods or materials.

Orders for discovery are particularly useful in that they enable right holders to obtain access to documents in the possession or control of the other parties to the litigation. These orders are strictly regulated by the courts and it is a contempt of court not to comply with them. The discovery process may enable rights owners to locate working documents showing evidence of infringement, determine the number of infringing documents or articles and to trace the channels through which infringing goods are distributed. The process is of great value in determining the strength of a party's claims.

It should also be noted that in proceedings for infringement of a patent or a PBR, the defendant will generally cross-claim for revocation of the patent or PBR. In anticipation of such an event, it is recommended that an IP owner maintain files of all documents relevant to the grant of the patent or PBR, including test results and the names of the inventors and parties that worked on the project leading to the grant of the patent or

PBR. In many cases, this information is lost, which makes it more difficult for IP owners to defend cross-claims for revocation in infringement proceedings.

#### *(b) 'Anton Pillar' Orders*

To enable intellectual property right owners to preserve evidence prior to trial the courts have developed the so-called 'Anton Pillar' order. In essence, an Anton Pillar order is a search order that permits a plaintiff (and their solicitor) to inspect the defendant's premises and to seize or copy any information that is relevant to the alleged infringement. Applications for search orders are made to a judge. As the order aims to ensure that evidence is not destroyed, the application is made without giving notice to the other party. Given the potentially draconian nature of such a 'search' order, they will only be made if the matter is urgent or otherwise desirable in the interests of justice. Before an order will be granted, the courts require plaintiffs to show that they have an extremely strong prima facie case of infringement and that the potential damage to them is very serious. The plaintiff must also provide clear evidence that the defendant has incriminating material in its possession and that there is a real possibility that the evidence will be destroyed. The search order is subject to a number of procedural safeguards. Failure to comply with an order is a contempt of court, which may result in imprisonment or a fine.

### **6.3.7 Presumptions**

Defendants can, and deliberately do, prolong proceedings by forcing plaintiffs to prove that they are the owners of the intellectual property in question. To offset this tactic the legislation provides that certain matters relating to ownership of intellectual property are presumed to be correct unless rebutted by evidence to the contrary. In particular:

- In relation to copyright works apparently published under the name of the author, there is a presumption that the person named is in fact the author and that the author is the first owner of copyright. (But remember this is only a presumption and that it can be defeated, for example, by showing that the work was made in the course of employment such that the employer is the first owner of copyright).
- In relation to registered forms of intellectual property, there is a general presumption that the registered owner was entitled to apply for the right in question.



### 6.3.8 Costs and Risks

#### *(a) General*

We noted at the outset that deciding whether to pursue an organisation or an individual that appears to be infringing your intellectual property rights is ultimately a commercial decision. Consequently, such a decision needs to be made in light of the costs and other risks associated with bringing an action for infringement. Equally, however, thought needs to be given to the risks associated with not pursuing infringers - risks that are sometimes ignored. When considering whether to bring an action it must also be remembered that obtaining legal advice, sending letters of demand etc does not commit the potential plaintiff to proceeding to trial. It may sometimes be appropriate to decide at a particular point to proceed no further. For example, plaintiffs often decide not to proceed if an interlocutory injunction is refused, that is, an order made prior to the final determination of the dispute that prevents the defendant from behaving in a particular way (interlocutory injunctions are discussed in detail in section 6.4.1 below).

#### *(b) Costs and Risks Associated with Bringing Litigation*

The costs of running litigation to enforce infringement of IP are substantial. For example, an action for infringement of a patent in the Federal Court (which will invariably involve meeting a cross-claim for revocation of the patent) will cost upwards of \$250,000. Actions for infringement of copyright or a trade mark are generally less costly, but often exceed \$100,000. These costs increase if there is an appeal from the decision of the Federal Court. Even though the Court will generally order that the successful party's costs be paid for, only rarely does this mean that successful parties recoup all of their costs. Generally, successful litigants in the Federal Court recoup between 50% - 70% of their actual expenses. Further, Federal Court litigation is a slow process – patent infringement proceedings, depending on their complexity, may last several years from commencement to judgment.

It will therefore be, in part, a commercial decision as to whether the potential benefits of commencing litigation to enforce IP rights outweigh the costs involved. Litigation is more likely to be an option if the IP involved is especially valuable, the argument in favour of infringement is strong and the potential recoverable damages are high. In other cases, for example involving disputes between a licensor and a licensee, alternative dispute

resolution such as mediation may be more cost effective and less risky. Other issues may impact on the decision to litigate. If action is taken to enforce a patent or a PBR that is close to expiry, by the time a Court decides that the patent or PBR has been infringed, the subject matter may have entered the public domain, thus potentially affecting the damages recoverable. Finally, the political risks involved in an organisation bringing litigation, given the considerable costs involved and the inherent uncertainties as to outcome, should not be discounted.

### *(c) Risks Associated with Not Proceeding Against Infringers*

Risks associated with a decision not to pursue an infringer fall into two categories:

- Firstly, there is the danger that the owner will obtain a reputation as an organisation that is reluctant to enforce its IP rights. This may well encourage the potential defendant and others to ignore the owner's claims to intellectual property protection in the future. In contrast, potential defendants may choose to steer clear of organisations that are known to pursue infringers aggressively; and
- Secondly, certain undesirable legal consequences may flow from a decision not to enforce intellectual property rights. Most dramatically, a failure to enforce certain types of intellectual property may result in the right being lost. In particular, a failure to enforce a confidentiality agreement may result in the disclosure of the protected information, thereby destroying the protected subject matter and any potential future rights (such as patent protection). Generally speaking, once confidential information enters the public domain the party affected by the breach of confidence can no longer prevent others from using that information, and its rights are limited to the recovery of damages arising from the breach of confidence. Similarly, a failure to enforce trade mark rights may result in the mark becoming 'generic', that is, being seen by consumers as a description of goods or services in general, rather than being seen as an indication of the trade origin of the goods or services. In such a case trade mark protection will be lost.

## **6.4 Civil Remedies**

We now turn to consider the various forms of relief or remedy that are available to a plaintiff who is successful in proceedings for infringement of IP. Generally speaking, in actions for infringement of IP rights the remedies available are the same as for

interference with any other property right. Thus, possible forms of relief include an award of damages, a grant of an injunction, and an account of profits.

#### 6.4.1 Interlocutory Injunctions

Perhaps the most important and frequently sought remedy in intellectual property actions is an 'interlocutory injunction' – an order that the defendant stop infringing immediately pending final determination of the action. Such an order can only be granted if the matter is urgent and if it is otherwise desirable in the interests of justice. Violation of an injunction amounts to a contempt of court and can result in fines, sequestration orders or imprisonment.

Because the basis of the grant of relief is that the matter is urgent, such applications are necessarily disposed of quickly and usually on the basis of sworn written evidence which has not been subjected to cross-examination. Consequently, there is the real possibility that the tribunal's view at this interim stage will differ from the final result when matters are aired fully at trial. Courts are therefore keen to ensure that when granting interlocutory relief they do so in a way that does not cause irreparable damage to the interests of either party. Not surprisingly, then, the courts are caught in a tension between whether to examine the issues raised as far as possible so as to ensure the interim decision is as close to the ultimate decision as possible; and whether to ignore the legal issues, since the evidence is necessarily inadequate, and focus largely on minimising the injustices that will ensue from incorrect preliminary intervention. Inevitably, there is debate about whether the existing law adequately reconciles the competing aims that a decision be as "speedy" as possible and as "correct" as possible.

In deciding whether or not to grant interlocutory relief, the courts will consider: first, whether there is a serious question to be tried, in the sense that the plaintiff has a real prospect of succeeding in its claim for a permanent injunction at trial; and, second, whether the balance of convenience lies in favour of granting or refusing interlocutory relief.

The governing principle in deciding whether the balance of convenience favours the granting or refusal of interlocutory relief is whether the plaintiff would be adequately compensated by an award of damages if it were to succeed at trial. If damages would be an adequate remedy and the defendant would be in a financial position to pay them,

then the balance of convenience will usually favour the refusal of interlocutory relief. If, on the other hand, damages would not be an adequate remedy, the court will then consider contrary hypothesis, namely whether the defendant would be adequately compensated by an award of damages if it were to successfully defend the plaintiff's action for infringement at trial. If damages would be an adequate remedy and the plaintiff would be in a financial position to pay them, then the balance of convenience will usually favour the granting of interlocutory relief.

To ensure that the parties have satisfactory financial resources to meet any award for damages given at trial, the courts invariably require as a condition of granting or refusing interlocutory relief that the parties provide an undertaking to pay any damage suffered by either party as a result of granting or refusing interlocutory relief.

Aside from the merits of its case and the financial position of the defendant, the likelihood of a plaintiff succeeding on an application for an interim injunction will also depend upon the IP in question. For example, whilst it is today easier to obtain an interim injunction to restrain infringement of a patent than was once the case, the general feeling is that interim injunctions are difficult to obtain in Australian patent infringement cases. Instead, the courts tend to favour requiring the defendant to give an undertaking as to damages and setting down early hearing dates for the trial. On the other hand, where the IP in question concerns confidential information, the chances of obtaining interlocutory relief are greater because a failure to prevent the defendant from using the confidential information before the trial is heard may lead to the destruction of the subject matter of the claim.

#### **6.4.2 Final Injunctions**

A final or 'perpetual' injunction is usually granted to an intellectual property owner who at trial (that is, following the determination of the case by a judge who has reviewed all the evidence thoroughly) proves that its rights have been infringed by the defendant. The effect of such an injunction is to order the defendant not to carry on with certain activities, and hence it is directed at future events (whereas the financial remedies, considered below, operate in relation to past acts). The terms of final injunctions are not limited to the infringing acts performed by the defendant in the past, but extend to any future act by the defendant which would amount to infringement of the protected IP.

The injunction is a discretionary remedy and while such an order will normally be made, it is not granted automatically.

The decision whether or not to grant an injunction will usually depend on the facts of the case. Nevertheless, the courts have indicated a few of the circumstances in which an injunction might be refused: where the infringement is trivial and can be estimated in, and adequately compensated by, money, and an injunction would be oppressive on the defendant; or where a plaintiff is only interested in money; or where the infringing act is old and there is no future threat; or where the term of the IP in question has expired between the time when the action was commenced and the time when it was finalised.

### 6.4.3 Financial Remedies

At the final determination of an infringement action, a plaintiff will usually seek some sort of financial remedy. Typically, these may be of three sorts:

- first, damages which are intended to compensate the owner of the IP;
- second, restitutionary remedies which are intended to deprive the infringer of profits wrongfully gained as a result of their infringement of the IP; and
- third, 'further damages', that is, damages over and above the amount to cover the loss suffered may be awarded in certain circumstances.

Before we look at each type of monetary remedy in more detail it should be noted that the courts have a discretion to refuse to award a financial remedy for infringement of certain types of IP. In particular, a court may refuse to grant a financial remedy for infringement of a patent or PBR where the court is satisfied that the defendant was not aware, and had no reason to believe, that a patent or PBR existed over the invention or plant variety in question. To avoid this result, patent owners frequently label patented inventions with the patent number ascribed to the patent when it was granted, or in the case of PBR, affix to the packing, in which propagating material is contained, the approved PBR logo (reproduced below). This provides a rebuttable presumption that the defendant was aware that a patent or PBR existed over the invention or plant variety in question.



### *(a) Damages in Infringement Actions*

As to past infringements, the usual remedy is for compensation in damages. The principle behind an award of damages is to restore the owner of the IP to the position he or she would have been in if the infringing act had not been done (not to punish the defendant). It is for the plaintiff to prove the loss, though this is not a matter of scientific precision. It is normally said that the usual measure of damages is 'the depreciation caused by the infringement of the value of the intellectual property right' but this test has also been criticised as providing little practical assistance. It is therefore common practice to calculate damages by reference to the licence fee that the owner would have been able to charge, but such an approach can itself be highly artificial and is not appropriate in every case. An alternative method of calculation where the owner of the IP exploits the IP themselves is the normal rate of profit which the owner of the IP would have made if the sales made by the defendant had have been made by the IP owner (as distinct from the profits made by the defendant – see below). Irrespective of the particular method applied by the courts, the calculation of damages can never be arrived at by a process of arithmetic precision.

### *(b) Account of Profits*

As an alternative to claiming damages a plaintiff may instead elect for an 'account of profits'. An account of profits is a discretionary remedy by which a defendant is deprived of any profits actually made by the defendant through his infringement of the intellectual property right. It is an alternative remedy to damages and cannot be claimed in addition to damages. The plaintiff must make an election at the time of judgment, rather than at the outset of proceedings, whether to seek damages or an account of profits. In calculating the profits, normal accounting principles are applied so that the costs normally attributable to the business in question are deducted from gross receipts. The defendant is only liable to account for those profits which are attributable to its infringement of the IP: any other profits that are not attributable to infringement of the IP must be apportioned or separated from those that are. Rendering an account of profits is therefore a cumbersome, expensive and time-consuming exercise. For this reason courts are, generally speaking, reluctant to exercise their discretion in favour of granting an account of profits unless it is practical and simple to do so.

### *(c) 'Further' Damages*

Damages additional to those discussed above may also be awarded in respect of infringement of IP rights. For example, under the *Copyright Act*, the court may award such additional damages as it sees appropriate having regard to the following factors:

- the flagrancy of the infringement;
- the need to deter similar infringements of copyright;
- the conduct of the defendant after being informed of the alleged infringement;
- whether the infringement involved the conversion of a work or other subject-matter from hardcopy or analogue form into a digital or other electronic machine-readable form; and
- any benefit shown to have accrued to the defendant by reason of the infringement.

Further, the Court has inherent power to award 'aggravated' damages (to compensate the plaintiff for injury to its feelings caused by the defendant's conduct) or 'exemplary' damages (to punish the defendant for acting with outrageous disregard for the plaintiff's rights and to demonstrate the Court's disapproval of such conduct). These are rarely awarded in the IP context.

#### **6.4.4 Delivery up of Infringing Articles**

In addition to an injunction and financial remedy, the owner may apply to the court for an order that the infringing articles be delivered up. Such an order can provide an important degree of assurance that the infringing activity will come to an end. Orders for delivery are subject to the discretion of the Court.

### **6.5 Criminal Offences**

#### **6.5.1 Introduction**

In modern times, intellectual property rights have been enforced by civil rather than criminal actions. In general, there was little demand for criminal prosecution, with rights-holders preferring the lower standard of proof associated with the civil law. Recently,

however, there has been increased interest in use of existing criminal liabilities and lobbying effort to expand the scope of such liabilities and to increase sanctions. The benefits of pursuing a criminal action are partly that it provides a remedy in cases where the infringer lacks the financial resources to meet an award of damages, but also the publicity that a criminal trial can attract and the deterrence effect of the sanction.

### 6.5.2 Offences and Penalties

Offences and penalties vary considerably as between different forms of intellectual property:

- In relation to plant breeder's rights, it is an offence to produce, reproduce or sell, import or export propagating material protected by PBR. Unlike criminal liability for infringement of copyright or trade marks, a person may be criminally liable for infringement of PBR irrespective of whether they knew or ought to have known that their acts constitute an infringement of PBR. The penalty on conviction is a fine of up to 500 penalty points (at present, \$55,000). Note that the criminal offences do not apply to the misuse of the registered name of a protected variety.
- In relation to patents, it is a criminal offence to falsely represent that an invention has been patented (for which there is a fine of \$6,000), but criminal offences do not apply more generally to patent infringement.
- In relation to registered trade marks, it is an offence to falsely apply a trade mark to goods or offer services under a mark 'knowing that the trade mark is registered or reckless as to whether or not the mark is registered'. It is also an offence to intentionally sell or otherwise deal in the course of trade with goods that have been falsely marked. The penalty on conviction is a fine of up to 500 penalty points (at present, \$55,000) and/or 2 years imprisonment.
- In the case of copyright, it is an offence to make a copy of a work or to sell or rent or import a copy of a work 'knowing or having reason to believe' that the copy infringes copyright. The penalty on conviction is a fine of up to 550 penalty points (at present, \$60,500) and/or 5 years imprisonment.
- Generally speaking, misuse of confidential information/trade secrets will not attract a criminal sanction in Australia. The position is different in many other countries.



### 6.5.3 Criminal Procedure and Use of the Criminal Provisions

It must be emphasised that criminal liability is in no sense confined to those normally considered to be 'pirates' and IP owners are increasingly choosing to use the criminal route to pursue infringers in cases of commercial disputes. This use of criminal proceedings is proving controversial because there is concern that defendants who believe they have a strong case and who would be willing to vigorously challenge civil proceedings will capitulate when faced with the threat of criminal conviction. The threat of criminal conviction might prove to be a potentially useful weapon, particularly in relation to Plant Breeder's Rights where the offences are general and do not depend on proving that the defendant was aware, or ought to have been aware, that their conduct was an infringement of PBR. However, these concerns are to some extent offset by the political risk attached to employing the criminal provisions.

If an organisation were interested in bringing criminal proceedings it could do so either by seeking the assistance of the police, which may be advantageous because the police may obtain a search warrant and police action carries a significant social stigma, or (perhaps more realistically) by bringing a private prosecution. It should be noted that even in the latter case, however, there are provisions that would allow Government to intervene. For example, Section 9 of the *Director of Public Prosecutions Act 1986* (NSW) gives the Director power to take over a prosecution commenced by another and either carry on proceedings or decline to proceed further.

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# Plant Breeder's Rights and Patents for Plants

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A Compendium of Key Case Law for the Horticulture  
Industries in Australia



*Know-how for Horticulture™*



This booklet was prepared independently by the Australian Centre for Intellectual Property in Agriculture with funding from Horticulture Australia Limited (Project HG04020 'Maximising the Benefits of Intellectual Property for the Australian Horticultural Industry').

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## Preface

This Compendium summarises a sample of key Australian and international cases involving PBR and patents for plants relevant to Australia's horticulture industries.

Issues covered include: constitutionality of PBR, patentability of plant material, farm-saved seed, essential derivation, disclosure and prior sale, misrepresentation, infringement, evidence and breach of contract.

This Compendium is designed as a reference for those in the horticulture industries in Australia who are likely to be involved in the commercialisation of plant material and in obtaining intellectual property protection. It is a compilation of some of the key recent cases in Australia and overseas, providing a guide to the way Courts are interpreting various part of the laws. The summaries of cases given here attempt to draw out the key points, but each case turns on its own particular facts and the judgement may differ from that in an apparently similar case. Some of the finer points can only be found by a full reading of the original court judgement.

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# Acronyms

ACIP	Advisory Council on Intellectual Property (Australia)
ACIPA	Australian Centre for Intellectual Property in Agriculture
Cth	Commonwealth of Australia
ED	Essentially Derived
EDV	Essentially Derived Variety
GMA	<i>Grain Marketing Act 1975</i> (Western Australia)
IP	Intellectual Property
PBR	Plant Breeder's Rights
PBR Act	<i>Plant Breeder's Rights Act 1994</i> (Cth)
PTO	Patent and Trade Mark Office
PVR	Plant Variety Rights
PVR Act	<i>Plant Variety Rights Act 1987</i> (Cth; superseded by <i>PBR Act</i> )
R&D	Research and Development
TPA	<i>Trade Practices Act 1974</i> (Cth)
UK	United Kingdom
UPOV	International Union for the Protection of New Plant Varieties (based in Geneva; initials reflect the name in French)
USA	United States of America
USC	United States Code, eg 35 USC refers to the equivalent of the <i>Patents Act</i> ; 35 USC 101 sets out the nature of a patentable invention





# Introduction

In Australia, plant breeders and biotechnologists can obtain intellectual property ('IP') protection through the *Plant Breeder's Rights Act 1994* ('PBR Act') or the *Patents Act 1990*. Similar systems are found internationally. Most PBR-type legislation (specifically for new plant varieties) reflects the International Convention for the Protection of New Varieties of Plants (UPOV Convention)<sup>1</sup>, and most patent legislation is consistent with the Patent Cooperation Treaty 1970 (as amended).<sup>2</sup>

IP rights were introduced originally to encourage new inventions or creations by giving the holder a monopoly to exploit the right for a prescribed period of time in return for publicly disclosing the invention. The grantee has the exclusive right over the protected material and others can only use it with consent from the holder. For inventors, plant breeders and users of new products it is important to understand the rights and obligations conferred by the IP laws (eg *PBR Act* and the *Patents Act*) and also the contractual terms under which the holder of IP rights allows others to use the invention or new plant variety.

There have been relatively few Court cases involving intellectual property for plant material, mainly because of the cost of litigation and the difficulty of obtaining the evidence needed to prove that infringement has occurred. Biological material can deteriorate quickly and requires lengthy growth trials to demonstrate its distinguishing characteristics, and DNA testing is not yet sufficiently accepted as total proof that the variety is what it is claimed to be. Often a Court action will be initiated, but will be dropped or settled out of Court because of the uncertainty of the available evidence. Both UPOV and the Australian Advisory Council on Intellectual Property (ACIP) are examining the issue of enforcement of PBR. ACIP released its Issues Paper on 12 March 2007<sup>3</sup>.

This Compendium deals only with cases relating to PBR and patent rights for plant varieties. It does not include more general patent cases or cases dealing with other forms of IP such as copyright and trade marks.

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<sup>1</sup> December 2, 1961, as Revised at Geneva on November 10, 1972, on October 23, 1978, and on March 19, 1991; <http://www.upov.int/en/publications/conventions/index.html>

<sup>2</sup> Washington on June 19, 1970, amended on September 28, 1979, modified on February 3, 1984, and October 3, 2001; <http://www.wipo.int/pct/en/texts/articles/atoc.htm>

<sup>3</sup> [www.acip.gov.au/reviews.htm#pbr](http://www.acip.gov.au/reviews.htm#pbr)

Plant varieties can be the subject of two (three in the USA) main forms of intellectual property rights:

- Standard patents (called utility patents in the USA) and/or
- Plant breeder's rights (or plant variety rights in some jurisdictions)

The requirements relating to each type of IP right are different and should be properly understood by those inventors, breeders, licensees and growers who might be obtaining or using protected varieties.<sup>4</sup>

Under the UPOV Convention, as amended in 1991, countries can apply both standard patent law and/or specific breeder's right laws to plant varieties. In each case the application must meet the requirements of the relevant law. For example, if it is a patent application then the plant variety must meet the requirements of novelty, usefulness and inventiveness rather than the new, distinct, uniform and stable requirements of the PBR laws.

In Canada the patent laws do not cover higher life forms including plants, animals and humans.<sup>5</sup> In Australia only humans and related processes are excluded from patent laws.

In the USA there are three forms of protection for plant varieties and their components:

- Utility Patent—available for both sexually and asexually reproduced plants (this is similar to a standard patent in Australia)
- Plant Patent, specifically for asexually reproduced plants—this is covered under specific sections of the patent law, but is a mix of standard patent requirements and specific UPOV-type requirements
- The *Plant Variety Protection Act* ('PVPA') which is based on the UPOV requirements, but is only for sexually reproduced plants

The cases summarised in this Compendium give some insight into the reasoning of Courts internationally in relation to the above forms of intellectual property protection for plants. An understanding of these interpretations is important for people who are seeking international protection or dealing with overseas plant breeders who may not understand the differences between systems.

A Court will look at each case on its own facts and although another case may appear to be similar to one mentioned in this Compendium the detailed facts (and therefore the judgement) could be different. In addition, although the intent of the legislation in each country may be similar, the wording to give effect to that intent may be different, resulting

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<sup>4</sup> The ACIPA website gives detailed information on PBR and basic information on patents in Australia: [www.acipa.edu.au/frame\\_pbr.html](http://www.acipa.edu.au/frame_pbr.html)

The IP Australia site also gives basic information on each form of IP and how to apply: [www.ipaustralia.gov.au](http://www.ipaustralia.gov.au)

<sup>5</sup> [2002] 4 SCR 45, 2002 SCC 76; <http://scc.lexum.umontreal.ca/en/2002/2002scc76/2002scc76.html>

in differing interpretations of the same action. For example the definition of an essentially derived variety in the Australian *PBR Act* (Section 4) and in the European law (Article 6(a)) is slightly different. This difference in wording has the potential for a significant difference in interpretation (see Attachment 2 for the relevant wording).

As well as differences in interpretation of the statutes, common law interpretation also can vary from country to country and therefore issues such as breach of contract and remedies are treated differently.

The Courts determine the legal interpretation through case law. The higher the Court in a country the greater the weight given to its interpretation. For example, in Australia the High Court is at the top of the hierarchy and its judgements are binding on the lower Courts. In the United States the Supreme Court of the United States is the highest Court.

Judgements handed down in a Court of one country do not bind the Courts of another country. However the reasoning and principles from these cases are useful to provide some guidance as to how the Courts may interpret legislation, particularly in areas where there has not been extensive litigation.

# 2

## Case Summaries: Plant Breeder's Rights

Sections 3-5 of the Compendium summarise the findings in twenty PBR and plant patent-related cases from Australia and overseas. These are not necessarily the only cases, but are the key ones which provide insight into the approach taken by the Courts on plant IP issues.

The cases have been grouped depending on whether they relate to PBR (Section 3) or Patents (Section 4). The *Hardy* and *Case-Swayne* cases in Section 5 do not deal with patents or PBR, but with matters relevant to contracts and cooperatives.

A full list of the cases and their references is in the Case List at the end of the Compendium (Attachment 5).

### 2.1 PBR: Constitutionality

***The Grain Pool of Western Australia v the Commonwealth* [2000]<sup>6</sup> ('Grain Pool')**  
High Court of Australia

#### Issues

Until this definitive High Court case in 2000 there had been some uncertainty about the Constitutional robustness of the *PVR Act* and the *PBR Act*.

The High Court summed up the key issues to be decided as:

- (a) whether the grant of rights in respect of *Franklin* barley under the *PVR Act* was valid within the Commonwealth's constitutional power;
- (b) whether, even if PVR rights were then validly granted, the transitional provisions from the *PVR Act* to the *PBR Act* could validly transfer the PVR rights under one Act to operate under the new Act.<sup>7</sup>

## Summary

Grain Pool claimed that the *PVR Act* in Australia was not constitutionally valid as it did not meet the criteria for Commonwealth jurisdiction under the Australian Constitution.<sup>8</sup>

The High Court found that the Acts were valid under the patents of invention power and therefore did not have to decide on the other constitutional issues. In providing reasons for its judgement, the High Court gave detailed insight into current thinking on the interpretation of the Constitution, particularly Section 51(xviii),<sup>9</sup> in the changing technological environment 100 years from its inception.

The case was crucial to the validity of the PVR/PBR system in Australia.

## Background

### The Heads of Power

The Heads of Power under the Constitution, used by the Commonwealth to enact the PVR and PBR legislation, were Section 51(xviii) (copyrights, patents of inventions and designs, and trademarks), Section 51(xxix) (external affairs, by virtue of being a signatory of the International UPOV Convention) and Section 51(xxxix) (matters incidental to the execution of any power).

Section 5 of the *PVR Act* stated:

Nothing in this Act requires or permits the grant of plant variety rights in respect of a new plant variety unless:

- (a) the origination of that new plant variety constituted an invention for the purposes of paragraph 51(xviii) of the Constitution; or
- (b) Where Australia is a party to the Convention—the grant is appropriate to give effect to the obligations of Australia under the Convention.

Cultivaust, a company licensed by the State of Tasmania (holder of PVR and then PBR) to deal with the barley variety *Franklin*, sold the variety in Western Australia. The *Grain Marketing Act 1975* (Western Australia) ('the GMA') prevented such sale of grain in Western Australia other than through the Grain Pool system.

As a result the Grain Pool took legal action against Cultivaust on the grounds that Cultivaust's actions in selling the variety outside the Grain Pool system contravened the GMA. Cultivaust used in its defence the fact that its rights were granted under

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<sup>6</sup> The *Grain Pool of Western Australia v the Commonwealth* [2000] HCA 14 23 March 2000; [http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/high\\_ct/2000/14.html?query=grain+pool](http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/high_ct/2000/14.html?query=grain+pool)

<sup>7</sup> The *Grain Pool of Western Australia v the Commonwealth* Joint Judgement at 6; [http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/high\\_ct/2000/14.html?query=grain+pool](http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/high_ct/2000/14.html?query=grain+pool)

<sup>8</sup> *Commonwealth of Australia Constitution Act 1900* (Cth)

<sup>9</sup> Gives the Commonwealth power to make laws in relation to copyrights, patents of invention, designs and trade marks

Commonwealth PVR and PBR legislation which rendered the state legislation invalid to the extent of any inconsistency.

The Grain Pool countered by claiming that the Commonwealth legislation was invalid under the Constitution.

Once the High Court had determined validity in relation to Section 51(xviii) (copyrights, patents of inventions and designs, and trade marks), it held that it was unnecessary to consider validity under the other two heads of power. The fact that the High Court found the legislation to be valid under the patents of invention power is important, as at the time the *PVR Act* was commenced in 1987 Australia was not yet a signatory to the then UPOV Convention.<sup>10</sup> When the *PBR Act* came into force Australia had not signed the 1991 amendments to the Convention which were included in the Schedule to the *PBR Act*. Therefore reliance on the external affairs powers could have resulted in an outcome which at least invalidated the legislation for the period between commencement of each Act and the time the relevant Convention was ratified. The consequence could have been the invalidation of all rights granted during those periods, with the potential for associated compensation claims.

### **Policy and Legal Arguments supporting the Constitutional Validity of the Acts**

The key policy and legal issues addressed in the Grain Pool case included:

- The meaning of copyright, patents of invention and designs, and trade marks
- Whether the interpretation should be based on the understanding in 1900 when the Constitution was written, or whether it had a wider interpretation based on the thinking at the time each case comes before the Courts
- The level of intellectual effort needed for an 'invention'
- The meaning of 'novelty' in general, and in relation to PVR/PBR
- The validity of the legislation when the application is for a product (eg a plant variety), but the right granted is for use of a subset of the product (ie the propagating material).

The High Court decision was confirmed in two judgements, one from the majority of the Court ('the Joint Judgement') and the other from Kirby J, who came to the same conclusion by a different route. The point of difference was in relation to the need to take into account the social norms and thinking in 1900 when interpreting the meaning of the Constitution.

Traditionally the High Court has given considerable weight to the social norms and intent in 1900 when interpreting the Constitution, although this has been tempered by recognition that a Constitution is written for all time and must be flexible enough to grow. The Joint Judgement is based on the premise that 1900 provides the base line but is not the only

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<sup>10</sup> Australia became a member of UPOV on 1 March 1989; the PVR Act received royal assent on 13 March 1987

factor to be taken into account, whereas Kirby J's reasons make it clear that he does not consider that thinking in 1900 should be relevant.

The Joint Judgment stated that 'Constitutional text is to be construed with all the generality which the words used admit. By 1900 "patents of invention" was a recognised category of legislation (as were taxation and bankruptcy)'. In 1908 Higgins J pointed out that the words in Section 51(xviii) should be interpreted broadly such that 'power to make laws as to any class of rights involves a power to alter those rights, to define those rights, to limit those rights, to extend those rights, and to extend the class of those who may enjoy those rights'.<sup>11</sup> It also is within power, as *Nintendo*<sup>12</sup> demonstrates, to determine that there be new rights in the nature of copyright, patents of inventions, designs and trademarks.<sup>13</sup> Closer reading of the Joint Judgement reflects a willingness by the High Court to move beyond the 1900 interpretation, while still taking it as the starting point.

Kirby J came to the same conclusion about the validity of the PVR and PBR legislation under Section 51(xviii) of the Constitution by a different route. His judgement was that there is no reason to even consider the thinking in 1900 because Constitutions are written broadly and, unlike other laws, are written to be timeless documents that grow with society. He stated, 'I reach my conclusion in accordance with what I take to be the meaning of the phrase "patents of inventions", in its "really essential characteristics" as understood in a Constitutional context in Australia today'.<sup>14</sup>

In determining whether the *PVR/PBR Acts* were valid under the patents of invention Head of Power the High Court considered each of the claims raised by Grain Pool.

### **Intellectual effort—Invention**

Grain Pool challenged the validity of the *PVR* and *PBR Acts* under Section 51(xviii) on a number of specific grounds. The first was that there are certain minimum standards that must be met in terms of 'intellectual effort' before something can be termed an invention to which letters patent could apply.<sup>15</sup>

As part of the argument the plaintiff invoked a comparison with Clause 8 of Section 8 of Article I of the United States Constitution, which prefaces its head of power with the purpose 'to promote the Progress of Science and useful Arts...' The plaintiff cited USA cases that held that an invention in the USA had to have a level of positive usefulness to qualify under the patent head of power.

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<sup>11</sup> *Grain Pool* at 18 quoting Attorney-General for NSW v Brewery Employees Union of NSW (the Union Label Case (1908) 6 CLR 469 at 611 612 (the Union Label Case).

<sup>12</sup> *Nintendo Co Ltd v Centronics Systems* (1994) 181 CLR 134 at 160

<sup>13</sup> *Grain Pool* at 41

<sup>14</sup> *Grain Pool* at 136

<sup>15</sup> *Grain Pool* at 12



However the Joint Judgement in the Grain Pool case held that the Australian Constitution does not require such conditions for usefulness.<sup>16</sup> The issue of utility in contrast to 'usefulness' was also considered.<sup>17</sup> Their Honours held that the requirement of a 'vendible product' for a valid process claim meant no more than that the end product be of utility in practical affairs.<sup>18</sup>

The Joint judgement cited *Advanced Building Systems*, where the judgement stated that

an invention which comes to a man by a happy flash of inspiration or without any prolonged experiment or thought may be as good a subject matter of a patent as one which has only been arrived at after long and difficult experiments, and a valid patent might be obtained under the Act for something stumbled upon by accident [or] remembered from a dream if it otherwise satisfied the requirements of the legislation.<sup>19</sup>

The High Court held that the 'origination' or 'breeding' required respectively by the *PVR Act* and the *PBR Act* involved sufficient 'intellectual effort' and was therefore valid under Section 51(xviii).<sup>20</sup>

### Novelty

Grain Pool submitted: (a) that it has always been a requirement of a patentable invention that it display elements both of novelty and inventiveness; (b) that it follows that this is an essential characteristic of the Constitutional concept of 'patents of inventions' in Section 51(xviii) and, finally, (c) that because, upon the proper construction of the *PVR* and *PBR Acts*, there is no requirement that both elements be present before a valid grant of rights may be made, neither statute can be supported under Section 51(xviii).

The High Court did not accept these submissions.<sup>21</sup> It confirmed that the *PVR* and *PBR Acts* did have a requirement for novelty which in the Constitutional concept of 'invention' may be satisfied by various legislative regimes which need not have any fixed character.<sup>22</sup> The Joint Judgement gave the example of Section 100(1)(g) of the *Patents Act 1952* where novelty was determined by reference to the state of affairs in Australia at the priority date of the claim in question. On the other hand, Section 7(1) of the *Patents Act 1990* requires comparison between the invention and the 'prior art base'. The relevant effect of the definition of 'prior art base' in Schedule 1 of the *Patents Act 1990* is that it includes information in a document publicly available outside Australia. There was no Constitutional constraint to the adoption by the Parliament of these differing criteria for the establishment

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<sup>16</sup> *Grain Pool* at 32

<sup>17</sup> *Grain Pool* at 45 discussing *National Research Development Corporation v Commissioner of Patents* (1959) 102 CLR 252. *Nintendo* was followed in *R v Patents Appeal Tribunal Ex parte Swift & Co* [1962] 2 QB 6 and in *Swift & Co v Commissioner of Patents* [1960] NZLR 775

<sup>18</sup> *Grain Pool* at 276-277

<sup>19</sup> *Grain Pool* at 55 discussing *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171

<sup>20</sup> *Grain Pool* at 42

<sup>21</sup> *Grain Pool* at 53

<sup>22</sup> *Grain Pool* at 64

of novelty in patent law. The same is true of the regime established by the *PVR* and *PBR* Acts.

In the *PVR Act* the variety must be originated by a person and be distinct, not sold in Australia before and not sold overseas earlier than 6 years before lodgement of the PVR application.<sup>23</sup> In addition Section 3(3A) provides that a person who selected a distinct<sup>24</sup> plant variety from a plant population which that person had grown was to be taken to have originated that variety.

Similarly in the *PBR Act* Section 5(1) states: 'a reference in this Act to breeding, in relation to a new plant variety, includes a reference to the discovery of a plant together with its use in selective propagation so as to enable the development of the new plant variety.'<sup>25</sup> These provisions, together with Section 43(1)(a) (that the variety has a 'breeder'), Section 43(1)(b) that the variety be 'distinct', and Section 43(1)(e) that it not have been exploited or have only recently been exploited, are sufficient for the Constitutional requirement of 'novelty'.<sup>26</sup> There is an inventive step by virtue of 'origination by a breeder' and there is novelty by virtue of the new plant variety having to be distinct from all other known varieties, and not yet in the public domain.

### **Product or process—rights are invalid**

Grain Pool claimed that the application is made by a 'breeder' in relation to a new plant variety under Section 3(1) of the *PBR Act* (and equivalent sections of the *PVR Act*) but that the exclusive right is not in relation to either the product (plant variety) or to the process (breeding); the right is to undertake certain actions in relation to the propagating material (Section 11 of the *PBR Act*), not in relation to the breeding of the variety. As a result the plaintiff claimed that the rights were outside the scope of Section 51(xviii).<sup>27</sup>

The High Court did not accept that proposition and, in a paragraph which captures the essence of the concept of breeder's rights and the Constitutional validity of the legislation and its processes, stated:<sup>28</sup>

By defining the ambit of the monopoly by reference to activities in relation to 'propagating material' of the relevant new plant variety, the Breeder's Rights Act secures the objective of enabling the grantee to control the production of any other plant with the same essential characteristics as the particular plant variety. That which entitles the grantee to those rights are those characteristics which make a plant variety registrable under s 43(1). A plant variety having those characteristics is an invention in the Constitutional sense and the statute secures the benefit of the invention by conferral of particular exclusive rights to control production of other plants with the same essential characteristics. Such a regime also was established by the Varieties Act. Neither travels beyond the Constitutional boundary

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<sup>23</sup> *Grain Pool* at 60-62

<sup>24</sup> In the sense given by paragraph (d) of the definition of 'new plant variety' the *PVR Act*

<sup>25</sup> *Grain Pool* at 67

<sup>26</sup> *Grain Pool* at 68

<sup>27</sup> *Grain Pool* at 72

<sup>28</sup> *Grain Pool* at 75

established by Section 51(xviii).

### Conditions under the Acts are beyond the concept of 'patent' rights

Grain Pool submitted that the use in Section 51(xviii) of 'patents' imports notions of exclusivity of use and exploitation.<sup>29</sup> Under the *PVR* and *PBR Acts*, conditions and qualifications on the grant of variety rights and breeder's rights are so extensive and the nature of the 'rights' themselves is so limited that the legislation falls outside the Constitutional boundary. The plaintiff referred in particular to provisions in both statutes by which a grantee is obliged to meet the reasonable requirements of the public,<sup>30</sup> may be subjected to conditions restricting the powers of assignment and license,<sup>31</sup> and is required to supply reproductive material and plant specimens to specified authorities.<sup>32</sup>

The High Court held that it was well settled before 1900 that conditions or provisos could be attached to the patent grant, and that failure to observe them could lead to revocation of the patent.<sup>33</sup>

### Positive rights to sell

The Court examined the claim by the Western Australian Attorney-General, who intervened in the case, that the rights granted are 'by way of positive authority to sell and export the protected variety'. This was said to 'stand outside the fundamental concept of a patent of invention' because it would deny other laws, particularly State laws, which regulate the sale and use of the protected variety.<sup>34</sup>

The Court did not accept this argument, holding that any exclusive rights are of limited duration and the PVR/PBR regimes are consistent with well established provisions in patent law.<sup>35</sup> The Joint Judgement quoted *Steers v Rogers*, where Lord Herschell LC spoke as follows:

The truth is that letters patent do not give the patentee any right to use the invention—he would have that with or without patents, but without so would all the world. What the letters patent confer is the right to exclude others from manufacturing in a particular way, and using a particular invention.

The patent law was not concerned with the conferral of 'positive authority' in the sense referred to by the Attorney-General for the State of Western Australia.<sup>36</sup>

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<sup>29</sup> *Grain Pool* at 77

<sup>30</sup> *PVR Act*, s39, *PBR Act*, s19

<sup>31</sup> *PVR Act*, s34, *PBR Act*, s49

<sup>32</sup> *PVR Act*, s33; *PBR Act*, s44(1)(b)(vii)-(viii).

<sup>33</sup> *Grain Pool* at 78

<sup>34</sup> *Grain Pool* at 81

<sup>35</sup> *Grain Pool* at 82

<sup>36</sup> *Grain Pool* at 84 quoting *Steers v Rogers* [1893] AC 232 at 235. See also the remarks of Brennan J in *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191 at 220

## Court decision

In summary the High Court:

- held that the *PVR* and *PBR Acts* in their entirety are valid under Section 51(xviii) of the Constitution and therefore it is not necessary to test them against the other Constitutional powers
- was divided on whether the meaning of the words of Section 51(xviii) should be construed in accordance with common meaning in 1900, but
- agreed that the words should be construed widely to take into account new technologies
- held that Section 51(xviii) was not limited by a need for the invention to make a positive contribution, as the limitation relating to the need for positive usefulness in the USA Constitution is not in the Australian Constitution
- held that the requirement for inventive step was met by the origination and breeding provisions of the *PVR* and *PBR Acts*
- held that the requirement for novelty was met by the provisions requiring a new plant variety to be distinct from other known varieties and the fact that it could not have been previously sold (except in limited circumstances)
- confirmed the validity of the relationship between the application for rights over a product (new variety), produced by a process (breeding) with the exclusive right granted over the propagating material of the variety
- held that the conditions placed on the grantee under the *PVR* and *PBR Acts* are not inconsistent with the nature of the 'patent' rights
- held that rights under Section 51(xviii) are not positive rights to exploit the subject matter—this can be done whether or not the rights are granted; the rights allow the grantee to exclude others from exploiting the new variety or invention.

## Implications for the horticulture industries in Australia

This case puts beyond doubt the validity of the *PVR* and *PBR Acts* in Australia and provides certainty for breeders, growers and licensees of protected varieties both in Australia and overseas so that they can have legal confidence in Australia's legislation.

The case also sets out the nature of plant breeder's rights in terms of the level of inventive step that is required to demonstrate that a person is the 'breeder' and thereby entitled to the right.

For those in the horticulture industries in Australia dealing with protected plant varieties this case gives strong guidance and certainty as to the way the Australian High Court interprets the basic principles of intellectual property rights.

The case also gives certainty to horticulture breeders in other countries who may wish to protect their varieties in Australia, and to their Australian licensees, ensuring that we have a stable system to assist with commercial development of new horticultural plant varieties in Australia.

## 2.2 PBR: Farm-saved Seed; Extension of Rights

*Cultivaust v Grain Pool* [2004]<sup>37</sup>

Single Judge in the Federal Court of Australia, and

*Cultivaust v Grain Pool* [2005]<sup>38</sup> ('Appeal case')

On Appeal to the Federal Court

### Issues

The main issues for determination by the Court in the 2004 case were:

- Meaning of 'exercise the grantee's right' over harvested material and products of harvested material—Section 14(1)(b) and Section 15(1)(b) of the *PBR Act*
- Impact of Section 14 and Section 15 on the farm-saved seed exemption in Section 17 of the *PBR Act*
- Impact of the old Section 18 of the *PBR Act* (and the equivalent section in the *PVR Act 1987*)—this section was removed from the *PBR Act* in 2002.

### Summary

The Department of Primary Industry in Tasmania ('Tasmania') held the PVR and then PBR over the *Franklin* variety of barley. It licensed Cultivaust to be its commercialising agent outside of Tasmania. Grain Pool received, stored and sold the variety, having established a *Franklin* pool in 1993-4. It had no written authority from Tasmania or Cultivaust to do this.

Tasmania and Cultivaust claimed that Grain Pool had infringed the PBR over *Franklin* barley by offering it for sale, selling it and storing it for those purposes. The Court did not agree that there had been an infringement of PBR, on the grounds that the original Section 18 of the *PBR Act* applied ie that the barley so stored, offered for sale and sold by Grain Pool was for use as food and not as propagating material (this Section 18 was deleted in 2002 and so the outcome of similar cases after that time would be different).

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<sup>37</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* [2004] [FCA 638 21/5/04]; [http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal\\_ct/2004/638.html?query=cultivaustnc=25&order=down&sort=date&pos=0&view=a&head=b&box=Inbox](http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/2004/638.html?query=cultivaustnc=25&order=down&sort=date&pos=0&view=a&head=b&box=Inbox)

<sup>38</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* [2005] FCAFC 223 (28 October 2005) <http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/FCAFC/2005/223.html?query=cultivaust>

However Mansfield J also gave considerable insight into the interpretation and use of Sections 14 and 15 of the *PBR Act*.<sup>39</sup> Therefore if Cultivaust could demonstrate that it had not had reasonable opportunity to exercise its rights over the farm-saved seed (propagating material), it might have been able to exercise rights over the harvested material.

The Court determined that the farm-saved seed exemption in the *PVR* and *PBR Acts* did not prevent the rights holder exercising its rights over second and future generation harvested crops grown from farm-saved seed, under the provisions of Section 14 and Section 15.

However, in this case, even if Cultivaust had triggered Section 14, it would not have been able to exercise its rights due to the existence of the old Section 18 which gave an exemption for harvested material which was used for food and fuel. The result of the case would be different now that the old Section 18 has been deleted (2002).

## Background

The Tasmanian Department of Primary Industries gained Plant Variety Rights in 1990 over *Franklin* barley, a new variety with high grain yield under suitable growing conditions, flexibility of sowing time, good disease resistance, strong straw and resistance to head loss, high malt extract, high diastatic power (i.e. starch degrading enzyme activity), and short period of grain dormancy.

It was good for malting and in 1992 two key maltsters in Western Australia encouraged South Australian and Victorian growers to plant the variety. The growers were obliged to sell their barley through ABB, the marketing body for grains at the time.

Tasmania decided to licence the growing of the barley within Tasmania itself, but called for tenders for the commercialisation of the variety outside the State.

To overcome the difficulty of obtaining a royalty with grains such as barley where saving seed by growers for the following year's crop was common practice, the 'idea of some form of "end product royalty" emerged, payable either by maltsters on usage, or in some way at the point of sale by growers, or at the point of sale to maltsters (or to exporters)'.<sup>40</sup>

In May 1991 Cultivaust was appointed Tasmania's agent for commercialising *Franklin* barley outside Tasmania.

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<sup>39</sup> s14 a grantee of PBR may exercise rights over harvested material if:

- (a) propagating material of the plant variety covered by PBR is produced or reproduced without the authorisation of the grantee; and
- (b) the grantee does not have a reasonable opportunity to exercise the grantee's right in relation to the propagating material; and
- (c) material is harvested from the propagating material

Similar provisions apply under s15 for products of harvested material  
[www.scaleplus.law.gov.au/html/pasteact/1/618/0/PA000200.htm](http://www.scaleplus.law.gov.au/html/pasteact/1/618/0/PA000200.htm)

<sup>40</sup> *Cultivaust v Grain Pool* [2004] para 39

In March 1991 *Franklin* barley was sent via Grain Pool for evaluation trials in Western Australia. In April Tasmania further wrote to the Department of Agriculture in Western Australia confirming that the shipment had been sent, on the understanding that all grain would be used for harvest and none would be retained for sowing. The Western Australia Department responded accepting the conditions and also wrote to the growers in similar terms.

In 1992 one of the Western Australia maltsters paid for the shipping of a substantial quantity of *Franklin* to Western Australia through the Tasmanian marketing body (Tasmanian Grain Elevators Board). Additional *Franklin* went to Western Australia through deals between another maltster, Joe White, and Cultivaust, and between the Grain Pool and Cultivaust. In the facts of the Appeal case, it was stated that:

it was agreed that Joe White would procure about 200 tonnes of *Franklin* barley for growing trials in 1992 and the Grain Pool would be responsible for the allocation and distribution of that *Franklin* barley. There were also direct dealings between Cultivaust and the Grain Pool for the supply of *Franklin* barley for the 1992 crop.<sup>41</sup>

However Grain Pool claimed that Cultivaust sold the barley direct to Western Australia farmers who planted it and then saved some seed from the crop for future crops as was allowed under the *PVR* and *PBR Acts*.

In a memo from Cultivaust to Joe White in April 1992 it was agreed that there would be an end product royalty system, but no mention was made of a prohibition on saving seed. Consistent with that memorandum, Joe White provided the growers with a document for signing which included an acknowledgment that the barley supplied was covered by PVR which prohibited it from being sold, bartered or given away without the written consent of Cultivaust or Tasmania. It did not restrict the grower from retaining seed for the following year's harvest.<sup>42</sup>

In May 1992 a fax went from Cultivaust to Grain Pool as follows:

It is our responsibility to act for the best interests of the breeder, the Tasmanian Department of Primary Industry; to do this we cannot allow seed sales into Western Australia until we have established a long term royalty system for the breeder. To do this we feel that an end product levy collected on grain received is the long term solution and we would wish to discuss this with you prior to authorising any seed sales. This system has been established in other States of Australia.<sup>43</sup>

Without waiting for a reply or confirmation to the terms, Cultivaust released seed to Joe White maltsters. By December 1992 a draft agreement was sent by Cultivaust to Grain Pool with a suggested end point royalty. It was returned with the actual dollar amounts removed, but not the clause itself.

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<sup>41</sup> *Cultivaust v Grain Pool* [2005] para 20

<sup>42</sup> *Cultivaust v Grain Pool* [2005] para 85

<sup>43</sup> *Cultivaust v Grain Pool* [2005] para 86

In February 1993 Grain Pool Western Australia withdrew its offer to assist Cultivaust with the commercialisation of *Franklin* as there was some opposition amongst the Western Australia Farmers Federation to the end point royalty.

In early 1993 Cultivaust went ahead and appointed a seed merchant to distribute *Franklin* in Western Australia. The seed bags displayed a warning: *Unauthorised commercial propagation or any sale, conditioning, export, import or stocking of propagating material of this variety is an infringement under the Plant Breeder's Rights Act 1994.*

From 1993-94 the Grain Pool established a *Franklin* pool but indicated to Cultivaust that it would not otherwise be involved in the commercialisation of the variety.

The maltsters obtained permits from Grain Pool to source *Franklin* direct from growers and one maltster also continued to obtain supplies direct from Tasmanian growers.

Cultivaust and Tasmania claimed that the PBR in *Franklin* were infringed by Grain Pool as it had stored and sold the protected variety without a licence. They did not make a claim in relation to the *PVR Act*, having acknowledged that the extension of the right to the harvested material and products of the harvested material under certain circumstances did not exist until Sections 14 and 15 of the *PBR Act* came into being.<sup>44</sup>

Tasmania and Cultivaust claimed that Sections 14 and 15 of the *PBR Act* gave the rights holder the opportunity to exercise their rights over

- the propagating material
- the harvested material
- products from the harvested material.

Grain Pool claimed that it had not infringed PVR in *Franklin* barley. Section 8 of the *PVR*<sup>45</sup> Act provided exemptions from infringement if the farmer saved seed and if harvested material was sold for the purpose of food rather than as reproductive material. The farm-saved seed exemption was provided for in Section 17 of the *PBR Act*.<sup>46</sup> Until 2002, Section 18 of the *PBR Act* continued the *PVR Act* exemption for the use of material for food.

Mansfield J found that Cultivaust and Tasmania had known that people were propagating the variety without authority (farm-saved seed) but had not taken action, and were thereby deemed not to be able to exercise their plant breeder's rights under Section 14 or Section 15. This was on the grounds that they had reasonable opportunity to exercise their rights over the propagating material had not done so. The 'reasonable opportunity' appears to have been determined by Mansfield J on the basis that Cultivaust had knowledge that

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<sup>44</sup> *Cultivaust v Grain Pool* [2004] para 159

<sup>45</sup> <http://www.scaleplus.law.gov.au/html/comact/6/3023/0/CM000480.htm>

<sup>46</sup> <http://www.scaleplus.law.gov.au/html/pasteact/1/618/0/PA000230.htm>



farmers were saving the seed and harvesting second and further generation crops. However the Court's reasoning does not really explore how they would have exercised their PBR rights over the saved seed. This interpretation of 'reasonable opportunity' was queried but not determined by the Appeal Court.<sup>47</sup>

Mansfield J further confirmed that a farmer can use propagating material from the initial propagating material legitimately obtained. Section 17 of the *PBR Act* authorises the retention of such seed for use as propagating material for the subsequent generation of crop. However, if the farmer saves seed from the first generation crop and sells the harvested material without the further authorisation of the grantee of PBR, the grantee is entitled to seek to exercise the PBR rights in accordance with Section 14 or Section 15 of the *PBR Act* as long as the three criteria, previously mentioned, are met.

Mansfield J linked Section 17 with Section 14(2) of the *PBR Act* as follows:

...in my view, s14(2) describes the status of second and subsequent generations of crop (other than that retained for farm saved seed), so that second and subsequent generations of crop are also to be treated as if the harvested material were propagating material covered by s11 of the *PBR Act*.

### Court decision

The Court found that there had not been an infringement of PBR or PVR because at the time of the actions in question the now deleted Section 18 of the *PBR Act* (and its Section 38 *PVR Act* equivalent) was in force, giving an exemption to infringement if the otherwise infringing acts were done with plant material that was to be used for food rather than as propagating material.

Because of this decision it was not necessary for the Judge to rule definitively on the operation of Section 14 and Section 15 of the *PBR Act*. However the reasoning given by Mansfield J as to the conditions that could trigger the activation of these sections has helped emphasise the fact that Section 14 and Section 15, together with the deletion of the old Section 18, mean that the farm-saved seed exemption does not allow farmers to harvest second and further generation crops of a protected variety grown from farm-saved propagating material without obtaining the consent of the breeder.

### Appeal decision

This case was appealed to the Federal Court (three Judges) and the decision was handed down in October 2005.<sup>48</sup> Despite *Cultivaust's* arguments that Section 18 (the section that was deleted in 2002) should not include harvested material that is also propagating material, the Appeal Court dissected Sections 11, 14, 15 and 18 and found that there was

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<sup>47</sup> *Cultivaust v Grain Pool* [2005] paras 56 and 57; <http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/FCAFC/2005/223.html?query=cultivaust>

<sup>48</sup> *Cultivaust v Grain Pool* [2005] <http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/FCAFC/2005/223.html?query=cultivaust>

no basis for such an interpretation. The Parliament had deliberately included Section 18, and its *PVR Act* precursor Section 38, with the intention of exempting the use of the material for food (as noted earlier, this provision was deleted in 2002).

The appeal was dismissed and the Court held that it did not have to decide issues in relation to the operation of Section 14 and Section 15 of the *PBR Act*. However in paras 56 and 57 the Appeal Court stated:

56. In dealing with s 14 of the *Plant Breeder's Act* the primary judge considered the meaning of s14(1)(b), which is in the same terms as s15(b). The primary judge, in dealing with whether Tasmania had a 'reasonable opportunity to exercise the grantee's right in relation to *Franklin* barley produced or reproduced without its authorisation', the primary judge characterised Tasmania's 'rights' [sic] as 'exclusive, but negative' and said that the exercise of 'those rights' [sic] involved, if necessary, action under s 54 of the *Plant Breeder's Act*. However, s 54 simply provides that that an action for an infringement of PBR in a plant variety may be begun in the Federal Court.

57. His Honour's characterisation may involve a confusion of the concept of exercising the right that constitutes PBR with the concept of enforcing rights that arise under the *Plant Breeder's Act* by reason of infringement of the right, conferred by the *Plant Breeder's Act*, that constitutes PBR. That is to say, if s 14(1) be relevant, the primary judge may have misconstrued s 14(1)(b) in failing to distinguish between the grantee's right under s 11 and the secondary rights that arise by reason of infringement of that right, as provided for in s 53(1). In the 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 s14(1)(b) and 15(1)(b) would necessarily be endorsed if the question arises in the future.

It would appear that the uncertainty is more about what constitutes a reasonable opportunity to exercise the right over the propagating material under Section 14(1)(b) of the *PBR Act*.

It is clear that a person needs the consent of the right holder to sell harvested material from second and future crops grown from legitimately saved seed. If consent is not obtained the holder could take action for infringement of the PBR.

### **Implications for the horticulture industries in Australia**

Horticulture growers need to be aware that they may save and propagate protected varieties for use on their farms under PBR, but once they harvest second and future generation crops grown from saved propagating material they will need to obtain the consent of the rights holder (and abide by any terms and conditions for use of the variety).

Conditions of use of most protected varieties in the horticulture industries also have a non-propagation clause in the grower agreement, so that if growers do propagate and harvest the second and future crops they would not only breach the PBR but also the grower agreement. Some later cases such as *Zee Sweet* show potential implications of breaching such an agreement.

## 2.3 PBR: Farm-saved Seed

*Saatgut-Treuhandverwaltungsgesellschaft v Brangewitz* [2004]

Preliminary ruling of the Court of Justice of the European Communities<sup>49</sup>

### Issues

The main issue in this case is the interpretation of the provision of the European Community Plant Variety Rights regulation relating to the obligation of farmers, and processors engaged by farmers, to provide the rights holders with relevant information in relation to quantities of harvested material replanted for future crops; (this is known as the 'agricultural exemption' in Europe, rather than 'farm-saved seed' exemption). In particular the questions to be answered were:

- Can the rights holder request the supplier of processing services to provide the relevant information regardless of whether there is any indication that the supplier has processed the protected variety concerned
- If the supplier is requested to provide relevant information, does it have to be provided for all farmers for whom he has processed the protected variety, or only in regard to those farmers where the holder has some indication that the supplier has processed the protected variety.

### Background

The European Community statute provides for 'farm-saved seed' of prescribed species, provided the seed is taken from the harvest on a farmer's own holding and sown on the farmer's own holding. Rights holders are entitled to equitable remuneration from farmers for such planting (other than small farmers—those who do not produce on an area bigger than is required to produce 92 tonnes of cereals or equivalent); this amount is to be 'sensibly' lower than the amount charged for the licensed production of propagating material of the same variety in the same area. The holder is exclusively responsible for monitoring this use.

Rights holders are therefore entitled to request relevant information from farmers to determine how much of the protected variety has been harvested and kept for re-use; holders can also request such information from contractors who harvest and replant such material for farmers. Information provided is 'without prejudice' in relation to privacy laws.

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<sup>49</sup> *Saatgut-Treuhandverwaltungs GmbH v Brangewitz GmbH* Case [2004] C-336/02, 17 February; <http://curia.europa.eu/jurisp/cgi-bin/form.pl?lang=en&newform=newform&alljur=alljur&jurcdj=jurcdj&jurtpi=jurtpi&jurtfp=jurtfp&alldocrec=alldocrec&docj=docj&docor=docor&docop=docop&docav=docav&docsom=docsom&docinf=docinf&alldocnorec=alldocnorec&docnoj=docnoj&docnoor=docnoor&typeord=ALLTYP&allcommjo=allcommjo&affint=affint&affclose=affclose&numaff=&ddatefs=&mdatefs=&ydatefs=&ddatefe=&mdatefe=&ydatefe=&nomusuel=brangewitz&domaine=&mots=&resmax=100&Submit=Submit>

### **Preliminary ruling**

The main points of the ruling are that:

- The rights holder must have an indication that the contractor has processed, or intends to process, propagating material of varieties over which the holder has rights, before the holder can request the processor to provide the relevant information.
- Once the rights holder has such an indication he can request the relevant information about his varieties from the contractor, in regard to all farmers for whom the processor has, or intends to process, material of the varieties in question.

### **Implications for the horticulture industries in Australia**

- The Australian *PBR Act* extends the 'farm-saved seed' exemption to all species covered by the Act unless the regulations state that the exemption does not apply; at February 2007 no such regulations applied, so all species covered by the Act are subject to the exemption in Section 17. Theoretically all growers of protected varieties can condition and propagate protected material from their own crops for vegetative and non-vegetative propagation of their own future crops.
- This differs from the European situation where the law prescribes those species to which the farm-saved exemption applies and, in general, these are non-vegetatively propagated species. For horticulture, the European exemption only applies to potatoes. The other prescribed species are basically fodder, cereals, oil and fibre species
- Where the exemption applies to a holder of European rights, there is provision for farmers to pay the rights holder equitable remuneration for the use of their saved propagating material. Small farmers (those who do not produce on an area bigger than is required to produce 92 tonnes of cereals or equivalent) are exempt from the requirement to pay
- An Australian rights holder is not specifically entitled to remuneration from a person taking advantage of the Section 17 exemption. However for second and subsequent crops the Australian rights holder may be able to exercise their rights over the harvested material or the products of the harvested material if they meet the criteria under Section 14 or Section 15 and, in effect, have not been able to exercise their rights over the propagating material (See *Cultivaust* case above)
- Holders of European rights covered by the farm-saved exemption need to be aware that they must have an indication that a contractor has or intends to process genetic material of a prescribed variety, for which the holder has rights. Only then can the rights holder request information from the processor about all clients who are growing the holder's varieties

- This case highlights some of the difficulties that would be encountered by Australian breeders who try to exercise their rights under Section 14 or Section 15 of the *PBR Act*. The *PBR Act* does not set out the responsibility of the grower to keep records of planted material from saved propagating material as clearly as the European law. Therefore, if this record keeping is not required by the breeder under an agreement for use of the variety, it will not be easy to know how much material has been used and therefore to exercise rights or to obtain evidence of infringement.

## 2.4 PBR: Prior Sale; Definition of 'Sell' and 'Sold'

*Sun World International v Registrar, Plant Breeder's Rights* [1998]<sup>50</sup>  
Federal Court of Australia on Appeal from a single Judge

### Issues

What may or may not constitute 'sell' or 'sold' under Section 3 and Section 43 of the *PBR Act*.<sup>51</sup>

### Summary

In 1991 Sun World Inc made an application for the grant of Plant Variety Rights under the now-repealed *PVR Act*. The application related to a grapevine variety generally known as 'Sugarone'.

Under Section 14 of the *PVR Act* the grant was refused because the grapevines had been sold, with the authorisation of the breeder, more than six years before the making of the application. Although this case involved interpretation of 'sale' under Section 3 and Section 14 of the *PVR Act* it is applicable to Section 3 and Section 43 of the *PBR Act*.

A Single Judge of the Federal Court affirmed the Registrar's decision and awarded costs. Sun World appealed the decision. The Full Bench of the Federal Court confirmed that the word 'sell' in the context of PVR/PBR has a wide meaning and the Appeal was dismissed.

### Background

Sun World (the Appellant) argued that:

- Where the vines of the variety are exchanged as an element in a larger transaction (for example when the transaction also includes fruit marketing rights) then there is no sale, and

<sup>50</sup> *Sun World International Inc (Formerly Sun World Inc) v Registrar, Plant Breeder's Rights (Formerly Registrar, Plant Variety Rights)* [1998] 1260 FCA; [http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal\\_ct/1998/1260.html?query=%22sun+world%22](http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/1998/1260.html?query=%22sun+world%22)

<sup>51</sup> S3: 'sell' includes letting on hire and exchanging by way of barter

- As restrictions have been placed on the sale of fruit and further distribution of vines, then the general property of the vines has not been transferred, and
- The price paid for the vines was not the real 'commercial value' therefore no sale had occurred, and
- While documents are entitled 'Sales of Plants' and the language is that of sale and purchase, the substance of the documents extends to other than that of the transfer of vines and therefore cannot be considered as conclusive evidence of sale.

### Court Decision

The Full Bench of the Federal Court confirmed that the word 'sell' in the context of PVR/PBR has a wide meaning. It confirmed that the supply of propagating or harvested material in exchange for money, goods, letting, or barter (and barter could include services), constitutes a sale under the *PBR Act*, provided that it is done with the consent of the breeder. It is immaterial whether or not the exchange occurs privately, to the public, to wholesalers, in small numbers or below market value.

The Federal Court rejected the view that for the purposes of the Act 'sale' could only be in terms of the exchange of goods for money. Also the Court found that the 'sale' of 'Sugarone' vines was not invalidated by the fact that the sale agreements placed additional restrictions on the way the vines could be used. The definition of sale was taken to include 'letting or hire or exchange by way of barter'.

Since this decision, Section 43(7A) Section 43(7B) and Section 43(7C)<sup>52</sup> of the *PBR Act* have been added so that, in certain circumstances, some specific activities relating to the exchange/disposal of materials derived from multiplying and evaluating the variety are excluded from consideration as a sale.

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<sup>52</sup> 43(7A) Subsection (6) does not apply to a sale of plant material of a plant variety to a person by, or with the consent of, the breeder if:

- (a) the sole purpose of the sale is for the person to multiply plant material of that plant variety on behalf of the breeder; and
- (b) under the agreement for the sale, immediately after the plant material is multiplied, property in the new plant material vests in the breeder.

(7B) Subsection (6) does not apply to a sale of plant material of a plant variety to a person by, or with the consent of, the breeder if the sale is part of an agreement under which the person agrees to use plant material of that variety for the sole purpose of evaluating the variety in one or more of the following tests or trials:

- (a) field tests;
- (b) laboratory trials;
- (c) small-scale processing trials;
- (d) tests or trials prescribed for the purposes of this subsection.

(7C) Subsection (6) does not apply to a sale of plant material of a plant variety to a person by, or with the consent of, the breeder if:

- (a) the sale only involves plant material that is a by-product or surplus product of one or more of the following:
  - (i) the creation of the variety;
  - (ii) a multiplication of the variety;
  - (iii) tests or trials covered by subsection (7B); and
- (b) the plant material is sold:
  - (i) without identification of the plant variety of the plant material; and
  - (ii) for the sole purpose of final consumption.

## Implications for the horticulture industries in Australia

This case highlighted the need to be aware of time limits for making PBR applications and restrictions on the use of new varieties outside those time limits. PBR and patents are granted for 'new' inventions and once a variety has been in commercial use beyond a reasonable period it is no longer considered to be 'new'.

People who are planning to apply for PBR on varieties from overseas should have an understanding of the time limits in terms of test marketing, trialling, using and selling the variety, prior to signing any licence agreement. They should also read *Ex Parte Thomson* and *Ex Parte Elsner* later in this Compendium and be aware of the 12-month time limit to apply for plant patents (asexually reproduced varieties) in the USA.

The cases of *Ex Parte Thomson* and *Ex Parte Elsner* under the Patent section of this Compendium should also be read in conjunction with this case.

## 2.5 PBR: What Constitutes a Sale

### *Cropmark Seed v Winchester* [2005]<sup>53</sup> New Zealand High Court

#### Issues

This case looks at the following issues in the New Zealand context:

- The meaning of produce for sale
- Does 'produce for sale' include 'arranged for sale' under Section 17 of the NZ *Plant Variety Rights Act 1987*<sup>54</sup>

#### Background

Cropmark alleged that Winchester arranged for the sale of a PVR-protected variety without the grantee's permission, and made claims that the material was not 'for sale' in terms of the New Zealand *PVR Act*. The seed was sold in plain bags without tags. Purchasers were asked not to tell what the variety was and were billed for 'barley'.

#### Court decision

The single judge held that arranging for sale was part of producing for sale and selling, on the basis that Parliament did not intend to exclude arranging for sale from infringement.

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<sup>53</sup> (NZ) HC 28/9/04 unreported, reviewed by Duckworth K and Calvert J (2005) 'Infringement of Plant Variety Rights' UPOV Newsletter No.99 September 2005 p11; [http://www.upov.int/en/publications/gazette/pdf/gazette\\_99.pdf](http://www.upov.int/en/publications/gazette/pdf/gazette_99.pdf)

<sup>54</sup> (17) **Rights of Grantees**

Subject to s19 of this Act, a grantee shall have the exclusive right  
To produce for sale, and to sell, reproductive material of the variety concerned

## Implications for the horticulture industries in Australia

It will be interesting to see if this decision is tested in future cases, as on the face of it, arranging sales is not one of the exclusive rights granted under Section 17 of the New Zealand *PVR Act*.

Like the New Zealand Court, the Australian Court in *Sunworld* above, interpreted 'sell' widely.

The New Zealand Act differs from the UPOV Convention (Article 14), the EC Directive (Article 13) and the Australian *PBR Act* (Section 11) in that the NZ Act only grants the exclusive right to produce for sale and to sell the reproductive material (see extracts of these laws at Attachment 1). The Australian and EC laws more closely reflect the UPOV Convention, which also includes 'offering for sale'. UPOV and the EC also include 'selling or other marketing'. It would be interesting to see if Australian Courts would include arranging to sell as part of 'offering for sale'. It would almost certainly be caught under 'other marketing' provisions of the EC law and the UPOV Convention.

As noted in *Sunworld* it is important for those involved in the horticulture industries dealing with protected varieties to understand the meaning of 'sell' as it is a fundamental element of both patent and PBR rights over plant material. Breeders, licensees and growers need to know what they can do with their plant varieties under both legislation and licence/grower agreements.

Understanding the extent of the right in terms of selling is also critical for horticulture breeders, rights holders and licensees, so they can ensure they do not reduce their ability to obtain protection in the future or allow infringement to occur without realising it.

## 2.6 PBR: Essentially Derived

*Astee Flowers v Danziger* [2005]<sup>55</sup>

District Court The Hague

### Issues

The main issue considered by the Court was how to determine objectively whether a new variety is essentially derived or whether it is sufficiently distinct to be a new variety in its own right.

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<sup>55</sup> (BIE 2006/60); also discussed in UPOV (2005) 'Judgement on Essentially Derived Varieties' (EDVs) Newsletter Publication No. 438 (E) Issue No. 99, September 2005 p9 (<http://home.tiscali.nl/~sarjf/vonnis/vonnisgb.pdf>); also [http://www.upov.int/en/publications/gazette/pdf/gazette\\_99.pdf](http://www.upov.int/en/publications/gazette/pdf/gazette_99.pdf); and Kiewiet B (2006) 'Essentially Derived Varieties' adaptation of presentation to Plantum NL 8 March 2006 [http://www.cpvo.fr/documents/articles/EDV\\_presentation\\_PlantumNL\\_March\\_2006\\_BK.pdf](http://www.cpvo.fr/documents/articles/EDV_presentation_PlantumNL_March_2006_BK.pdf)



This issue is particularly important when dealing with mutants, sports and genetically modified varieties.

### Summary

The key question for the Court was whether or not the two new varieties developed and protected by Astee Flowers were essentially derived from the Danziger protected variety *Dangypmini*.

Essential Derivation is a concept that was introduced into the 1991 version of the UPOV Convention to address uncertainties that had arisen about the degree of distance there must be between the characteristics of two varieties before they are considered to be distinct. This is of key importance for plant breeders as most new varieties use existing varieties (many of them protected) as the basis for the breeding programs.

### Background

Danziger was the holder of a European PBR over a variety *Dangypmini* (otherwise known as *Million Stars*) of the species *Gypsophila* (these are ornamental plants). Astee Flowers was marketing two other varieties of the same species, *Blancanieves* and *Summer Snow*. Danziger claimed that the other two varieties were essentially derived from *Dangypmini*.

Danziger claimed that its DNA fingerprinting showed such a strong genetic similarity between *Dangypmini* and *Blancanieves* that the latter must be considered to be essentially derived. Astee Flowers, the owner of the European rights to *Blancanieves*, challenged the DNA methodology as well as the conclusion that it showed the second variety must be essentially derived.

### Decision

The Court interpreted Article 5(b)(i) of the UPOV Convention as meaning that the derived variety must have its genetic origin in the initial variety. This intent is reflected in Article 6(a) of the European regulation.

The Court found that it is not necessary for an essentially derived variety to have *all* the essential characteristics of the initial variety, but changes in the characteristics that have resulted from the act of derivation should be disregarded.

In addition, having regard to the UPOV and European Rules, for a variety to be considered essentially derived it must not deviate considerably from the initial variety. A variety is not necessarily essentially derived just because the initial variety has been used at some point during the development of the new variety. The word 'essentially' implies that the difference between the new variety and the existing variety should not be 'too substantial'<sup>56</sup>.

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<sup>56</sup> <http://home.tiscali.nl/~sarjf/vonnis/vonnisgb.pdf> para 12

The Court also found that the extension of protection of initial varieties to cover EDVs should be considered as an exception provision to the main rule of independence of distinguishable varieties and therefore should be interpreted in a limited manner.

In reaching its decision that the varieties were not essentially derived, the Court noted that *Blancanieves* differed from the initial variety in a large number of characteristics—17 out of 21 of the characteristics relevant to *Gypsophila*. It was also demonstrated to the Court that a large number of morphological differences could be obtained with relatively simple acts of derivation.<sup>57</sup>

In reaching its decision, the Court did not use the DNA fingerprinting evidence provided, as it found sufficient basis for its decision in the more traditional methods of determining distinctness.

### **Implications for the Australian horticulture industries**

The principles that arise from this case are just as important to horticulture in Australia as in Europe:

- Essential derivation is an exception and so should be interpreted narrowly; this means that if a breeder can demonstrate distinctness in key characteristics from the initial variety then a claim that it has been essentially derived from the initial variety is unlikely to succeed.
- It is not sufficient to demonstrate that the initial variety has been used at some point in the development of the second variety
- In Europe at least, DNA evidence does not override clear morphological differences to demonstrate distinctness
- In Australia, the *PBR Act* attempts to reflect the above findings of the Court by saying that the differences must be more than ‘cosmetic’ for the varieties not to be essentially derived. Neither the European Law nor the UPOV Convention uses that language, but this case seems to justify the inclusion in the Australian law of some means of distinguishing between significant and non-significant characteristics. ‘Cosmetic’ may not be the right word: the Macquarie Dictionary defines ‘cosmetic’ as ‘serving to beautify’. In the cut flower industry these would be key characteristics to demonstrate distinctness. This has been raised in the ACIP Issues Paper.<sup>58</sup>

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<sup>57</sup> *Astee v Danziger* [2005] <http://home.tiscali.nl/~sarjf/vonnis/vonnisgb.pdf>, paras 13-15

<sup>58</sup> ACIP (2007) ‘A Review of enforcement of Plant Breeder’s Rights: Issues Paper’ March 2007 p18 <http://www.acip.gov.au/reviews.htm#pbr>

## 2.7 PBR: Compulsory Licence

*Sacker Potatoes v C Meijer* [2001], unreported  
UK Controller of Plant Variety Rights

### Issue

Whether to issue a compulsory licence under the Plant Varieties Act 1997 (UK)

### Summary

This case considered whether a compulsory licence should be granted for a protected variety of potato on the grounds that refusal to issue a licence was unreasonable and the rights holder was failing to satisfy demand in the UK market.

### Background

On October 31, 2001, the UK Controller of Plant Variety Rights refused the first compulsory licence application lodged under the *Plant Varieties Act 1997* (UK) (the 'UK Act'<sup>59</sup>). The challenge was to a variety of potato Lady Rosetta, popularly used in potato crisp manufacture. Dutch seed breeder Meijer owned the United Kingdom plant breeder's rights in Lady Rosetta, and MBM Produce Ltd was its exclusive agent in the United Kingdom. Sacker Potatoes applied (unsuccessfully) for compulsory exploitation rights in the protected variety, arguing that Meijer's refusal to issue a licence to them was unreasonable, and that the rights holder was failing to satisfy demand in the United Kingdom market.

Section 17 of the UK Act sets out the criteria for a compulsory licence application (see Attachment 3 for the full text of Section 17; the compulsory licence section for the Australian *PBR Act* is also included for comparison). The Controller may only grant a compulsory licence on the basis that the rights holder has unreasonably refused (or put forward unreasonable terms) to make the variety available if the Controller is satisfied under Section 17 (2) that:

- (a) it is necessary to ensure that the variety is available to the public at reasonable prices, widely distributed, or maintained in quality;
- (b) the applicant is financially and otherwise in a position to exploit the variety in a competent and businesslike manner; and
- (c) the applicant intends to so exploit those rights.

The Controller must also have regard to the fact that the rights holder is entitled to secure reasonable remuneration from the exploitation of its intellectual property rights (in practice, to ensure adequate funding for ongoing or new breeding programmes or to finance the development, trialling and marketing of existing or new plant varieties).

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<sup>59</sup> <http://www.defra.gov.uk/plant/pvs/gaz2001/nov01gaz.PDF> p10

## Decision

After reviewing the matter during the course of a year, the Controller found that there was insufficient evidence to demonstrate that the rights holder had unreasonably refused to grant a licence to the applicant. The Controller had regard to the general conduct of the parties (especially the applicant's previous import of seed without the rights holder's permission) and concluded that none of the public interest criteria under Section 17 (2) had been met.

## 2.8 PBR: Pleadings

*Flemings Nurseries v Siciliano* [2006]<sup>60</sup>

Federal Court of Australia

### Issues

The issue here is about sufficiency of information when initiating a court action for PBR infringement, which needs to be provided in the pleadings or Statement of Claim, to meet the requirements of the Australian Federal Court in relation to both general pleadings and also for claims of infringement of PBR.

### Summary

This was a hearing in relation to practice and procedure prior to the hearing of the main case. This case deals with the need to provide proper pleadings when trying to enforce or defend intellectual property rights. In this case Flemings claimed that Siciliano had breached grower agreements and PBR, and in particular had propagated protected trees without authority. The claim in relation to PBR was that the respondents had produced, reproduced, conditioned, offered for sale, sold and stocked for the above purposes PBR protected varieties without consent from the owner. The judge held that the amended Statement of Claim did not provide enough detail to substantiate the claim that the variety had been sold or offered for sale, and struck out these two components.

### Background

Flemings and Zaigers were suppliers of fruit trees. Zaigers held PBR for some of the trees and Flemings was the licensed distributor in Australia.

The Sicilianos and their companies were fruit growers and wholesalers. Flemings claimed that the Siciliano brothers controlled, either alone or in combination, the activities of the two respondent companies.

Flemings claimed that Sicilianos and their companies had breached non-propagation agreements and that the company, Siciliano and Sons, knowingly procured and induced

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<sup>60</sup> [2006] FCA 757; [http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal\\_ct/2006/757.html?query=flemings](http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/2006/757.html?query=flemings)

two of the Siciliano brothers to breach non-propagation agreements. Zaigers also claimed that Siciliano had breached the *PBR Act*.

Siciliano claimed that the action for interference and inducement had not been properly pleaded and should be struck out.

### Court Decision

The standard to be applied before a pleading can be struck out by the Court is that it must be so clearly untenable that it can't possibly succeed. For a matter to be properly pleaded the material facts must be stated and the particulars provided to make a tenable claim.

The Court held that the Statement of Claim indicated that the Siciliano brothers and their companies had a very close working relationship and, on that basis, was not prepared to conclude that the claim of wrongful interference with contractual rights was so untenable that it could not possibly succeed.

The Court held that the allegations in the pleadings were material facts, rather than conclusions of law, and were expressed to reflect the facts needed under Section 3, Section 11 and Section 53(1) of the *PBR Act* to establish that an infringement had occurred.

Order 11 r 2(a) of the Federal Court Rules requires that a pleading shall contain only a statement in summary form of the material facts but not the evidence by which those facts are to be proved.<sup>61</sup> The Court concluded that the purpose of pleadings is to 'define the issues and inform the other parties of the case they must meet'. Pleadings should not be so detailed as to 'throw up an impenetrable forest of detail.'<sup>62</sup>

The amended Statement of Claim from Flemings was found to be defective, not because it reflected the words in Section 11 of the *PBR Act*, but because the facts submitted did not support paras 34 c) and 34 d) of the Claim.<sup>63</sup> The facts indicated that there were 281 trees of the protected variety on the property which could not be accounted for by the sale of plants. It was alleged that Fred Siciliano, either alone or in conjunction with other respondents, propagated the trees without the authority of the breeder. The facts

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<sup>61</sup> Federal Court of Australia Act 1976 Federal Court Rules Statutory Rules 1979 No.140 O 11 r 2(a):

Facts not evidence: Subject to these Rules:

a pleading of a party shall contain, and contain only, a statement in a summary form of the material facts on which the party relies, but not the evidence by which those facts are to be proved; and

paragraph (a) has effect subject to this Order and to Order 4 (which relates to commencement of proceedings) and to Order 12 (which relates to particulars).

<sup>62</sup> *Flemings v Siciliano* para 13

<sup>63</sup> 34...prior to the date of issue of the application herein, Fred, without the licence, authority or consent of Zaigers [the third applicant] has, in respect of propagating material (being 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) of the plant variety *Rich Lady* ('the *Rich Lady* protected material'):

produced or reproduced the *Rich Lady* protected material;

conditioned the *Rich Lady* protected material for the purposes of propagation;

offered the *Rich Lady* protected material for sale;

sold the *Rich Lady* protected material; and

stocked the *Rich Lady* protected material for the purpose of (a), (b), (c) and (d) above.

supported that he produced or reproduced, conditioned and stocked for sale, but did not support a claim that he offered for sale or sold the trees. In the absence of sufficient facts in the Statement of Claim to support these allegations they were ordered struck out.

The Judge made reference to O58 r 27 of the Federal Court Rules<sup>64</sup> which provides:

In proceedings for infringement of a PBR, particulars of the infringement must specify the manner in which it is alleged that the PBR has been infringed and must give at least one instance of each type of infringement alleged.

### **Implications for the Australian Horticultural Industries**

Where horticulture growers, breeders, licensees or others in the business are engaged in court proceedings it is essential to have experienced professionals prepare the pleading in accordance with the Court Rules. As noted here, there are both general requirements, in terms of presenting sufficient factual information but not the evidence to support those facts, and specific rules such as those relating to infringement proceedings under the *PBR Act 1994*.

## **2.9 PBR: Misrepresentation**

### ***Buchanan Turf Supplies v Premier Turf Supplies* [2003]<sup>65</sup>**

**Australian Federal Court**

#### **Issue**

The court had to decide on what actions constitute an infringement under Section 53(1)(c) of the *PBR Act* and Section 52 of the *Trade Practices Act 1974* ('TPA') in relation to selling a variety as a protected variety when it is not.

#### **Summary**

Buchanan Turf Supplies, the owner of PBR in the *Sir Walter* variety of buffalo grass, took action in the Federal Court alleging that Premier Turf Supplies was misrepresenting the turf it was supplying as being *Sir Walter* when it was not. Misleading and deceptive conduct was alleged pursuant to Section 52 of the *TPA* and for breach of Section 53(1)(c) of the *PBR Act*. Buchanan sought injunctive relief and damages, including exemplary damages.

Hely J found that there had been infringement of Section 53(1)(c) of the *PBR Act* as well as contravention of Section 52 of the *TPA*. He ordered that Premier Turf Supplies be restrained from representing that they were authorised to sell *Sir Walter* and from representing to anyone that other grass sold by them was *Sir Walter*. Hely J dismissed the claim for

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<sup>64</sup> Federal Court of Australia Act 1976 Federal Court Rules Statutory Rules 1979 No.140  
[http://www.comlaw.gov.au/ComLaw/Legislation/LegislativeInstrumentCompilation1.nsf/0/2B988C913F2E2065CA25724B007F915B/\\$file/FederalCourtRulesV2.doc](http://www.comlaw.gov.au/ComLaw/Legislation/LegislativeInstrumentCompilation1.nsf/0/2B988C913F2E2065CA25724B007F915B/$file/FederalCourtRulesV2.doc)

<sup>65</sup> [2003] FCA 230, March 2003; [http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal\\_ct/2003/230.html?query=title+\(+%22buc\\*%22+\)](http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/2003/230.html?query=title+(+%22buc*%22+))

damages because insufficient evidence was presented to assess the loss to Buchanan. There was no claim for loss of reputation or goodwill.

## Background

In 1996 Buchanan Turf Supplies applied for PBR on the variety *Sir Walter*. PBR was granted in 1998. The closest known variety was *Shademaster*. From the time the application was accepted until the granting of PBR Buchanan had provisional protection for the variety and was able to sell it commercially. It had licence agreements with some growers and advertised the variety, particularly around the Hunter Region of NSW.

Premier Turf was one of Buchanan's main competitors. Although initial licence agreements did not stop growers selling to Premier, later ones stated that *Sir Walter* could only be sold to 'bona fide end-user retail customers or licensed resellers who hold a current reseller's licence granted by Buchanan'. Premier Turf was not an end-user retail customer or the holder of a reseller's licence.<sup>66</sup>

Buchanan was granted an interlocutory injunction against Premier, stopping it from:

- (a) representing to anyone that the respondents were authorised to sell the *Sir Walter* variety of grass; and
- (b) representing to anyone that any other grass sold by the respondents was the *Sir Walter* variety of grass.

Premier denied that it had infringed but Buchanan called witnesses to attest to the infringement.<sup>67</sup>

The first witness indicated that he had told Premier that he wanted the same grass as his neighbour and that it was not *Shademaster*. Premier had said they knew what it was and it was the one on Burke's Backyard (Burke had done a segment on *Sir Walter*). The witness indicated that the name *Sir Walter* had not been used during the conversation. The Court held that for s53(1)(c) of the *PBR Act* to be breached the actual variety name had to be used during the representation. However there was a breach of s52 of the *TPA* as Premier had laid the turf next door and had used *Sir Walter* (except on the median strip) and so should have known the variety in question.

The second witness had asked specifically for *Sir Walter* and required a receipt from Premier stating that *Sir Walter* had been provided. After some time and discussion Premier provided a statement that 500m of *Sir Walter* had been laid and provided a copy of an invoice for 300m of *Sir Walter* from an authorised reseller. Buchanan inspected the lawn and agreed that about 300m was *Sir Walter*. At that point an employee of Premier told Buchanan that about 300m of *Sir Walter* had been laid at another address on the same day as the second witness's lawn. Buchanan went back and reinspected and found that the lawn had been sprayed with green dye and was in fact *Shademaster*.

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<sup>66</sup> Buchanan v Premier Turf para 11

<sup>67</sup> Buchanan v Premier Turf para 16

On the basis of the second witness's evidence the Court found that both Section 53 of the *PBR Act* and Section 52 of the *TPA* had been breached. Premier provided inconsistent evidence and in the Court's view proved not to be a reliable witness, so the evidence of the client was accepted over that of Premier.<sup>68</sup>

The Court also accepted evidence from a third witness but rejected evidence of two others as being unreliable or confused.

### **Decision of the Court**

The Court found that the evidence of three witnesses was reliable and that both Section 52 of the *TPA* and Section 53(1)(c) of the *PBR Act* had been breached. The Court ordered a permanent injunction in the same terms as the interlocutory injunction.

Premier was restrained from:

- (a) representing to anyone that they were authorised to sell the *Sir Walter* variety of grass; and
- (b) representing to anyone that any other grass sold by them was *Sir Walter*.

### **Implications for the horticulture industries in Australia**

This case provides an insight into the interpretation of rules relating to misrepresentation both in the *PBR Act* and the *TPA*. It also shows the importance of ensuring reliable witnesses and clear documentation.

Section 53(1)(c) of the *PBR Act* requires that the name of the protected variety actually be used rather than inferences as occurred with the first witness in this case.

One of the difficulties in taking action for infringement of PBR is that varieties often cannot be differentiated visually and can only be reliably separated using independent testing. In this case Buchanan was fortunate that the representative of Premier was found to be an inconsistent and unreliable witness. Otherwise Buchanan might have needed independent expert witnesses to prove that the wrong variety had been used.

## **2.10 PBR: Infringement and Enforcement**

As already noted, there are relatively few cases in relation to infringement of plant breeder's rights and plant patents. This is because the very nature of plants makes it difficult to obtain the level of evidence required even for a civil action (on the balance of probability); it is even more difficult to mount a criminal action where evidence must prove the infringement beyond reasonable doubt.

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<sup>68</sup> *Buchanan v Premier Turf* para 36



It is rare that a dispute will relate only to an infringement of IP rights. Actions for breach of contract (usually relating to the terms and conditions under which a right holder will allow others to use the plant material) and breach of other laws such as trade practices laws (or anti-trust in the USA) often accompany the action for IP infringement (for example in the *Zee Sweet*<sup>69</sup> case later in this Compendium).

As pointed out by Wurtenberger<sup>70</sup>, there are a number of areas of difficulty in obtaining evidence of infringement of plant IP rights:

- Plants are living things and very rarely (at least for sexually reproduced plants) reproduce exact copies of each other, particularly if grown in an external, uncontrolled environment (as most are)
- Distinctness is a relative measure under PBR law as the new variety is compared relative to the closest known variety; for example, a leaf that is described as 'long' today may be 'mid-length' in future as newer varieties are developed
- It is often difficult to obtain samples of potentially infringing material, as it may be seen at a trade show or in a catalogue, but to obtain sufficient samples and to test them quickly enough to provide evidence suitable for a Court may not be possible; sometimes it may take several years of growing trials to confirm that the variety under claim is the protected one
- The onus of proof is on the rights holder who is claiming infringement. In Australia, the Federal Court Rules set out the procedure and the minimum information that is required to make a valid pleading—this is dealt with in more detail in the case of *Flemings v Siciliano* later in this Compendium
- If the claims made by the rights holder are uncontested then no further evidence is required, but if (as usually is the case) the matter is contested the rights holder must provide material evidence. Likewise if the defendant is lodging a counter-claim or defence, they must provide evidence to substantiate the counter-claim or defence; for example the cases of *Zee Sweet*, *Schmeiser* and *Monsanto* provide insight as the type of evidence required by the Courts.

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<sup>69</sup> *Zee Sweet Pty Ltd v Magnom Orchards Pty Ltd* Ors [2003] VSC 486 (18 December 2003); <http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/vic/VSC/2003/486.html?query=zee%20sweet>

<sup>70</sup> Wurtenberger G (2006) "Questions on the law of evidence in plant variety infringement proceedings", *Journal of Intellectual Property Law and Practice* 1:7:458-466

ACIP released its Issues Paper *Enforcement of PBR* on 12 March 2007 and sought public submissions prior to completing its Review.<sup>71</sup> The ACIP paper has identified a number of issues in relation to enforcement. These include:

- Lack of clarity as to what constitutes 'reasonable opportunity' in relation to the trigger to exercise rights over harvested material and products, under Sections 14 and 15 of the *PBR Act*
- The definition of 'essentially derived' is not clear and, particularly in the ornamental and garden industries, it is difficult to define what are important differences and what are 'cosmetic' differences
- The 'essentially derived' provisions may not give the first breeder adequate protection because they are only triggered if the second variety is protected by PBR
- Cost and time involved in taking a matter to the Federal Court
- The burden of proof on the plaintiff is alleged to be too high and difficult, particularly in rural communities where no-one wants to report on their neighbour
- Varietal identification using growing trials is too slow and uncertain; faster laboratory and DNA tests to differentiate between varieties may be needed.

## 2.11 PBR: Grower Agreements; Contract Law

***Zee Sweet v Magnom Orchards* [2003]<sup>72</sup>**

Victorian Supreme Court

### Issues

The main issues to be decided by the Court in this case were:

- What constitutes misrepresentation and reliance on representations in relation to inducement to enter into a grower agreement
- When is the agreement terminated due to breach by the grower
- Can rescission of the contract be partial, retaining the clauses that the infringing party is able to meet and excluding the others
- Is injunctive relief available to the supplier of the varieties.

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<sup>71</sup> ACIP (2007) "A Review of Enforcement of Plant Breeder's Rights: Issues Paper" March 2007  
<http://www.acip.gov.au/reviews.htm#pbr>

<sup>72</sup> [2003] VSC 48; <http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/vic/VSC/2003/486.html?query=%5E+zee+sweet>

## Summary

This case is about contract law and the consequences of breaching the terms of grower agreements or contracts. These contracts are used by owners of PBR or patents to establish the terms and conditions under which they will allow other people to use the plant varieties for which they have the exclusive rights under patent or PBR law.

This case also looks at issues relating to the status of a contract if it has been entered into as a result of misrepresentations by one of the parties.

In this case there was no dispute that Magnom Orchards had breached the grower agreement, but Magnom claimed that the agreement had been terminated because of misrepresentations made by Zee Sweet to induce Magnom to enter the agreement.

## Background

Flemings Nurseries and Associates ('Flemings') was the Australian licensee for the Zee Sweet lines of fruit trees from the Zaiger companies in California. Flemings had an exclusive licence to produce and or sell budwood from all Zaiger patented or registered (or to be registered or patented) varieties.

In 1998 Flemings and Zaigers renegotiated their licence agreement in relation to nectarine and peach trees whereby Flemings would pay Zaigers both a tree royalty and a product royalty (end point royalty—as a percentage of sales of fruit). Zee Sweet Pty Ltd was established to manage this new 'Zee Sweet' Program, with Mr Fleming as the Managing Director of this company. Growers who grew fruit under this program also signed a standard grower agreement and a standard non-propagation agreement ('the contracts'). Provisions in the contracts required the use of approved packers, approved selling agents and approved exporters. The packer agreed to purchase and the grower agreed to sell the numbers of cultivars of fruit and/or other trees as set out in the Schedule to the contracts. The Schedule also set out the price to be paid for the trees. In these contracts, ownership of the trees passed to the grower, but the rights of the owner were limited.

New Schedules were entered into with each purchase of trees. The Court viewed these as separate contracts.

Clause 15 of the grower contracts clearly set out the provisions for termination if there was a breach by the grower:

15. BREACH 15.1 if the grower breaches or fails to observe any of the terms and conditions of this Agreement, Zee Sweet may sue for damages or breach of contract... 15.5 If the grower breaches or fails to observe any of the terms and conditions of this agreement, Zee Sweet reserves the right to terminate this Agreement pursuant to the provisions of Clause 16.<sup>73</sup>

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<sup>73</sup> *Zee Sweet v Magnom Orchards* [2003] VSC 486 para 17

Clause 16 stated that upon termination of the agreement the grower must either return the plant material and fruit to Zee Sweet or immediately destroy all the plant material and fruit, at the discretion and direction of Zee Sweet.

The parties did not dispute that Magnom (the defendants) had breached the contracts. The defendants counter claimed that they had entered into the contracts due to misrepresentation from Zee Sweet; this, the defendants claimed, entitled them to terminate the Agreements.

Magnom grew peaches and nectarines and had a packing shed and cool store on its property. The packing shed was not an approved shed under the Zee Sweet contracts because Magnom was not prepared to meet the contractual requirements necessary to gain approval.<sup>74</sup> Magnom also owned and operated a second property (Lakeridge) in conjunction with partners who were also defendants in this case.

Zee Sweet claimed that Magnom had breached the contracts because, amongst other things, it permitted fruit to be packed, sold or exported other than in accordance with the contracts, and had allowed fruit to be packed and sold without using the approved trade mark, but using another trade mark. In addition Magnom failed to pay the product royalty within 30 days of sale, as required. When Zee Sweet realised that the royalties were not forthcoming and that the approved packers and agents had not been used to sell the fruit, after a number of legal letters, it then wrote to Magnom stating that it was in breach and that the grower contract was terminated. The letter also stated that all plant material should be destroyed.

Magnom counterclaimed that at grower meetings Flemings had misrepresented the Zee Sweet varieties in relation to the Zee Sweet program conditions and limitations to be imposed on numbers of trees to each grower and in relation to establishment of an industry advisory council.

### **Court decision**

The Court held that there had not been any misrepresentation. If there was some indication that there might be a limit on the number of trees, it was not Mr Fleming's intention to place such a limit. The Court also held that it was not satisfied that the defendants were induced by this statement (in relation to limiting numbers of trees) to enter into their 1998 grower agreements. In coming to this conclusion the Court took into consideration a number of witness statements from those participating in the grower meetings in various locations.

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<sup>74</sup> *Zee Sweet v Magnom Orchards* [2003] VSC 486 para 24

The defendants also claimed that they had been treated unequally with other growers, on the grounds that others had also breached their contracts but had not been taken to Court by Zee Sweet. On this issue the Court said:

There is no evidence that known breaches by other growers had been tolerated or ignored by Zee Sweet. Assuming that a number of growers were known to be in breach of contract, it cannot be the law that the aggrieved party must pursue all of them at the same time or none of them at all.<sup>75</sup>

The defendants sought to have the contracts rescinded, but to be allowed to continue with the terms of the rescinded agreement, except for the requirements to use approved packers and agents, under some form of equitable relief.

What is here sought is that equity gives its sanction to breaches of those provisions of the Grower Agreements which the defendants do not wish to observe and that this continues indefinitely as long as the trees bear fruit. I will say nothing further except that I would not make such an order.<sup>76</sup>

The result was that the defences failed and the Court found that the Grower Agreements had been successfully terminated for breach.

As a consequence Magnom was ordered to stop growing, selling or otherwise dealing with Zee Sweet varieties and to destroy all trees, as they had no further role to play. In reaching this conclusion the Court rejected the defendant's argument that Clause 16 (requiring them to destroy all plant material if the agreement was terminated) was penal in nature and should not be enforced.

The Court held that the decision as to whether a clause is penal or not must be determined in relation to the circumstances at the date of the contract. Under the grower contract there was a range of circumstances where a grower's trees might have to be removed or destroyed.

While it may be unusual that a purchaser of a thing should be required to return it to the seller on the happening of a certain event, this does not operate to impose on the purchaser an extra burden as a consequence of the breach; it is simply the consequence of the trees being no longer required for the Zee Sweet program.<sup>77</sup>

Therefore the removal of the trees was not a penalty for breach but a consequence of them no longer being able to be used for the agreed purpose.

Although this may seem strong action considering the value of the trees, it was consistent with the contract that Magnom had signed, highlighting the importance that parties fully understand the terms and consequences of the Agreements and contracts they are entering into at the time of purchasing the propagating material.

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<sup>75</sup> *Zee Sweet v Magnom Orchards* [2003] VSC 486 para 52

<sup>76</sup> *Zee Sweet v Magnom Orchards* [2003] VSC 486 para 59

<sup>77</sup> *Zee Sweet v Magnom Orchards* [2003] VSC 486 para 62

### **Implications for the horticulture industries in Australia**

This case has highlighted a number of issues that horticulture growers, licensees and owners of plant varieties need to take into account when entering into agreements:

- The terms of the agreement set out the conditions under which the holder of exclusive rights to a variety will allow others to use the variety
- The terms of the agreement are critical and should be read carefully
- Breach of the terms can be catastrophic for a business, so should not be entered into unless a party is certain that they can comply with the terms
- The fact that a number of growers might be breaching the agreement does put an obligation on the aggrieved party to take action against everyone who is in breach
- A Court may not accept that a consequence of termination due to breach is a harsh or penal clause and therefore not enforceable, even if its implementation could destroy a business.

# 3

## Case Summaries: Patents

### 3.1 Patents: Patentability of Plant Material in the USA

*JEM Ag Supply v Pioneer Hi-Bred International* [2001]<sup>78</sup>

Supreme Court of the USA on writ of certiorari to the United States Court of Appeals for the Federal Circuit

#### Issues

- Can utility patents [the same concept as standard patents in Australia] be issued for plants under *35 USC 101* (1994)<sup>79</sup>; or
- Are the *Plant Variety Protection Act* ('PVPA') and the specific Plant Patent provisions (*35 USC 161-164*) the only means of obtaining intellectual property protection for new plant varieties in the USA.

#### Summary

This case confirmed that in the USA new plant varieties fall within the definition of patentable subject matter under the *Patents* legislation, and neither the specific Plant Patents provisions (*35 USC 161-164*) in the Patents law nor the *Plant Variety Protection Act* (USA) limits the scope for granting utility patents as well.

Plant Breeder's Rights is usually seen as the most straightforward method for protecting a new plant variety.<sup>80</sup> This is because the scope is defined by the legislation, so the breeder does not have to draft the patent application to properly scope the claim. However this case confirms that, in the absence of exclusion in the legislation, plant varieties are patentable subject matter if they meet the criteria for grant in *35 USC*.

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<sup>78</sup> (2001) 534 USA 124

<http://supct.law.cornell.edu/supct/search/display.html?terms=pioneer&url=/supct/html/99-1996.ZO.html>

<sup>79</sup> *35 USC 101* 'Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefore, subject to the conditions and requirements of this title' [http://www.uspto.gov/web/offices/pac/mpep/documents/appxl\\_35\\_U\\_S\\_C\\_101.htm](http://www.uspto.gov/web/offices/pac/mpep/documents/appxl_35_U_S_C_101.htm)

<sup>80</sup> *JEM Ag Supply v Pioneer Hi-Bred International Inc* (2001) 534 USA 124 at 143 - Justice Thomas in the majority opinion

## Background

Pioneer developed hybrid seed of new plant varieties and held a number of utility patents over the varieties. It had a limited label licence that prohibited purchasers from propagating the seed. JEM Ag, trading as 'Farm Advantage', bought the labelled bags of seed and then resold them. Pioneer claimed that its patents had been infringed, as the seed containing the patented material had been used, sold or offered for sale without Pioneer's consent. Farm Advantage counterclaimed that the patent was invalid

because sexually reproducing plants are not patentable subject matter within the scope of *35 USC 101* (1994). Farm Advantage maintained that the specific plant patent provisions and the PVPA set forth the exclusive statutory means for the protection of plant life because these statutes are more specific than *35 USC 101*, and thus each carves out subject matter from Clause 101 for special treatment.<sup>81</sup>

The Court relied on the 1980 case of *Diamond v Chakrabarty*<sup>82</sup>, which held that *35 USC 101* had wide interpretation due to the use of the word 'any', and that since 1985 the USA Patents and Trademarks Office had accepted utility patent applications for new plant varieties. To obtain a utility patent the inventor had to demonstrate that the plant was new, useful, and non-obvious. In addition, the plant must meet the provisions of *35 USC 112*, which require a written description of the plant and a deposit of seed that is publicly accessible.

JEM Ag argued that the existence of the specific plant patent provisions (for asexually reproduced plants) and the *PVPA* (for sexually reproduced plants) precluded additional coverage under utility patent provisions.

Prior to 1930, when the plant patents provisions were first introduced, two factors were thought to remove plants from patent protection. The first was the belief that plants, even those artificially bred, were products of nature for purposes of the patent law. The second was the fact that plants would not be able to meet the 'written description' requirement of the patent law.<sup>83</sup>

The Court found that with the introduction of the plant patent provisions Congress recognised the efforts of plant breeders in developing new varieties and therefore redefined the concept of products of nature in a narrow sense. As the Court found in the *Chakrabarty* case the 'relevant distinction' for purposes of *35 USC 10* is not 'between living and inanimate things, but between products of nature, whether living or not, and human-made inventions'.<sup>84</sup> In addition, changes in technology have enabled breeders more readily to meet the rigorous patent description requirements.

JEM Ag also claimed that as the plant patent provisions were only for asexually reproduced plants, then, at a minimum, sexually reproduced plants should be excluded from patent

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<sup>81</sup> JEM Ag 1

<sup>82</sup> 447 U.S. 303 (1980), United States Supreme Court;  
<http://caselaw.lp.findlaw.com/scripts/getcase.pl?Court=USA&vol=447&invol=303>

<sup>83</sup> <http://www.law.cornell.edu/supct/pdf/99-1996P.ZO.pdf> p8

<sup>84</sup> 447 US 303 (1980) 313



provisions, otherwise there would not have been a need for the separate *PVPA*. The Court did not accept this, on the grounds that in 1930 asexual reproduction was thought to be the only stable method of replicating a true to type plant. In addition, sexually propagated seed varieties were developed free of charge by the government so there was not a need for intellectual property protection.

The Court acknowledged that it is more difficult to obtain a utility patent than a plant patent or plant variety protection; but to compensate, the level of protection is greater for a utility patent, so there is no conflict in that regard.

With a utility patent there are no exemptions for research or saving seed.

Additionally, although Congress increased the level of protection under the *PVPA* in 1994, a plant variety certificate still does not grant the full range of protections afforded by a utility patent. For instance, a utility patent on an inbred plant line protects that line as well as all hybrids produced by crossing that inbred with another plant line. Similarly, the *PVPA* now protects any variety whose production requires the repeated use of a protected variety. A protected plant variety cannot be used to produce a hybrid for commercial sale. *PVPA* protection still falls short of a utility patent, however, because a breeder can use a plant that is protected by a PVP certificate to ‘develop’ a new inbred line but cannot use a plant patented under *35 USC 101* [utility patent] for such a purpose.<sup>85</sup>

### **Court decision**

The Court held that utility patents may be issued for plants. Nowhere in *35 USC 161-164* in relation to plant patents does it state that plant patents are the exclusive means of giving intellectual property protection to new plant varieties under *35 USC* patent law.

In relation to all the other arguments put forward by JEM Ag, claiming that the existence of the *PVPA* and the plant patent provisions precluded utility patents for plant varieties, the Court held that it could find nowhere in any of the statutes that Congress expressed such an intent. Therefore, in view of the ‘expansive’ language in *35 USC 101*, it upheld the position that utility patents for plant varieties were valid.

For all of these reasons, it is clear that there is no ‘positive repugnancy’ between the issuance of utility patents for plants and *PVPA* coverage for plants.. Nor can it be said that the two statutes cannot mutually coexist [Indeed] when two statutes are capable of coexistence, it is the duty of the Courts, absent a clearly expressed congressional intention to the contrary, to regard each as effective.<sup>86</sup>

### **Implications for the horticulture industries in Australia**

In Australia, the *Patent Act 1990* does not exclude plants as patentable material. When Australia introduced specific plant breeder’s rights legislation in 1987 it was argued that

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<sup>85</sup> See 7 USC 2541(a)(4) (infringement includes ‘use [of] the variety in producing (as distinguished from developing) a hybrid or different variety therefrom’)

<sup>86</sup> *JEM Ag II B 2*; the court discussed *Radzanower v. Touche Ross & Co.*, 426 US 148, 155 (1976) and *Morton*, 417 U.S., at 551.

this was needed because it was too difficult to obtain a patent for plant material and, although plant varieties were not specifically excluded, it was not clear whether or not they could be patented. In addition, it was a condition of the 1978 UPOV Convention that members could only have one law capable of protecting any particular plant variety. This has since been changed in the 1991 Convention.

For the horticulture industries in Australia it is important to understand the differences between a patent and plant breeder rights, as outlined in *JEM Ag*. A patent is more difficult to obtain over a plant variety, but once obtained it does not have exceptions for farm-saved seed, plant breeding and research.

In addition a plant variety may be covered by PBR, but it may have components (eg genes) that are covered by a patent, and relevant permissions must be obtained both for breeding programs and for growers who are using the plant material for commercial purposes. Usually there will be licence agreements that set out the conditions of use of such protected varieties and all growers need to know what those are and what the implications are if they are breached.

## 3.2 Patents: Co-existence of Patents and PBR for Plants

***Monsanto v Mitchell Scruggs* [2006]<sup>87</sup>**

**USA Court of Appeals for the Federal Circuit**

### **Issue**

The Court was asked to find on a number of issues key to the principles of intellectual property law:

- Can someone use protected material if they have not signed the licence agreement
- What is the proof needed for affirmative defences
- What does misuse of a patent entail
- Can contractual clauses be considered anti-competitive if the law does not approve any other products for use with the patented product
- How do the anti-trust laws apply to the 'stacking' of genes to confer several traits in the one product (in Australia the Trade Practices Act covers non-competitive behaviour)

### **Background**

Monsanto developed technology to make soybean and cotton both herbicide resistant and insect resistant. Monsanto licensed its technology to seed sellers on the condition that they

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<sup>87</sup> [2006] USCAFC 04-1532, 05-1120-1121, August 16 2006; <http://fedcir.gov/opinions/04-1532.pdf>

required purchasers to sign an agreement that the seed be used only for a single commercial crop.

Scruggs purchased seed but did not sign the agreement. Monsanto sued for infringement of its patents and the trial Court issued a preliminary injunction prohibiting Scruggs from further sale and use of the seeds containing the patented technology.

Scruggs counterclaimed with anti-trust and patent misuse affirmative defences.

Scruggs asserted that Monsanto violated anti-trust laws (specifically the Sherman Act<sup>88</sup>) by tying the purchase of seed to the purchase of Roundup (herbicide) through grower agreements and by tying the insecticide and herbicide resistance into the same cotton seed (gene stacking).

Scruggs denied infringement of the patents and sought a declaration of invalidity of the patents.

Monsanto was successful in the lower Court.

The Appeal Court identified that Monsanto had the onus of proof to show that:

- Its seeds were covered by the relevant patents, and
- Scruggs used those seeds in a way that violated Monsanto's patent rights.
- Scruggs's affirmative defences to infringement included:
  - Non-infringement
  - Unenforceability of the patent
  - Invalidity of the patent (eg failing to satisfy the written description or enabling requirements)
  - Patent misuse
  - Existence of an implied licence.

Scruggs acknowledged that it had purchased seed containing the patented technology, had not signed a licence agreement and was saving the seed for future planting. Monsanto's independent tests also confirmed that Scruggs's current crops contained the patented technology. Scruggs claimed the tests were not correct, but the trial judge did not accept this argument as Monsanto's tests had been replicated by more than one reputable laboratory.

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<sup>88</sup> 15 USC 1-2

Scruggs argued that the text of the patent did not disclose specific gene sequences and so was not properly described.

### **Court decision**

The Appeal Court found that:

- The specification for the herbicide patent included different strains of the promoter which covered differences in nucleotides found in Scruggs's crop. Scruggs's appeal did not challenge the trial Court's finding that the patent covered the CaMV promoter generally and not just one strain.
- Scruggs only provided a hypothesis to demonstrate that Monsanto results could be flawed. It did not provide conclusive evidence to show that the results were flawed.
- Scruggs failed to provide 'evidence raising a genuine issue of material fact'; because a patent has a statutory presumption of validity, the onus was on Scruggs to show 'by clear and convincing evidence, after all reasonable inferences are drawn in its favour, that the patents are invalid'.
- There was no unrestricted sale because the use of seeds by growers was conditioned on obtaining a licence from Monsanto, despite the fact that Scruggs had not signed—the seed could not be used legally until an agreement was signed; in addition there was no implied licence as the seed seller did not have authority to confer a right on the purchaser to use Monsanto's technology.
- The doctrine of exhaustion of the patent right after first sale did not apply as there was no sale of the second generation crop. Secondly, applying the first sale doctrine to subsequent generations of self-replicating technology would severely degrade the rights of the patent holder, which was not the intention of the doctrine of exhaustion (this links in with findings in *Cultivaust* case earlier in this Compendium, that the rights holder could exercise their right over the second generation crop where a farmer saved seed).
- The gene sequences did not have to be specifically described as the patent did not cover one particular gene sequence; the patent specifications clearly described promoters already known to those skilled in the art. The Appeal Court found that, given the knowledge of the art, it was unnecessary for the patent to include specific gene sequences. In some cases specific gene sequences may be required as part of the patent, eg where the level of skill in the art is low and there is little publicly available information about that DNA.
- The written description provision was satisfied by reference to publicly available type-cultures. Scruggs did not meet its burden of proof to demonstrate that a reasonable person, skilled in the art, could not replicate the invention.

- In relation to anti-trust, tying relationships are illegal in USA, ie the sale or lease of one product on the condition that the buyer or lessee purchase a second product (similar prohibitions exist in Australia under the TPA). To prove that a tying arrangement exists the plaintiff must show:
  - Two separate products or services
  - The sale of one product or service is conditioned on the purchase of another
  - The seller has market power in tying the product
  - The amount of interstate commerce in the tied product is not insubstantial
- Patent misuse relates to use of the patent to obtain market benefit beyond that of the statutory patent right; if the restriction on use is reasonable within the patent grant, a misuse defence will not succeed
- Importantly, no patent owner will be denied relief or held guilty of misuse or illegal extension of the patent right by having refused to licence or use any rights<sup>89</sup>
- The no-replant policy was valid within the scope of the patent<sup>90</sup>
- The technology fees were within the scope of the patent right
- The 'no research' policy and voluntary grower incentive were valid within the scope of a patent
- Refusal to allow stacking with transgenic traits developed by competitors was a valid 'field of use' restriction
- For the period during which Monsanto stipulated in its agreement that if a glyphosate herbicide was used it had to be Roundup, Roundup was the only approved glyphosate herbicide; the restriction was removed when other such herbicides were approved; therefore Scruggs (its onus of proof) had not shown that Monsanto's action had an adverse effect on competition under these circumstances; the dissenting Appeal judge held that there were Supreme Court precedents<sup>91</sup> that indicated that the issue of misuse was a separate matter from whether or not the contract terms were unlawful. In his view the trial Court had not found whether or not there was misuse.<sup>92</sup>

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<sup>89</sup> 35 USC 271(d)

<sup>90</sup> *Monsanto v McFarling* 1343 (Fed Cir 2004)

<sup>91</sup> *Fed Trade Commission v Ind Federation of Dentists* 476 USA 447, 465 (1986)

<sup>92</sup> He went on to cite *US Philips Corp v International Trade Commission* 424 F.3d 1179 (Fed Cir 2005), where the Court found that licensing arrangements were not unlawful on the grounds that there were no 'commercially feasible' alternatives, was different from this case where there were in fact alternatives but they were not yet registered; the minority opinion was to vacate this issue of patent misuse for decision by the District Court. The majority cited the same case to demonstrate that the rule of reason should apply here as well.

There was no evidence to show that Monsanto tied the herbicide trait to the insect resistant trait—Monsanto sold seed without the insect resistant trait and there was no evidence to show that it limited the amount of the latter that could be sold.

### Implications for the horticulture industries in Australia

Although this case is not from an Australian Court it provides some insight as to the way Courts interpret general principles of intellectual property protection. Key issues are:

- The onus of proof is on the plaintiff to provide evidence to support a claim of IP infringement
- Because a patent, PBR, trademark or other form of IP has a statutory presumption of validity once it has been granted, it is the plaintiff that must prove why this is not the case
- Not signing a grower agreement is not sufficient to allow a person to use a protected variety contrary to the IP rights. IP laws generally provide an exclusive right for the holder to do certain things. It follows that anyone else can only do those things if they have the permission of the rights holder. Under the Australian *PBR Act* (not the *Patents Act*) there is a defence (Section 57)<sup>93</sup> that a person did not know, or had no reasonable grounds for suspecting, that the variety was protected; but this case indicates that in the USA at least there would need to be clear evidence that the plaintiff had no way of knowing. In this case the plaintiff did not deny that it knew that this variety contained patented material.
- The conditions of Monsanto's licence agreement with the seed seller were such that the seller did not have any implied authority to confer a licence on the purchaser. This is important for those that sell propagating material in the horticulture industries—be aware of what is in the licence agreement and what your rights and responsibilities might be
- Validity of a patent is determined on a case by case basis on reading of the scope of the claim and the specifications. The presumption is that a person skilled in the art will be able to reproduce the patented invention from the information given. Therefore it is important when seeking a patent to be totally clear about what it is you want to protect, and when challenging a patent, using patented material or developing something similar, that the scope, claim and specification and therefore what can and can't be done without permission of the patentee is clearly understood.

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<sup>93</sup> 57 Australian *Plant Breeder's Rights Act 1994*:

(1) The Court may refuse to award damages, or to make an order for an account of profits, against a person in an action for infringement of PBR in a plant variety, if the person satisfies the Court that, at the time of the infringement, the person was not aware of, and had no reasonable grounds for suspecting, the existence of that right.

(2) If the propagating material of plants of the plant variety, labelled so as to indicate that PBR is held in the variety in Australia, has been sold to a substantial extent before the date of the infringement, the person against whom the action for infringement is brought is taken to have been aware of the existence of PBR in the variety, unless the contrary is established.

- There is no onus on an IP holder to use the invention except under limited circumstances eg the *PBR Act* (Section 19) requires reasonable quantities to be made available at a reasonable price, but the Patents Act does not
- If the rights holder does allow others to use the protected material, the holder can determine conditions of use, eg conditions relating to royalties, non-propagation, not to be used for research and refusal to allow its use with additional material from competitors are all valid. This does raise an interesting issue in Australia which has not yet been tested under PBR and that is whether this ability to 'contract out' of the national interest exemptions is against public policy. At this stage the view is that if someone enters into a contract then they are aware of the specific provisions and 'contract out' knowingly.

### 3.3 Patents: Prior Disclosure and/or Sale

*Ex Parte Thomson* [1992]<sup>94</sup>

USA Board of Patent Appeals and Interferences

*Ex parte Elsner* [2004]<sup>95</sup>

Federal Circuit

#### Issues

The key issue for decision in this case was whether or not under 35 USC 102(b)<sup>96</sup> (the USA patents law), if disclosure in a publication is insufficient for someone skilled in the art to reproduce the invention (in this case a cotton variety), it can become sufficient if the plant material is commercially available somewhere in the world. If this is the case, does it matter if the plant material is only available in another country and not in the USA?

#### Summary

In *Ex Parte Thomson* the USA Board of Patent Appeals and Interferences determined that an application for a patent (including a plant patent) did not meet the novelty requirements if it had been described in a publication in USA or overseas *and* the variety had been commercially available in some part of the world more than 12 months prior to filing the application in the USA. It was determined that even if the publication itself did not describe the variety sufficiently for a person skilled in the art to reproduce the variety, when combined with available plant reproductive material, a person skilled in the art would be considered able to reproduce the invention.

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<sup>94</sup> 24 USPQ 2d 1618

<sup>95</sup> 318 F 3d 2004

<sup>96</sup> '(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country more than one year prior to the date of application for the patent in the United States...'

The new variety in question was a cotton variety which had been available commercially in Australia for more than twelve months before the patent application was lodged in the USA; the variety was therefore available to be accessed somewhere in the world.

*Ex parte Elsner* was heard by the Federal Circuit Court in 2004 and confirmed, although without reference to *Thomson*, a wide interpretation of the provisions of disclosure, but highlighted that the availability of the variety must not be obscure to someone skilled in the art.

## Background

In 2001 the USA Patent and Trademark Office ('PTO') changed its policy in relation to prior disclosure, on the outcome of the decision in *Thomson*. Prior to that the policy had been based on the outcome in the 1962 case of *Le Grice*:

it is sound law, consistent with the public policy underlying our patent law, that before any publication can amount to a statutory bar to the grant of a patent, its disclosure must be such that a skilled artisan could take its teachings in combination with his own knowledge of the particular art and be in possession of the invention.<sup>97</sup>

The PTO policy until 2001 was that a printed publication in the case of a plant variety cannot of itself enable anyone to produce the plant described.

In its post 2001 policy the PTO has been reported<sup>98</sup> to be taking a wide view and refusing applications where there is any mention of the variety in a publication (including staff newsletters in the applicant organisation, not located in the USA), and available genetic material of the variety anywhere in the world, more than one year prior to the USA application date.

The PTO rejected the application in *Thomson* on the grounds that there was prior knowledge under *35 USC 102(b)*.

## Decision

The Appeals Board held that the combination of disclosure of the variety in a publication, either in the USA or overseas, together with the availability of seed of the variety in Australia, was sufficient disclosure in terms of *35 USC 102(b)* to enable a person skilled in the art to reproduce the variety. Therefore it supported the PTO's rejection of the application.

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<sup>97</sup> 301 F 2d 1962 at 936 Court of Customs and Patent Appeals (USA)

<sup>98</sup> Personal communication



### ***Ex Parte Elsner* [2004]**

The approach was further strengthened in the Federal Circuit case of *Ex parte Elsner*.<sup>99</sup> In this case the Federal Circuit distinguished *Elsner* from *Le Grice* by looking at whether one of ordinary skill in the art could reproduce the plants without undue experimentation.

In addition, the foreign sale must not be an obscure, solitary occurrence that could go unnoticed by those of skill in the art; its availability must have been known in the art, just as a printed publication must be publicly available.<sup>100</sup>

The Federal Circuit in *Elsner* also clarified the PTO approach by stating:

...the PTO asserts that when a publication is combined with a foreign sale which results in possession of the plant by one of skill in the art, it is that possession alone which is capable of enabling the publication (ie making it a disclosure). That is not correct. Only when possession derived in this manner enables a person of skill in the art to practice asexual reproduction (this is a plant patent) of the plant in a manner consistent with the statute can a non-enabling publication and foreign sale act as a bar to the application.<sup>101</sup>

### **Implications for the horticulture industries in Australia**

One of the key elements of an intellectual property system is the concept of novelty. Inventors have the opportunity to legally claim an exclusive right to use their invention for a limited period of time in exchange for making the invention public knowledge.

The reason that these cases in the USA have caused concern in Australia is based on the different approaches to prior disclosure taken by the Patents laws around the world and by the PBR laws.

In the PBR system developed specifically to protect new plant varieties, Article 6 of the UPOV Convention provides that applications can be lodged if the variety has not been exploited earlier than one year in their own country or earlier than four years in another country for most plants, and six years for trees and vines. This additional time for overseas varieties recognises that plants often have to undergo quarantine and it takes time to do the trials needed to demonstrate distinctness, uniformity and stability (see *Sunworld* case, Section 2.4 of this Compendium).

These time provisions are picked up in Australia, New Zealand, Europe and, for sexually propagated plants, the USA. However, for *asexually* propagated plants in the USA, the

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<sup>99</sup> 381 F 3d

<sup>100</sup> White K E (2004) 'An efficient way to improve patent quality for plant varieties', *Northwestern Journal of Technology and Intellectual Property* 3:1:88 (citing *Ex parte Elsner* 318 F 3d at 1131)

<sup>101</sup> White K E (2004) 'An efficient way to improve patent quality for plant varieties', *Northwestern Journal of Technology and Intellectual Property* 3:1:90 (citing *Ex parte Elsner* 318 F 3d at 1128)

application must not be lodged later than **12 months** from the date of first filing an application in another country.<sup>102</sup> (See extracts of these provisions at Attachment 4.)

Patent laws, not being designed specifically for plants, do not provide this additional time period for applying in overseas countries. This can cause difficulties for people who disclose or sell their variety in the first country of protection and do not immediately take steps to apply for a plant patent in the USA.

Australian breeders of new varieties which are asexually reproduced who intend to seek protection in the USA need to take care about making any reference to the new variety in any document, other than one covered by confidentiality, prior to applying for PBR in any country, including Australia. Once an application has been lodged in the first country then there is only one year in which to lodge an application in the USA.

There have been a number of proposals to bring the USA plant patents system (for asexually reproduced plants) more in-line with other UPOV countries and the USA PVPA for sexually reproduced plant varieties. In 2002 a *Plant Breeder's Equity Act* was first introduced into Congress and then revised several times including the latest reintroduction in 2005.<sup>103</sup> However the Bill has not yet been enacted.

The decision in *Ex parte Thomson* relates to 35 USC 102(b) of the USA patent law and refers to prior disclosure more than 12 months before filing an application. This, combined with the provision in 35 USC 102(d)<sup>104</sup> of the patent law requiring that an application in the USA must be filed no more than a year after filing either in the USA or another country, puts onus on plant breeders not to make reference to their new varieties outside the protection of a confidentiality agreement.

In 2001 the USA PTO issued a ruling enforcing this policy. After 2001, examiners were required to reject plant patent applications if a foreign-based plant breeder's rights certificate was issued more than 1 year before filing in the USA. Prior to this a plant variety could be sold outside the USA for an unlimited number of years as long as it was not sold, offered for sale or publicly used in the USA for more than one year prior to filing.<sup>105</sup>

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<sup>102</sup> 35 USC 102 2(d): the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States

<sup>103</sup> *Plant Breeder's Equity Act 2005* <http://www.govtrack.us/congress/billtext.xpd?bill=h109-121>

<sup>104</sup> 35 USC 102 (d) the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States,

<sup>105</sup> Subcommittee of Courts, the internet and intellectual property, Judiciary committee of the House of Representatives (USA) No 104 on HR 5119 – statement by Mr Issa page 11.

[http://commdocs.house.gov/committees/judiciary/hju81783.000/hju81783\\_0.HTM](http://commdocs.house.gov/committees/judiciary/hju81783.000/hju81783_0.HTM)

### 3.4 Patents: Infringement

*Schmeiser v Monsanto* [2004]<sup>106</sup>

Supreme Court of Canada, on appeal from the Federal Court

#### Issues

The Court had to decide whether Schmeiser had infringed the Monsanto patent when it claimed that it had never purchased Roundup Ready Canola. Was it sufficient to infringe a patent if the patented material came into the crop from neighbouring properties or did a person have to actively replant the patented material? Did the definition of 'use' of the patented material extend to cover the planting and selling of plants which are non-patentable in Canada? What remedies should be applied?

#### Summary

Monsanto had patent rights over a gene that confers glyphosate resistance to plants. Canola varieties which have the gene have been marketed as 'Roundup Ready Canola'. Schmeiser grew canola in Saskatchewan but had never bought Roundup Ready Canola, or obtained a licence to plant it.

Tests on Schmeiser's 1998 canola crop indicated it was 95-98% Roundup Ready Canola. Both the trial judge and the Federal Appeal Court of Canada held that Monsanto's patent had been infringed by Schmeiser. The trial judge said Schmeiser 'knew or ought to have known that it saved and planted seed containing the patented gene and that it sold the resulting crop also containing the patented gene'.

#### Background

Monsanto's patent 'discloses the invention of genetically engineered genes and cells containing those genes which, when inserted into plants, dramatically increase their tolerance' to glyphosate herbicides.<sup>107</sup> Canola plants grown from the genetically modified seed are resistant to the herbicides. Monsanto's patent did not claim protection for the genetically modified plant itself.

Monsanto started licensing Canadian farmers to use canola with the patented gene in 1996. The licensed farmers could not sell or give the seed to any third party or save the seed. The Roundup Ready plants could only be detected by chemical testing.

Schmeiser had a large commercial farming operation that grew canola. In 1996 neighbouring farms started growing Roundup Ready Canola. Schmeiser did not buy Roundup Ready Canola or obtain a licence to grow it. However tests showed that 95-98%

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<sup>106</sup> [2004]SSC 34

<sup>107</sup> *Schmeiser v Monsanto* [2004]SSC 34 para 8

of their 1998 crop was Roundup Ready Canola. The trial judge found that none of the explanations given by Schmeiser could reasonably explain this very large concentration unless he had actively propagated the material.

Schmeiser did not dispute the fact that he had Roundup Ready Canola on the farm, but argued that that the subject matter was unpatentable following the judgement in *Harvard College v Canada* where it was found that higher life forms are unpatentable under Canadian patent law.<sup>108</sup>

Monsanto claimed that when Schmeiser planted and cultivated Roundup Ready Canola he infringed the patent by making the gene or cell in the new plants.<sup>109</sup>

### Court decision

The majority decision found that the Monsanto patent was for the gene and a cell. Monsanto was not claiming the whole plant, but components, and this was permissible under the decision in *Harvard* which held that you could not claim the whole mammal in question (a mouse) under Canadian patent law.

The Court held (by a 5:4 majority) that Schmeiser had infringed Monsanto's patent rights. It set aside the trial judge's award of an account of profits on the basis that there was insufficient evidence to demonstrate that Schmeiser had received more money for the Roundup Ready Canola than he would have for the non-Roundup Ready crop.

The minority held the view that there was no infringement as the patent did not extend to the plant.<sup>110</sup>

The majority found that the infringement was due to 'use' of the patented invention by Schmeiser rather than through reproduction of the patented invention.

The Court looked at the construction of the word 'use', first taking the Oxford dictionary definition, then the three well established rules or practices of statutory interpretation:<sup>111</sup>

- It must be purposive under the Section 42 of the Canadian Patents Act—the reasons for which the patent protection is given<sup>112</sup>
- It must be contextual, giving consideration to the other words of the provision
- It must take into account case law.

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<sup>108</sup> *Schmeiser v Monsanto* [2004]SSC 34 para 21

<sup>109</sup> *Schmeiser v Monsanto* [2004]SSC 34 para 25

<sup>110</sup> *Harvard College v Canada* [2002] 4 SCR 45, 2002 SCC 76;  
<http://scc.lexum.umontreal.ca/en/2002/2002scc76/2002scc76.html>

<sup>111</sup> *Schmeiser v Monsanto* [2004]SSC 34 para 32

<sup>112</sup> <http://laws.justice.gc.ca/en/ShowFullDoc/cs/P-4///en>

'42. Every patent granted under this Act shall contain the title or name of the invention, with a reference to the specification, and shall, subject to this Act, grant to the patentee and the patentee's legal representatives for the term of the patent, from the granting of the patent, the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used, subject to adjudication in respect thereof before any Court of competent jurisdiction.'

The purpose of Section 42 of the Canadian patent law (as with most countries' patent laws) is to grant the patent holder rights to full enjoyment of the monopoly right granted by the patent. Any act that interferes with this is prohibited.

Looking at the contextual environment, the majority were of the view that the words of Section 42 indicated that 'the activity is usually for commercial purposes'. Inventors are deprived of the fruits of their invention when another person uses their invention to further a business interest. Contrary to the minority view, the majority held that this does not require the commercial advantage to be described in the patent specifications.

The majority then looked at whether case law covers instances where the patented invention is contained within something else.<sup>113</sup> The majority found that a patent is infringed when the defendant manufactures, seeks to use or uses a patented part that is contained within something that is not patented, as long as the patented part is significant or important.<sup>114</sup>

### **Implications for the horticulture industries in Australia**

This case addressed a number of key issues in relation to patents for plant material. In Australia it would not be as difficult to demonstrate infringement, as most patents would include the whole plant in the scope of their claim. This was not possible in Canada where the law does not permit patenting of higher life forms. Australians who are wanting to patent plant material in Canada need to take this into account and also note the interpretations of 'use' found by the Court in terms of infringing actions.

A key finding is that the patent could be infringed, even though the seed which contained the patented gene was not covered, on the basis that the patented part was significant and important.

The other issue of importance in the Australian context is that the Court found the volume of patented material in Schmeiser's crop was such that it could only have been present if Schmeiser had actively propagated it. Smaller adventitious presence might not have amounted to 'use' of the patented material.

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<sup>113</sup> *Schmeiser v Monsanto* [2004] SSC 34 para 40

<sup>114</sup> *Schmeiser v Monsanto* [2004] SSC 34 para 42

## 3.5 Patents: Breach of Contract

*Monsanto v McFarling* [2004]<sup>115</sup>

United States Court of Appeals for the Federal Circuit

### Issues

Key issues in this case are:

- Breach of grower agreement
- Level of evidence required to support counter claims.

### Summary

The District Court held that when McFarling replanted some of Monsanto's patented Roundup Ready soybeans which he had saved from his prior year's crop, McFarling breached the technology agreement that he had signed as a condition of his purchase of the patented seeds. The District Court also held that McFarling had failed to provide sufficient material fact to support any of his counterclaims or his defences to Monsanto's breach-of-contract claim.

### Background

Monsanto owned patents over genes that confer glyphosate resistance on plants. It had a technology agreement with seed companies who inserted the modified gene into their own plant varieties. For soybeans, Monsanto received a royalty of around \$US6.50 per 50 lb bag of seed. Monsanto also required that the seed company enter into a licence agreement with the soybean growers who bought the seed. The growers agreed to use the seed for a commercial crop in a single season only, not to sell the seed to anyone else, not to save any seed and not to provide any seed for research breeding, seed testing and similar uses. There was also provision for damages if the growers breached the agreement.

McFarling signed an agreement for 100 bags of soybean seed in 1998 and then saved the seed and replanted in both 1999 and 2000. He sent the seed to a third party for cleaning. Monsanto took a sample and had it independently tested, showing that the material included the Monsanto patented gene.

McFarling claimed that Monsanto had misused its patent by tying it to an unpatented seed and that it was not permissible to stop the saving of the unpatented seed material. However McFarling could have bought the equivalent soybean seed without the modified gene, and the Court found that a market for such unpatented product existed. McFarling also argued that he should be able to save seed if he paid the royalty to Monsanto on that

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<sup>115</sup> 03-1177, -1228 19 April 2004 <http://caselaw.lp.findlaw.com/cgi-bin/getcase.pl?Court=fed&navby=docket&no=031177>

material. However the Court held that Monsanto was not extending the scope of its patent by refusing to allow the saving of seed which included the patented gene.

The Court found that the licensed and patented product (the first generation seed purchased from the seed merchant) and the product made from it (the second generation seed) are virtually identical and therefore covered by the patent claim 'seed of a glyphosate-tolerant plant'. Therefore the restrictions in the technology agreement prohibiting the replanting of the second generation of Roundup Ready soybeans do not extend Monsanto's rights under the patent statute.

McFarling also claimed that the saved-seed exemption under the USA *Plant Variety Protection Act*<sup>116</sup> indicated that Congress intended the exemption to apply to utility patents over plant material as well.

The Court referred to the *JEM Ag*<sup>117</sup> case (see Section 3.1 in this Compendium) where the Supreme Court found that the utility patents and the PVPA could mutually co-exist and the provisions of one were independent of the other.

McFarling also claimed that the liquidated damages clause was in the nature of a penalty, and unenforceable. In Missouri law (the original jurisdiction for this case) a liquidated damages clause is valid if the amount is a reasonable estimate of the cost of the damage caused by the breach and it is difficult to accurately calculate the exact damage (at the time the breach is discovered). Therefore the contracted amount must be in the nature of compensation, rather than penalty for breach of contract.

The licence agreement provided for damages at 120 times the royalty on the saved seed that was then planted. Monsanto claimed that soybeans multiply exponentially and that by saving one bag of seed, in 2 years the grower would have 36 bags of seed (on average). The Court found that while this was a fact, it was not sufficient to meet the Missouri criteria for 'a reasonable forecast of damages' and that a more accurate accounting could be done at the time the breach was discovered, compared to the more difficult case where the farmer sold the seed to a third party. It also held that the 120 multiplier was used by Monsanto for a range of different crops with different multiplication rates, and for a range of different types of breaches with different consequences in terms of damage, so a one-size damage formula was not appropriate.

The Court referred the calculation of actual damages back to the District Court on the grounds that the clause in the agreement was an unenforceable penalty clause.

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<sup>116</sup> [http://www.ams.usda.gov/Science/PVPO/PVPO\\_Act/PVPA2005.pdf](http://www.ams.usda.gov/Science/PVPO/PVPO_Act/PVPA2005.pdf); this is the USA law that deals with sexually reproduced plants and provides protection similar to the Australian Plant Breeder's Rights legislation reflecting the UPOV Convention rather than standard patent law

<sup>117</sup> 2001) 534 USC 124 <http://supct.law.cornell.edu/supct/search/display.html?terms=pioneer&url=/supct/html/99-1996.ZO.html>

### Court decision

The Court found that Monsanto's patent had been infringed and its licence agreement had been breached. It affirmed the District Court's decision on these matters.

In relation to the liquidated damages, it found that the clause in the licence agreement under Missouri law amounted to a penalty clause and was unenforceable. Actual damages could and should be calculated.

### Implications for the horticulture industries in Australia

This case highlights that in the USA:

- Patents and PBR type legislation can co-exist and that conditions in one do not have to be reflected in the other legislation; each law operates independently of the other
- The exemptions found under the PBR type legislation do not apply under standard patent law—eg there is no statutory ability to save seed in patent law
- Patent holders are able to put terms in a grower agreement that prevent the grower saving, selling, planting and harvesting propagating material that contains the patented gene without a licence from the patent holder
- Damages clauses in contracts may be seen as a penalty and not enforceable, depending on the law in the relevant jurisdiction; contrast this outcome with the Australian Zee Sweet case where the requirement to remove and destroy the plant material was not seen to be a 'penalty' but a consequence of the fact that the material was no longer needed for the purpose of the agreement.

## 3.6 Action Taken to Enforce Patent which Later Turns Out to be Invalid: Liability of Patent Holder

*CFS Bakel v Stork Titan* [2006] (reported in English on IPEG)<sup>118</sup>

Supreme Court of the Netherlands <sup>119</sup>

### Issues

Is a patentee who takes enforcement action for a patent, which is subsequently held not to be valid, liable for wrongfully asserting the patent?

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<sup>118</sup> [www.ipgeek.blogspot.com/2006/10/is-patentee-liable-for-wrongfully.html](http://www.ipgeek.blogspot.com/2006/10/is-patentee-liable-for-wrongfully.html)

<sup>119</sup> [http://zoeken.rechtspraak.nl/resultpage.aspx?snelzoeken=true&searchtype=kenmerken&vrije\\_tekst=cfs+bakel](http://zoeken.rechtspraak.nl/resultpage.aspx?snelzoeken=true&searchtype=kenmerken&vrije_tekst=cfs+bakel)



## Background

This issue arises with all types of intellectual property where the law provides that the right granted can be challenged if information is presented which if known at the time of the grant would have resulted in the grant not being made.

If a person who is the holder of a validly granted right which is subsequently revoked has taken enforcement action while the right is still valid, there is a question as to whether they are liable in any way under common law (torts).

An earlier decision (*Dreflin v Wientjes* *NJ* 1965/116) found that the patentee would not be held liable unless he had acted reprehensibly.

## The Court decision

The Supreme Court of the Netherlands further reduced the potential for liability. It took the view that where a patentee relies on an examined patent which is later revoked or cancelled, he could only be liable if he knows, or ought to understand, that there is a serious non-negligible chance that the patent will not survive a challenge. The mere fact that an objection has been raised or is pending is insufficient reason for there to be a liability.

## Implications for the Australian horticulture industries

Under the Australian *PBR Act* a person is granted provisional protection when an application is accepted, but under Section 39(6) they cannot take enforcement action until such time as the right is actually granted. At that time they can take action against any infringement that occurred during the provisional protection period.<sup>120</sup>

However, once the right is granted, it can still be revoked if there is subsequent evidence to show that it was not eligible for a grant in the first place.<sup>121</sup>

It is also interesting to note that it is not the Courts that have this power in Australia, but the Secretary of the relevant Department (currently the CEO of IP Australia). However the decision is reviewable by the Administrative Review Tribunal.

The implications are that under the *PBR Act* itself there is no sanction against the person whose right is subsequently revoked unless they commit an offence under Section 75 by making false or misleading statements about the variety. There could be an action in tort

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<sup>120</sup> *PBR Act* 39(6) A person who is taken to be the grantee of PBR in a plant variety is not entitled to begin an action or proceeding for an infringement of that right occurring during the period when the person is so taken unless and until that right is finally granted to the person under Section 44

<sup>121</sup> *PBR Act* s50. The Secretary must revoke PBR in a plant variety or a declaration that a plant variety is essentially derived from another plant variety if:

(a) the Secretary becomes satisfied that facts existed that, if known before the grant of that right or the making of that declaration, would have resulted in the refusal to grant that right or make that declaration; or  
(b) the grantee has failed to pay a fee payable in respect of that right or of that declaration within 30 days after having been given notice that the fee has become payable.

and possibly under the false and misleading conduct provisions of the consumer protection laws.

The Dutch case is not a precedent in Australian law, but it is something the Court could take into consideration, and all holders of rights need to be aware that they could be challenged at common law if they were granted a right which they knew was unlikely to survive a challenge.

# 4

## Case Summaries: Other Relevant Matters

### 4.1 Contracts: Setting the Price for Crop

*Hardy Wine Company v Janevruss; Hardy Wine Company v Mazza* [2006]<sup>122</sup>  
Victorian Supreme Court

#### Issues

Interpretation and operation of a contract:

- Whether the price advised by Hardy was merely indicative and reviewable, and
- Whether the price could be reviewed in light of actual prices in the area.

#### Summary

This case is about the terms in a grower contract relating to determination of the price paid to growers, and how the Court looks at the evidence when interpreting such contract clauses.

The matter hinges around the wording of Clause 5 of the grower contract (which is outlined below), in relation to 'fair market price'. As a result of the larger than expected vintage in 2002, Hardy claimed that the 'fair market price' was that determined once the full vintage had been assessed and a formal weighted average price had been determined.

On appeal in the Victorian Supreme Court, the judge found, based on the wording of the definition in the grower agreement and the subsequent letter sent to the growers on 19 December 2001, that the price to be paid was the one in those documents, and not the one decided after the harvest, when market conditions were known.

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<sup>122</sup> [2006] VSCA 28 (24 February 2006)

## Background

The case is based on Clause 5 of the grower agreement:

### 5. PRICE AND TERMS OF PAYMENT

The Company shall pay to the Grower for the grapes, a fair market price. The fair market price for each variety is defined as the price likely to be realised for the majority of fruit being purchased from a particular area (e.g. Sunraysia or Riverland). An indicative price range for each variety is normally published in December of each year after negotiations have taken place between winemakers and growers. The Company shall advise the price and payment terms to the Grower no later than seven (7) days prior to a delivery taking place. The price and terms of payment are subject to the provisions of any statute that may apply from time to time to grapes purchased for wine in any specified region.

The minimum payment terms the winery agrees to pay will be 1/3 of the purchase price within 30 days of the month of delivery and the balance in two equal payments prior to the last day in months of June and September following delivery of the grapes.

### Special Conditions

Minimum prices for the following varieties are guaranteed for the vintages:

	<u>1999</u>	<u>2000-2002</u>	<u>2003-2006</u>	<u>2007-2008</u>
Shiraz	\$600/tonne	\$550/tonne	\$500/tonne	\$400/tonne
Merlot	\$600/tonne	\$550/tonne	\$500/tonne	\$400/tonne

Legislation implemented minimum pricing and payment systems in the industry. The South Australian legislation authorised the Minister to recommend a price (expressed as an amount per tonne) for wine grapes grown in a 'production area' and sold to a processor. The relevant section (Section 5) was headed 'Indicative price'. The price so determined could vary according to the variety of wine grapes. A further provision (Section 6) authorised the Minister to fix terms and conditions relating to the time within which processors must pay for wine grapes, and such terms and conditions were implied into every supply contract.<sup>123</sup>

The Court noted that the parties agreed that this 'explains the reference in the third sentence of Clause 5 of the contract to the publication of an indicative price range for each variety. It is also common ground that this publication of indicative prices ceased in 1996'.<sup>124</sup>

It is alleged that Hardy advised the plaintiff of the fair market price by a letter dated 19 December 2001. Then the plaintiff delivered the wine grapes but, in breach of the agreement, Hardy failed to pay the full amount owing.

The much greater than anticipated harvest in 2002 caused Hardy to revise its preferred method of calculating fair market price and it met with growers to outline a revised

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<sup>123</sup> *Hardy Wine v Janevruiss Nominees* [2005] VSC 41 (4 March 2005) at para 13 <http://www.austlii.edu.au/cgi-bin/dispatch/au/cases/vic/VSC/2005/41.html?query=janevruiss>

<sup>124</sup> *Hardy Wine v Janevruiss Nominees* at para 15

proposal. It sent a letter to growers outlining the changes and said that a revised grape supply contract would be sent for consideration.

The Magistrate held that under Clause 5 Hardy was obliged to pay the amount nominated at least seven days prior to delivery. The Magistrate held that this was the amount indicated in the letter of 19 December 2001, which advised the plaintiffs of the 'nominated winery delivered prices' for the 2002 vintage and the payment terms. As required by the fourth sentence of clause 5, this information was provided no later than seven days prior to delivery.

Hardy's responsibility was to pay the 'fair market price' as defined in Clause 5 of the grower agreement, not a fair market price that might otherwise be determined in the ordinary sense of the phrase.

In their written submission on appeal, Hardy said that the essential defences were:

- (c) It did not advise the respondents of the fair market price in the 19 December 2001 letter, and
- (d) Under the agreement it was obliged to pay a fair market price for grapes delivered, and Hardy had paid, or would pay, the respondents a fair market price for their grapes.

### **Appeal Court's decision**

The Court denied Hardy's appeal on the basis that the price indicated in the letter of 19 December was the only price that met the requirements of Clause 5 of the grower agreement. The reasons for the decision are quoted below:

Regarded overall, cl 5 is seen to reflect an intention that the price to be paid by Hardy is that which it is obliged to estimate and provide not later than seven days prior to delivery. Put simply, the agreement requires a price for each vintage, and Hardy's advice triggers the ascertainment of that price. The advice of that price represents Hardy's offer. But the offer must be bona fide and doubtless for that reason cl 5 specifies criteria of an objective nature by reference to which it is to be estimated. It seems only reasonable that the growers be advised of Hardy's estimate before delivery of their grapes. That gives growers a timely opportunity in which to consider the advised price, take any dissatisfaction up with Hardy and otherwise seek advice or take steps that might be considered appropriate.<sup>125</sup>

I am of the view that the letter was intended to be and is to be understood as being advice by Hardy of the price and payment terms for grapes in the 2002 vintage pursuant to cl 5. The letter is a clear statement by Hardy of what it will pay and the basis of calculation of the price. The letter is to be understood, in context, as advising the price which Hardy would pay under the agreement and which represented the fair market price.<sup>126</sup>

If the parties had intended that 'the price' be open to review and adjustment in light of the actual market in the vintage overall, in the way that Hardy has suggested, they could have so provided in the agreement. There no mention of any such right and it is altogether impossible to read such a right into the agreement.<sup>127</sup>

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<sup>125</sup> *Hardy Wine v Janevruss Nominees* at para 78

<sup>126</sup> *Hardy Wine v Janevruss Nominees* at para 86

<sup>127</sup> *Hardy Wine v Janevruss Nominees* at para 89

## Implications for the horticulture industries in Australia

This is a case that further emphasises the need to take care when entering into contracts for growing crops. Although it is not about patents or PBR for plant varieties, contractual issues are linked with all grower activity, and ensuring that the contracts are clear and unambiguous is critical to success. This and other contract cases in this Compendium also highlight the benefits of seeking professional legal advice before signing any agreement.

## 4.2 Grower Cooperatives

### *Case-Swayne v Sunkist Growers* [1967]<sup>128</sup>

#### USA Appeals for the Ninth Circuit No 66

#### Issues

Can Sunkist claim the 'cooperative' exemption for otherwise anti-competitive behaviour, even though some its members are not growers?

#### Summary

This case relates to the *Sherman Act* in the USA which deals with anti-competitive behaviour. This Act is different from Australia's *Trade Practices Act* (TPA), although many of the principles may be interpreted similarly.

In this case the Appeal Court held that Sunkist was a cooperative under the *Capper-Volstead Act* (USA) and therefore could not be liable for intra-organisational conspiracy to restrain trade. That Act allows collective activity in processing and marketing for 'persons engaged in the production of agricultural products as farmers, planters, ranchmen, dairymen, nut or fruit growers'.

#### Background

Sunkist comprised about 12,000 citrus growers organised into 160 local associations of which 80% were cooperatives. About 15% of the local associations were private corporations or partnerships owning and operating packing houses for profit. They had marketing contracts with growers to handle fruit for cost plus a fixed fee. All these 'local associations' were members of Sunkist Inc. Assets were owned by the local associations but the trade name (under which members' fruit was marketed), 'Sunkist', was owned by Sunkist Inc. The latter also owned processing facilities for fruit which were not marketed as fresh fruit.

Each grower had an agreement with the local association to market all their fruit through that association. If there was mutual agreement based on the fact that the grower (in the judgement of the packing house) could get a better price elsewhere, the grower could sell

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<sup>128</sup> 389 USA 384 (1967); [www.findlaw.com/us/389/384.html](http://www.findlaw.com/us/389/384.html)

elsewhere. Each local association agreed not to release any growers from marketing through them without first notifying the district exchange and Sunkist Inc; agreement was required if the total volume released of any one variety was more than 5% of the total of that variety handled by that local association.

Sunkist argued that the provisions of the *Capper Volsted Act* had the intent of covering any organisational form where the benefits of collective marketing went to the grower, and because the 'for profit' association packing houses charged cost plus a fixed fee, they did not participate directly in the gain or loss involved in the collective marketing through the Sunkist system.

### **Decision of the Court**

The Supreme Court did not agree with Sunkist. The Court held that the legislation clearly stated the sort of collective activity to which it applied; it limited participation 'in quite specific terms to producers of agricultural products'. In some circumstances capital participation by non-producers could be allowed, but this did not enlarge the market share already held by the producers, whereas in the Sunkist case the participation of non-producers had exactly that effect.

Sunkist argued that the associations had the right to deal with product from non-members, but the Court held that the rules governing such interaction were quite different from those governing the interaction between the members of the cooperative.

The case was remanded to the original Court to hear the matter based on this certiorari opinion.

### **Implications for the horticulture industries in Australia**

Although this case is about specific USA legislation in relation to Cooperatives, it has relevance in Australia as there are quite a number of cooperatives operating in the horticulture industries. The key message is that members of cooperatives need to ensure that they understand the Australian legislation under which they operate, and that they do not allow non-eligible people to be members.

## Meaning of 'Sell': Extracts from UPOV and PBR Laws

Extracts from PBR laws in relation to definition of Sale  
(Relevant cases: *Sunworld*, *Cropmark Seeds*)

### UPOV

(<http://www.upov.int/en/publications/conventions/1991/pdf/act1991.pdf>)

#### Article 14

##### Scope of the Breeder's Right

(1) [*Acts in respect of the propagating material*]

- (a) Subject to Articles 15 and 16, the following acts in respect of the propagating material of the protected variety shall require the authorisation of the breeder:
  - (i) production or reproduction (multiplication),
  - (ii) conditioning for the purpose of propagation,
  - (iii) offering for sale,
  - (iv) selling or other marketing,
  - (v) exporting,
  - (vi) importing,
  - (vii) stocking for any of the purposes mentioned in (i) to (vi), above.
- (b) The breeder may make his authorization subject to conditions and limitations.

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### Europe

#### Article 13

*Rights of the Holder of a Community Plant Variety Right and Prohibited Acts*

- (1) A Community plant variety right shall have the effect that the holder or holders of the Community plant variety right, hereinafter referred to as 'the holder,' shall be entitled to effect the acts set out in paragraph 2.
- (2) Without prejudice to the provisions of Articles 15 and 16, the following acts in respect of variety constituents, or harvested material of the protected variety, both referred to hereinafter as 'material,' shall require the authorization of the holder:
  - (a) production or reproduction (multiplication);



- (b) conditioning for the purpose of propagation;
- (c) offering for sale;
- (d) selling or other marketing;
- (e) exporting from the Community;
- (f) importing to the Community;
- (g) stocking for any of the purposes mentioned in (a) to (f).

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### **New Zealand *Plant Variety Rights Act 1987***

([http://www.legislation.govt.nz/browse\\_vw.asp?content-set=pal\\_statutes](http://www.legislation.govt.nz/browse_vw.asp?content-set=pal_statutes))

#### **Rights of grantees**

- (1) Subject to Section 19 of this Act, a grantee shall have the exclusive right—
  - (a) To produce for sale, and to sell, reproductive material of the variety concerned;
  - (b) If that variety is a plant of a type specified by the Governor-General by Order in Council for the purposes of this paragraph, to propagate that variety for the purposes of the commercial production of fruit, flowers, or other products, of that variety;
  - (c) Subject to any terms and conditions that grantee specifies, to authorise any other person or persons to do any of the things described in paragraph (a) or paragraph (b) of this subsection.
- (2) Notwithstanding subsection (1) of this section the Minister may, by notice in the Journal, and after ensuring that the grantee under the grant concerned will be adequately compensated, impose such restrictions on the exercise of the rights of that grantee in respect of any specified variety as the Minister thinks necessary in the public interest during [a state of national emergency declared under the Civil Defence Emergency Management Act 2002].
- (3) A grant may be assigned, mortgaged, or otherwise disposed of; and may devolve by operation of law.
  - (a) The rights of a grantee under a grant are proprietary rights, and their infringement shall be actionable accordingly; and in awarding damages (including any exemplary damages) or granting any other relief, a Court shall take into consideration—
  - (b) Any loss suffered or likely to be suffered by that grantee as a result of that infringement; and
  - (c) Any profits or other benefits derived by any other person from that infringement; and
  - (d) The flagrancy of that infringement.

- (4) Where there is imported into New Zealand any reproductive material of a protected variety, any propagation, sale, or use, of that material—
  - (a) As reproductive material; and
  - (b) Without the authority of the grantee concerned,—constitutes an infringement of the rights of that grantee under this section.
- (5) The importation into New Zealand—
  - (a) From a country that is not a [convention party] of produce of a protected variety; or
  - (b) From a [convention party] of produce of a protected variety in respect of which, under the law of that country, it is not possible to make the equivalent of a grant,—without the consent of the grantee is an infringement of the grantee's rights under this section.
- (6) The sale under the denomination of a protected variety of reproductive material of some other variety constitutes an infringement of the rights under this s of the grantee of that protected variety, unless the groups of plants to which those varieties belong are internationally recognised as being distinct for the purposes of denomination.
- (7) Where, in any proceedings for the infringement of the rights under this s of a grantee, it is proved or admitted that an infringement was committed but proved by the defendant that, at the time of that infringement, the defendant was not aware and had no reasonable grounds for supposing that it was an infringement, the plaintiff shall not be entitled under this s to any damages against the defendant in respect of that infringement, but shall be entitled instead to an account of profits in respect of that infringement.
- (8) Nothing in subsection (8) of this s affects any entitlement of a grantee to any relief in respect of the infringement of that grantee's rights under this s other than damages.

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#### **Australian PBR Act 1994**

(<http://www.scaleplus.law.gov.au/html/pasteact/1/618/top.htm>)

#### **SECT 11**

##### **General nature of PBR**

Subject to sections 16, 17, 18, 19 and 23, PBR in a plant variety is the exclusive right, subject to this Act, to do, or to license another person to do, the following acts in relation to propagating material of the variety:

- (a) produce or reproduce the material;
- (b) condition the material for the purpose of propagation;
- (c) offer the material for sale;

- (d) sell the material;
- (e) import the material;
- (f) export the material;
- (g) stock the material for the purposes described in paragraph (a), (b), (c), (d), (e) or (f).

## Essential Derivation: Extracts from UPOV and PBR Laws

### Definitions of 'essentially derived'—Extracts from PBR laws

*(Astee Flowers case)*

#### UPOV Convention 1991 Article 14 of the

- (b) For the purposes of subparagraph (a)(i), a variety shall be deemed to be essentially derived from another variety ('the initial variety') when
- i. it is predominantly derived from the initial variety, or from a variety that is itself predominantly derived from the initial variety, while retaining the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety,
  - ii. it is clearly distinguishable from the initial variety and
  - iii. except for the differences which result from the act of derivation, it conforms to the initial variety in the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety.
- (c) Essentially derived varieties may be obtained for example by the selection of a natural or induced mutant, or of a somaclonal variant, the selection of a variant individual from plants of the initial variety, backcrossing, or transformation by genetic engineering.

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#### European Plant Varieties Protection Regulation (EC/2100/94) Article 6

...for the purposes of paragraph 5(a), a variety shall be deemed to be essentially derived from another variety, referred to hereinafter as the 'initial variety' when:

- (a) it is predominantly derived from the initial variety, or from a variety that is itself predominantly derived from the initial variety;
  - (b) it is distinct in accordance with the provisions of Article 7 from the initial variety; and
  - (c) except for the differences which result from the act of derivation, it conforms essentially to the initial variety in the expression of the characteristics that result from the genotype or combination of genotypes of the initial variety.
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***Australian Plant Breeder's Rights Act 1994* SECTION 4**

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.

## Compulsory Licence: Extracts from PBR laws

(Sacker Potatoes case)

UK *Plant Varieties Act 1997*<sup>129</sup>

17. –

- 1) Subject to subsections (2) and (3) below, if the Controller is satisfied on application that the holder of any plant breeders' rights- (a) has unreasonably refused to grant a licence to the applicant, or
- 2) has imposed or put forward unreasonable terms in granting, or offering to grant, a licence to the applicant,
- 3) he may grant to the applicant in the form of a licence under this s any such rights as might have been granted by the holder.
- 4) The Controller shall not grant an application for a licence under this s unless he is satisfied—
  - a) that it is necessary to do so for the purpose of securing that the variety to which the application relates—
    - i) is available to the public at reasonable prices,
    - ii) is widely distributed, or
    - iii) is maintained in quality,
  - b) that the applicant is financially and otherwise in a position to exploit in a competent and businesslike manner the rights to be conferred on him, and
  - c) that the applicant intends so to exploit those rights.
- 5) A licence under this s shall not be an exclusive licence.
- 6) A licence under this s shall be on such terms as the Controller thinks fit and, in particular, may include—
  - a) terms as to the remuneration payable to the holder of the plant breeders' rights, and
  - b) terms obliging the holder of the plant breeders' rights to make propagating material available to the holder of the licence.
- 7) In deciding on what terms to grant an application for a licence under this s, the Controller shall have regard to the desirability of securing—
  - a) that the variety to which the application relates—
    - i) is available to the public at reasonable prices,
    - ii) is widely distributed, and
    - iii) is maintained in quality, and
  - b) that there is reasonable remuneration for the holder of the plant breeders' rights to which the application relates.

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<sup>129</sup> <http://www.opsi.gov.uk/ACTS/acts1997/97066--b.htm#17>

## *Australian Plant Breeder's Rights Act 1994*

### **SECT 19**

#### **Reasonable public access to plant varieties covered by PBR**

- 1) Subject to subsection (11), the grantee of PBR in a plant variety must take all reasonable steps to ensure reasonable public access to that plant variety.
- 2) Reasonable public access to a plant variety covered by PBR is taken to be satisfied if propagating material of reasonable quality is available to the public at reasonable prices, or as gifts to the public, in sufficient quantities to meet demand.
- 3) For the purpose of ensuring reasonable public access to a plant variety covered by PBR, the Secretary may, on behalf of the grantee, in accordance with subsections (4) to (10), license a person whom the Secretary considers appropriate:
  - a) to sell propagating material of plants of that variety; or
  - b) to produce propagating material of plants of that variety for sale;
- 4) during such period as the Secretary considers appropriate and on such terms and conditions (including the provision of reasonable remuneration to the grantee) as the Secretary considers would be granted by the grantee in the normal course of business.
- 5) If, at any time more than 2 years after the grant of PBR in a plant variety, a person considers:
  - a) that the grantee is failing to comply with subsection (1) in relation to the variety; and
  - b) that the failure affects the person's interests;
- 6) the person may make a written request to the Secretary to exercise a power under subsection (3) in relation to the variety.
- 7) A request must:
  - a) set out the reasons why the person considers that the grantee is failing to comply with subsection (1); and
  - b) give particulars of the way in which the person considers that the failure affects the person's interests; and
  - c) give an address of the person for the purposes of notifications under this s.
- 8) The Secretary must give the grantee:
  - a) a copy of the request; and
  - b) a written invitation to give the Secretary, within 30 days after giving the request, a written statement of the reasons the Secretary should be satisfied that the grantee:
    - i) is complying with subsection (1) in relation to the variety; or
    - ii) will so comply within a reasonable time.

## Disclosure and Prior Sale: Extracts from UPOV Complying Laws and under the USA Plant Patent Provisions

*(Ex Parte Thomson, Ex Parte Elsner cases)*

UPOV Convention

### Article 6

Novelty

- (1) [Criteria] The variety shall be deemed to be new if, at the date of filing of the application for a breeder's right, propagating or harvested material of the variety has not been sold or otherwise disposed of to others, by or with the consent of the breeder, for purposes of exploitation of the variety
    - (i) in the territory of the Contracting Party in which the application has been filed earlier than one year before that date and
    - (ii) in a territory other than that of the Contracting Party in which the application has been filed earlier than four years or, in the case of trees or of vines, earlier than six years before the said date
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### Australian PBR Act 1994

#### SECT 43

##### Registrable plant varieties

- (1) For the purposes of this Act, a plant variety in which an application for PBR is made is registrable if:
  - (a) the variety has a breeder; and
  - (b) the variety is distinct; and
  - (c) the variety is uniform; and
  - (d) the variety is stable; and
  - (e) the variety has not been exploited or has been only recently exploited.
- (2) For the purposes of this s, a plant variety is distinct if it is clearly distinguishable from any other variety whose existence is a matter of common knowledge.
- (3) For the purposes of this s, a plant variety is uniform if, subject to the variation that may be expected from the particular features of its propagation, it is uniform in its relevant characteristics on propagation.
- (4) For the purposes of this s, a plant variety is stable if its relevant characteristics remain unchanged after repeated propagation.



- (5) For the purposes of this s, a plant variety is taken not to have been exploited if, at the date of lodging the application for PBR in the variety, plant material of the variety has not been sold to another person by, or with the consent of, the breeder.
- (6) For the purposes of this s, a plant variety is taken to have been only recently exploited if, at the date of lodging the application for PBR in the variety, plant material of the variety has not been sold to another person by, or with the consent of, the breeder, either:
  - (a) in Australia-more than one year before that date; or
  - (b) in the territory of another contracting party:
    - (i) in the case of trees or vines-more than 6 years before that date; or
    - (ii) in any other case-more than 4 years before that date.
- (7) Subsection (6) does not apply to a sale by the breeder of a plant variety of plant material of the variety to another person if that sale is a part of, or related to, another transaction under which the right of the breeder to make application for PBR in that plant variety is sold to that other person.
- (7A) Subsection (6) does not apply to a sale of plant material of a plant variety to a person by, or with the consent of, the breeder if:
  - (a) the sole purpose of the sale is for the person to multiply plant material of that plant variety on behalf of the breeder; and
  - (b) under the agreement for the sale, immediately after the plant material is multiplied, property in the **new** plant material vests in the breeder.
- (7B) Subsection (6) does not apply to a sale of plant material of a plant variety to a person by, or with the consent of, the breeder if the sale is part of an agreement under which the person agrees to use plant material of that variety for the sole purpose of evaluating the variety in one or more of the following tests or trials:
  - (a) field tests;
  - (b) laboratory trials;
  - (c) small-scale processing trials;
  - (d) tests or trials prescribed for the purposes of this subsection.
- (7C) Subsection (6) does not apply to a sale of plant material of a plant variety to a person by, or with the consent of, the breeder if:
  - (a) the sale only involves plant material that is a by-product or surplus product of one or more of the following:
    - (i) the creation of the variety;
    - (ii) a multiplication of the variety;
    - (iii) tests or trials covered by subsection (7B); and
  - (b) the plant material is sold:

- (i) without identification of the plant variety of the plant material; and
    - (ii) for the sole purpose of final consumption.
  - (8) In addition to any other reason for treating a plant variety as a variety of common knowledge, a variety is to be treated as a variety of common knowledge if:
    - (a) an application for PBR in the variety has been lodged in a contracting party; and
    - (b) the application is proceeding, or has led, to the grant of PBR.
  - (9) A plant variety that is to be treated as a variety of common knowledge under subsection (8) because of an application for PBR in the variety is to be so treated from the time of the application.
  - (10) In this section:  
*plant material*, in relation to a plant variety, means one or more of the following:
    - (a) propagating material of the plant variety;
    - (b) harvested material of the plant variety;
    - (c) products obtained from harvested material of the plant variety.
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## Europe

### Article 10 (COUNCIL REGULATION (EC) No. 2100/94)

#### Novelty

1. A variety shall be deemed to be new if, at the date of application determined pursuant to Article 51, variety constituents or harvested material of the variety have not been sold or otherwise disposed of to others, by or with the consent of the breeder within the meaning of Article 11, for purposes of exploitation of the variety:
  - (a) earlier than one year before the above-mentioned date, within the territory of the Community;
  - (b) earlier than four years or, in the case of trees or of vines, earlier than six years before the said date, outside the territory of the Community.
2. The disposal of variety constituents to an official body for statutory purposes, or to others on the basis of a contractual or other legal relationship solely for production, reproduction, multiplication, conditioning or storage, shall not be deemed to be a disposal to others within the meaning of paragraph 1, provided that the breeder preserves the exclusive right of disposal of these and other variety constituents, and no further disposal is made. However, such disposal of variety constituents shall be deemed to be a disposal in terms of paragraph 1 if these constituents are repeatedly used in the production of a hybrid variety and if there is disposal of variety constituents or harvested material of the hybrid variety.

Likewise, the disposal of variety constituents by one company or firm within the meaning of the second paragraph of Article 58 of the Treaty to another of such companies or firms shall not be deemed to be a disposal to others, if one of them belongs entirely to the other or if both belong entirely to a third such company or firm, provided no further disposal is made. This provision shall not apply in respect of cooperative societies.

3. The disposal of variety constituents or harvested material of the variety, which have been produced from plants grown for the purposes specified in Article 15(b) and (c) and which are not used for further reproduction or multiplication, shall not be deemed to be exploitation of the variety, unless reference is made to the variety for purposes of that disposal.

Likewise, no account shall be taken of any disposal to others, if it either was due to, or in consequence of the fact that the breeder had displayed the variety at an official or officially recognized exhibition within the meaning of the Convention on International Exhibitions, or at an exhibition in a Member State which was officially recognized as equivalent by that Member State.

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#### **USA Plant Variety Protection Act<sup>130</sup>**

##### **Sec. 42. Right to Plant Variety Protection; Plant Varieties Protectable. 16**

- (a) IN GENERAL.—The breeder of any sexually reproduced or tuber propagated plant variety (other than fungi or bacteria) who has so reproduced the variety, or the successor in interest of the breeder, shall be entitled to plant variety protection for the variety, subject to the conditions and requirements of this Act, if the variety is—
  - (1) new, in the sense that, on the date of filing of the application for plant variety protection, propagating or harvested material of the variety has not been sold or otherwise disposed of to other persons, by or with the consent of the breeder, or the successor in interest of the breeder, for purposes of exploitation of the variety—
    - (A) in the United States, more than 1 year prior to the date of filing;  
or
    - (B) in any area outside of the United States—
      - (i) more than 4 years prior to the date of filing, except that in the case of a tuber propagated plant variety the Secretary may waive the 4-year limitation for a period ending 1 year after the date of enactment of the Federal Agriculture Improvement and Reform Act of 1996; or
      - (ii) in the case of a tree or vine, more than 6 years prior to the date of filing;

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<sup>130</sup> [http://www.ams.usda.gov/Science/PVPO/PVPO\\_Act/PVPA2005.pdf](http://www.ams.usda.gov/Science/PVPO/PVPO_Act/PVPA2005.pdf)

**USA Plant patents (Asexually propagated varieties) and utility patents (all plants)**

**35 USC 102<sup>131</sup> Conditions for patentability; novelty and loss of right to patent.**

A person shall be entitled to a patent unless —

- (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or
- (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or
- (c) he has abandoned the invention, or
- (d) the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States,

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<sup>131</sup> [http://www.uspto.gov/web/offices/pac/mpep/consolidated\\_laws.pdf](http://www.uspto.gov/web/offices/pac/mpep/consolidated_laws.pdf)



## Case List

Case	Country	Reference	Web Reference	Subject
<b>Plant Breeder's Rights</b>				
<i>Grain Pool of Western Australia v The Commonwealth</i>	Australia	[2000] HCA 14	<a href="http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/high_ct/2000/14.html?query=grain+pool">http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/high_ct/2000/14.html?query=grain+pool</a>	Constitutional Validity of PBR
<i>Cultivaust Pty Ltd v Grain Pool Pty Ltd</i>	Australia	[2004] FCA 638	<a href="http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/2004/638.html?query=cultivaustnc=25&amp;order=down&amp;sort=date&amp;pos=0&amp;view=a&amp;head=b&amp;box=Inbox">http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/2004/638.html?query=cultivaustnc=25&amp;order=down&amp;sort=date&amp;pos=0&amp;view=a&amp;head=b&amp;box=Inbox</a>	S14, s15 and farm saved seed
<i>Cultivaust v Grain Pool</i>	Australia	[2005] FCAFC 223 (28 October 2005) on appeal to the full Federal Court	<a href="http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/FCAFC/2005/223.html?query=cultivaust">http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/FCAFC/2005/223.html?query=cultivaust</a>	"" ""
<i>Saatgut-Treuhandverwaltungs-gesellschaft mbH v Brangewitz GmbH</i>	Europe	[2004] C-336/02, 17 February Preliminary ruling from Court of Justice of the European Communities	<a href="http://curia.europa.eu/jurisp/cgi-bin/form.pl?lang=en&amp;newform=newform&amp;alljur=alljur&amp;jurcdj=jurcdj&amp;jurtpi=jurtpi&amp;jurtfp=jurtfp&amp;alldocrec=alldocrec&amp;docj=docj&amp;docor=docor&amp;docop=docop&amp;docav=docav&amp;docsom=docsom&amp;docinf=docinf&amp;alldocnrec=alldocnrec&amp;docnoj=docnoj&amp;docnoor=docnoor&amp;typeord=ALLTYP&amp;allcommjo=allcommjo&amp;affint=affint&amp;affclose=affclose&amp;numaff=&amp;ddatefs=&amp;mdatefs=&amp;ydatefs=&amp;ddatefe=&amp;mdatefe=&amp;ydatefe=&amp;nomusuel=brangewitz&amp;domaine=&amp;mots=&amp;resmax=100&amp;Submit=Submit">http://curia.europa.eu/jurisp/cgi-bin/form.pl?lang=en&amp;newform=newform&amp;alljur=alljur&amp;jurcdj=jurcdj&amp;jurtpi=jurtpi&amp;jurtfp=jurtfp&amp;alldocrec=alldocrec&amp;docj=docj&amp;docor=docor&amp;docop=docop&amp;docav=docav&amp;docsom=docsom&amp;docinf=docinf&amp;alldocnrec=alldocnrec&amp;docnoj=docnoj&amp;docnoor=docnoor&amp;typeord=ALLTYP&amp;allcommjo=allcommjo&amp;affint=affint&amp;affclose=affclose&amp;numaff=&amp;ddatefs=&amp;mdatefs=&amp;ydatefs=&amp;ddatefe=&amp;mdatefe=&amp;ydatefe=&amp;nomusuel=brangewitz&amp;domaine=&amp;mots=&amp;resmax=100&amp;Submit=Submit</a>	Farm saved seed
<i>Sun World International v Registrar, Plant Breeder's Rights</i>	Australia	[1998] 1260 FCA (12 October 1998)	<a href="http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/1998/1260.html?query=%22sun+world%22">http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/1998/1260.html?query=%22sun+world%22</a>	Prior disclosure/sale definition of 'sell'
<i>Cropmark Seed v Winchester Intl</i>	New Zealand	(NZ) HC 28/9/04	<a href="http://www.upov.int/en/publications/gazette/pdf/gazette_99.pdf">http://www.upov.int/en/publications/gazette/pdf/gazette_99.pdf</a>	Extent of right—arranging for sale
<i>Astee Flowers v. Danziger 'Dan' Flower Farm</i>	Nether-lands	Court of the Hague case number 198763 case list number 03/1054, 13 July 2005	<a href="http://home.tiscali.nl/~sarjf/vonnis/vonnisgb.pdf">http://home.tiscali.nl/~sarjf/vonnis/vonnisgb.pdf</a> <a href="http://www.upov.int/en/publications/gazette/pdf/gazette_99.pdf">http://www.upov.int/en/publications/gazette/pdf/gazette_99.pdf</a>	Essential derivation
<i>Sacker Potatoes Ltd v C Meijer BV</i>	UK	Unreported		Compulsory licence
<i>Flemings Nurseries v Siciliano</i>	Australia	[2006] FCA 757	<a href="http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/2006/757.html?query=flemings">http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/2006/757.html?query=flemings</a>	Pleadings—Court Rules
<i>Buchanan Turf Supplies v Premier Turf Supplies</i>	Australia	[2003] FCA 230 (March 2003)	<a href="http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/2003/230.html?query=title+(+%22buc*%22+">http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/2003/230.html?query=title+(+%22buc*%22+</a>	Misrepresentat ion
<i>Zee Sweet v Magnom Orchards</i>	Australia	[2003] VSC 486	<a href="http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/vic/VSC/2003/486.html?query=%5E+zee+sweet">http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/vic/VSC/2003/486.html?query=%5E+zee+sweet</a> Breach of contract	

Case	Country	Reference	Web Reference	Subject
<b>Patents</b>				
<i>JEM Ag Supply v Pioneer Hi-Bred International Inc</i>	USA	(2001) 534 USA 124	<a href="http://supct.law.cornell.edu/supct/search/display.html?terms=pioneer&amp;url=/supct/html/99-1996.ZO.html">http://supct.law.cornell.edu/supct/search/display.html?terms=pioneer&amp;url=/supct/html/99-1996.ZO.html</a>	Patentability of plant material
<i>Monsanto v Mitchell Scruggs</i>	USA	USA Court of Appeals for the Federal Circuit	<a href="http://fedcir.gov/opinions/04-1532.pdf">http://fedcir.gov/opinions/04-1532.pdf</a>	Patents and PBR
<i>Ex Parte Thomson</i>	USA	24 USPQ 2d 1618 (USA Patent and Trade Mark Office Board of Appeals 1992) (Board of Patent Appeals and Interferences – BPAI)		Disclosure and prior sale - filing date in USA
<i>Ex Parte Elsner</i>	USA	318 F 3 <sup>rd</sup> Federal Circuit 2004		Disclosure and prior sale - filing date in USA
<i>Schmeiser v Monsanto</i>	Canada	[2004]SSC 34	<a href="http://scc.lexum.umontreal.ca/en/2004/2004scc34/2004scc34.html">http://scc.lexum.umontreal.ca/en/2004/2004scc34/2004scc34.html</a>	Patents infringement
<i>Disclosure and prior sale - filing date in USA</i>	USA	03-1177, -1228 19 April 2004 The Appeal Court of the Federal Circuit	<a href="http://caselaw.lp.findlaw.com/cgi-bin/getcase.pl?Court=fed&amp;navby=docket&amp;no=031177">http://caselaw.lp.findlaw.com/cgi-bin/getcase.pl?Court=fed&amp;navby=docket&amp;no=031177</a>	Breach of contract and evidence
<i>CFS Bakel v Stork Titan</i>	Netherlands	Supreme Court of the Netherlands 6 October 2006	<a href="http://zoeken.rechtspraak.nl/resultpage.aspx?snelzoeken=true&amp;searchtype=kenmerken&amp;vrije_tekst=cfs+bakel">http://zoeken.rechtspraak.nl/resultpage.aspx?snelzoeken=true&amp;searchtype=kenmerken&amp;vrije_tekst=cfs+bakel</a> <a href="http://www.ipgeek.blogspot.com/2006/10/is-patentee-liaable-for-wrongfully.html">www.ipgeek.blogspot.com/2006/10/is-patentee-liaable-for-wrongfully.html</a>	Enforced and then right revoked
<i>Hardy Wine Company v Janevruss; Hardy v Mazza</i>	Australia	[2006] VSCA 28 (24 February 2006)	<a href="http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/vic/VSCA/2006/28.html?query=hardy">http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/vic/VSCA/2006/28.html?query=hardy</a>	Contract – determination of price
<b>Grower Cooperatives</b>				
<i>Case-Swayne Inc V Sunkist Growers Inc</i>	USA	389 USA 384 (1967)	<a href="http://www.findlaw.com/us/389/384.html">www.findlaw.com/us/389/384.html</a>	Can non-growers be a member of a grower cooperative

## Plant Intellectual Property

In this Nursery Paper, Jay Sanderson and Kathryn Adams, from the Australian Centre for Intellectual Property in Agriculture (ACIPA), introduce readers to the field of intellectual property. Some understanding of intellectual property is essential for all sectors of the garden and nursery industries, including growers, wholesalers and retailers; who routinely deal with intellectual property protected plant varieties.



The garden and nursery industries have the highest percentage of protected plant varieties, in Australia and overseas. As a consequence, there are benefits to understanding (at least some) intellectual property principles – it may be one way to maximise your commercial advantage. There may also be detriment if you are uninformed. Particularly, if you do not understand your rights and obligations under plant breeder's rights, patents and/or your contracts. Additionally, the use of plant varieties in nursery and garden businesses is increasingly being controlled by contracts - often referred to as "Agreements" or "Licences". Therefore, it is vital that you are familiar with the terms of any contract, especially as the contract relates to intellectual property, access to property and auditing requirements. Importantly, you don't even have had to sign a contract to be bound by its terms.

### What is intellectual property?

Intellectual property is a general term for various legal regimes, including:

- plant breeder's rights;
- patents;
- trade marks;
- copyright;
- trade secrets; and
- designs.

Intellectual property has developed as a means of giving creators and innovators an opportunity to obtain a return on their investment. In this way, intellectual property rights are said to provide incentive for creation and innovation.

Intellectual property may allow a person to own certain types of innovation, and to control its use (for a limited time) and to be rewarded for its use: intellectual property rights are a type of property that can be bought or sold. Because of the commercial implications, it is vital that users and licensees of protected varieties understand the reasons for providing protection, as well as any rights and obligations that may arise.



## **Plant intellectual property**

There are two main forms of intellectual property that protect plants and plant products: plant breeder's rights and patents. In addition, there are a number of supplementary methods of protection, including: contracts, trade marks and trade secrets.

An important distinction needs to be made between intellectual property rights and the physical object in which they are found. For instance, a new plant variety may contain a number of intellectual property rights: a patent over a particular gene; plant breeder's rights over the variety itself; and a trade mark over a name.

In addition to these areas of intellectual property, access to (and collection and use of) plant genetic materials may be governed by national and state biodiscovery regulatory frameworks. The term "biodiscovery" generally refers to the process of collecting and analysing biological resources (eg. plants, animals, micro-organisms) in the search for new varieties, new traits, active compounds or ingredients that can be developed into useful (commercial) products. Currently, in Australia, laws are in place for biological materials found in Commonwealth and Queensland areas.

Why does the NGIA need to know about the plant intellectual property? Put simple, plants are the core of NGIA members' businesses. These plant varieties will have been developed in Australia, or overseas, and many are protected by plant breeder's rights. As mentioned earlier, the nursery and garden sector has the highest percentage of protected varieties.

When you are dealing with protected plants you can maximize your business opportunities in a number of ways. For example, you may become the exclusive licensee in Australia for particular overseas varieties, and, in the process will develop business relationships with the breeder to obtain special royalty rates based on the volume of sales. To be able to capitalise on these opportunities it is important to understand how plant intellectual property systems work.

Alternatively, NGIA members and their clients must be aware of their rights, duties and obligations. What are the restrictions on using a protected variety? Can you save (and use) propagating material? Does the licensor have the right to enter your property? Are you paying an up-front royalty or an end-point royalty? If so, how much is the royalty and when is it be paid?

## **Plant Breeder's Rights**

Plant breeder's rights (PBR) are a form of intellectual property protection designed to protect new varieties of plants; allowing plant breeders to control the use of the plant variety and to gain commercial benefit from investment made in the development of new plant varieties. Therefore, if a person purchases a protected variety they may face restrictions on its use.



The first ever Plant Breeder's Certificate was awarded, in 1988, to the "Hidden Valley" Macadamia tree.

In Australia, plant breeder's rights are governed by the *Plant Breeder's Rights Act 1994* (Cth). In order to be protected, a plant variety must have a breeder, be new, distinct, uniform and stable (See Table 1 below). The duration of plant breeder's rights is 25 years for trees and vines and 20 years for all other plants, starting from the date the plant breeder's right is granted.

A valid plant breeder's right gives the owner (initially, the breeder or discoverer) a number of rights. For example, holders of plant breeder's rights have exclusive rights in relation to the propagating material to:

- produce or reproduce the material;
- sell or offer for sale; and
- import or export the variety.

While these rights are primarily in relation to the commercialisation of propagating material, they may also apply to harvested material and to derivative varieties in certain circumstances. There are penalties for infringing plant breeder's rights - up to \$75,000 for individuals and \$275,000 for businesses, but more likely, civil action will be brought by the owner of the plant breeder's right – resulting in injunctions and/or damages payable.

An important feature of the plant breeder's right system is the way the interests of breeders, growers, and researchers have been accommodated through the use of exceptions to the scope of the breeder's right, including:

- private or non-commercial purposes;
- experimental purposes;
- plant breeding; and
- farm-saved seed.

<b>Breeder</b>	Breeding means to produce or develop new varieties. Breeding also includes “discovery”. In the absence of information to the contrary, the “discoverer” is the first to file for PBR protection. A person cannot normally be considered the “discoverer” of a plant if someone else provides the particulars of its existence to that person.
<b>New</b>	A variety is new if it has not been sold (with the breeder’s consent) for longer than: one year in Australia, or four years outside Australia (except trees and vines which is six years).
<b>Distinct</b>	A variety is distinct if it is clearly distinguishable by one or more characteristics which can be clearly described from any other variety whose existence is a matter of common knowledge at the time of application.
<b>Uniform</b>	The requirement that the variety be uniform means that a variety must be sufficiently consistent in those characteristics that make it distinct.
<b>Stable</b>	A variety must remain true to description after repeated propagation or reproduction.

Table 1. Requirements for protection under the *Plant Breeder’s Rights Act 1994* (Cth).



Protected varieties are denoted by the logo and a full list of protected varieties is available from the Plant Breeder’s Rights Office website on [www.ipaustralia.gov.au/pbr](http://www.ipaustralia.gov.au/pbr)

## Patents

In broad terms, patents can be defined as the grant of a “monopoly” to an inventor who has used their knowledge and skills to produce a product (or process) which is new, involves an inventive step and is capable of industrial application. This “monopoly” is limited in time (usually 20 years) and allows the patent holder to exclude other from making, using or selling the invention.

In Australia, the *Patents Act 1990* (Cth) allows all technologies to be patented (except “human beings and the biological processes for their production”) provided that there is an invention. Potentially, a patent can be sought for plant material as well as for the processes used to produce the plant material.

The criteria for patent protection of plants include:

- technical intervention and not a “discovery”;
- inventive when compared to the prior art;
- is fully described; and
- has a demonstrated use.

In Australia, both plant breeder’s rights and patents may apply to the same plant variety provided all of the relevant criteria are met. At this time plant breeder’s rights are more common, but as biotechnology is increasingly used in plant breeding, patents over plant varieties (or parts of plant varieties) may increase. Generally speaking, plant related patents may be obtained over: a plant variety; a process for producing a plant variety; or biological information (eg. a DNA sequence).



The first patent for a plant variety was awarded, in 1983, for a cymbidium orchid cultivar.

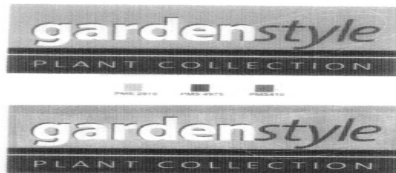
## Trade marks

Trade marks are “signs” that make particular goods and services distinguishable from other goods and services. In this way, trade marks can play an important role in ensuring brands are known in the marketplace. A “sign” may include a name, logo, word, slogan or symbol, however, a plant variety name cannot function as a trade mark.

A trade mark can be registered under the *Trade Marks Act* 1995, and, has the advantage that protection can last forever, if the fees are kept up to date.

Trade marks are often used in the nursery and garden industry to denote a “series” of plants varieties from the same breeder. Each variety may then also be protected by PBR and/or a patent.

For example, the trade mark “*GardenStyle Plant Collection*” registered by the Nursery and Garden Industry Victoria is used on a number of different plant varieties, offering promotional benefits and an easy to recognise “sign” for consumers.



## Trade secrets

A trade secret can be a formula, practice, process, design, instrument, pattern, or a compilation of information. This secret is often used by a business to obtain an advantage over competitors within the same industry. In some jurisdictions, such secrets are referred to as “confidential information”. Trade secrets are not covered by special legislation, instead breach of a trade secret is dealt with under the common law.

A trade secret is some sort of information that:

- is not generally known to the relevant portion of the public;
- confers some sort of economic benefit on its holder; and
- is the subject of reasonable efforts to maintain its secrecy.

Importantly, the information must be kept from the public and from competitors. This is usually done by the use of confidentiality agreements.

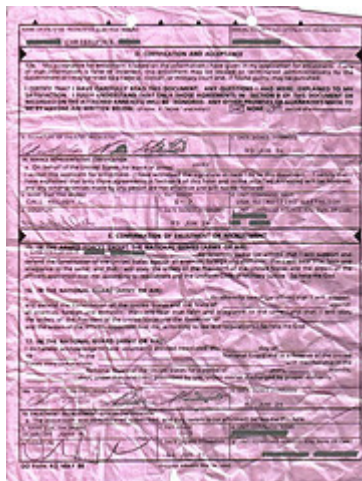


## Contract

Plant breeder's rights, patents and registered trade marks are established by rules set out in the relevant legislation; giving exclusive right to the grantee to commercialise their invention. However, if the grantee wants to obtain a greater return by allowing others to use the invention, a licence agreement (or contract) is entered in to between the grantee and the user.

A contract will set out the terms and conditions, under which the grantee will allow use of the invention. In legal terms, parties are generally free to agree on those conditions, although, there are some laws that protect against unduly harsh or unconscionable contracts. The contract may be included on the bag or pot label and the purchaser may be agreeing to those terms simply by opening the bag of seed, or by purchasing the propagating material. Therefore, it is important that all parties are aware of the specific terms and conditions of their contract; ignorance is not an excuse at law.

In relation to plants and propagating material, specific clauses may relate to your ability to terminate the contract, price, reporting and auditing requirements, access to property and terms of use (for example, non-propagation).



## Summary

This Nursery Paper has presented an introduction to a very important area; most commercial nursery and garden businesses today would routinely use plant varieties that are protected by (at least) one form of intellectual property. Members of NGIA need to be able to advise their clients, who are buying protected varieties, about possible restrictions on commercial use of those plant varieties. If you are looking to become the Australian licensee of overseas varieties, you need to know the Australian plant intellectual systems (so that you can negotiate the license agreement); access to overseas varieties may only be obtained if the owners are confident in the Australian intellectual scheme (and in the licensee's knowledge of that scheme);

*This Nursery Paper does not represent specific legal advice. This document was created for educational purposes only. No person should rely on the contents of this publication and should seek their own independent advice, including legal advice, from a qualified professional.*

*Neither NGIA nor ACIPA will be responsible in any way whatsoever to any person or corporation that relies on the information in this publication, or for the views expressed and conclusions reached in this publication.*

*If you have specific questions or concerns you should seek further advice.*



# What is intellectual property

Intellectual Property (IP) provides legal protection over a range of different forms of creativity and innovation, from books and films through to new inventions and new varieties of plants. IP allows a person to own the products of creativity and innovation, to control its use (for a limited time) and to be rewarded for its use. IP rights are a type of property that can be bought or sold.

A distinction needs to be made between IP rights and the physical object in which they are found. For instance, a new plant variety may contain a number of intellectual property rights: a patent over a particular gene; plant breeder's rights over the variety itself; and a trade mark over the name of the plant.

## Why have IP rights?

IP rights are usually justified on the grounds that they give creators and innovators an opportunity to make a return on their investment. IP rights provide incentive for creative or innovative activities. There is debate about the scope of IP protection with particular concerns about the tension between:

- the need to promote and reward innovation
- the need to ensure freedom of expression, the flow of information and access to technology

## What are IP rights?

IP is a general term for various legal regimes including:

- Plant Breeder's Rights
- Patents
- Trade Marks
- Passing off
- Copyright
- Geographical Indications
- Breach of confidence/Trade secrets
- Designs

## Plant Breeder's Rights

Plant Breeder's Rights (PBR) protect new plant varieties and are administered under the *Plant Breeder's Rights Act 1994* (Cth). PBR is dependent upon registration and a plant variety may be registered under PBR if

it is distinct, uniform and stable. In addition, the variety cannot have been previously commercially exploited (ie it has to be 'new').

The owner of PBR has the exclusive right to produce or reproduce, offer for sale, sell and import/export propagating material of the registered variety. There are a number of exemptions built into the law which includes the ability to farm save seed.

PBR lasts for 25 years in the case of trees and vines, and 20 years in the case of all other varieties.

## Patents

A patent is a set of exclusive rights granted under the *Patents Act 1990* (Cth) in relation to an invention. Patent protection is dependent upon registration and requires disclosure of the invention to the public. The *Patents Act* defines 'patentable invention' as an invention that is a manner of manufacture, is novel, involves an inventive step, is useful, and has not been used secretly.

Patents provide owners with the right to exclude others from making, using or selling the invention. In Australia, a standard patent lasts for 20 years.

## Trade Marks

Trade marks are 'signs' that make goods and services distinguishable from others. The sign may include a name, logo, word,



slogan or symbol. Some well known examples are Coca-Cola, Massey-Ferguson, Toyota and IBM.

A trade mark can be registered under the *Trade Marks Act 1995* (Cth) and would be denoted with ®. In addition, trade marks may be unregistered and denoted with ™. While protection of registered trade marks ® comes from the *Trade Marks Act*, unregistered trade marks ™ are protected by the tort of passing off. As growers produce a wide range of products, trade marks can play an important role in ensuring growers' brands are known in the marketplace.

Trade mark protection can last forever, if the fees are kept up to date.

## Geographical Indications of Origin

Geographical indications are used on goods that have a specific geographical origin. The goods are assumed to possess qualities, reputation or other characteristics that are due to the place of origin.

In Australia, geographical indications are restricted to wines and spirits. A well known example is 'Coonawarra' for wine.

## Designs

Designs law provides protection for the visual appearance of goods. For example, the shape of a rake or the tread pattern on a

tyre. Design registration is dependent upon registration and is governed by the *Designs Act 2003* (Cth).

To be registrable the design must be new and distinctive. Once registered, a design is given 5 years protection (10 years if a renewal fee is paid).

## Confidential Information

Certain types of valuable information such as chemical formulae and manufacturing processes are protected because they are kept secret. You do not need to register for this form of protection. This area of the law is known as trade secrets or confidential information.

To maintain an action for breach of confidence it is necessary to show that the information is confidential; the information was imparted in circumstances importing an obligation of confidence; and there has been an unauthorised use of the information.

## Copyright

Copyright protects creations in a range of fields including literary, musical, artistic and dramatic. Copyright protection arises automatically on creation of a work and can exclude others from reproducing, adapting, distributing, performing or displaying the work in public. To attract copyright protection, a work must be original and be reduced to material form. The *Copyright Act 1968* (Cth) governs the law of copyright in Australia.

This Fact Sheet was prepared independently by the Australian Centre for Intellectual Property in Agriculture (ACIPA) with funding from the Horticulture Australia Limited (Project HG04020 "Maximising the Benefits of Intellectual Property for the Australian Horticultural Industry").

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# Plant Breeder's Rights

Plant Breeder's Rights (PBR) are a form of intellectual property protection designed to protect new varieties of plants. PBR allows plant breeders to control the use of the plant variety and to gain commercial benefit from their investment in the development of new plant varieties. If a grower purchases a PBR protected variety they face restrictions on its use. There are penalties for infringing PBR. This may be up to \$75,000 for individuals and \$275,000 for businesses.

In Australia, PBR are governed by the *Plant Breeder's Rights Act 1994* (Cth) (the PBR Act). Importantly, PBR are territorial in nature, and varieties need to be registered in the country in which you are seeking protection.

The duration of PBR is 25 years for trees and vines and 20 years for all other plants. This starts from the date the PBR is granted.

## How can a variety be protected by PBR?

In order to be protected, a plant variety must have a breeder, be new, distinct, uniform and stable.

<b>Breeder</b>	Breeding means to produce or develop new varieties. Breeding also includes 'discovery'. In the absence of information to the contrary, the 'discoverer' is the first to file for PBR protection. A person cannot normally be considered the 'discoverer' of a plant if someone else provides the particulars of its existence to that person.
<b>New</b>	A variety is new if it has not been sold (with the breeder's consent) for longer than: <ul style="list-style-type: none"> <li>• One year in Australia; or</li> <li>• Four years outside Australia (except trees and vines which is six years)</li> </ul>
<b>Distinct</b>	A variety is distinct if it is clearly distinguishable by one or more characteristics which can be clearly described from any other variety whose existence is a matter of common knowledge at the time of application.
<b>Uniform</b>	The requirement that the variety be uniform means that a variety must be sufficiently consistent in those characteristics that make it distinct.
<b>Stable</b>	A variety must remain true to description after repeated propagation or reproduction.

## How do you apply for PBR?

In order for a variety to be protected by the PBR system, it is necessary for the applicant to go through an administrative process that tests and evaluates whether the variety complies with the requirements for protection. It costs approximately \$2,000 for the Application, Examination and Certificate. In addition, there is a \$300 Annual Fee.

## How do you know if a variety is protected by PBR?

PBR protected varieties are denoted by the PBR logo:



Alternatively, you can check with your supplier. A full list of PBR protected varieties is available from the PBR office website on [www.ipaustralia.gov.au/pbr](http://www.ipaustralia.gov.au/pbr).

## What is the scope of PBR?

A valid PBR gives the owner (initially, the breeder or discoverer) a number of rights. For example, holders of PBR have exclusive rights in relation to the propagating material to:

- produce or reproduce the material
- sell or offer for sale
- import or export the variety

While these rights are primarily in relation to the commercialisation of propagating material, they may also apply to harvested material and to derivative varieties in certain circumstances.

## Exceptions to PBR

An important feature of the PBR system is the way the interests of breeders, growers, and researchers have been accommodated through the use of exceptions or limitations to the scope of the breeder's right. Some exemptions include:

- private or non-commercial purpose
- experimental purposes
- plant breeding
- farm saved seed

## PBR and Contract

PBR and the contracts you sign are not directly related. PBRs are a framework that controls the use of the propagating material. In contrast, contracts deal with the commercialisation of varieties and may include details of prices, terms of trade and supply chain structures.

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# Closed Loop Contracts

An integrated 'closed loop' arrangement occurs when one party (eg a wholesaler) controls one, or all, aspects of the supply chain with another party (eg a grower). The closed loop contract will place restrictions on what the grower can (and cannot) do. These restrictions may relate to how, where and with whom they do business.

## An example of a closed loop contract

John Grower purchases apple trees from Jay's Fruits. Under the Grower Agreement, Jay's Fruits will assume control of every aspect of the apple growing process and the supply chain. In relation to the trees, Jay's Fruits controls:

- the packaging of the apples through approved packers
- the selling of apples through approved agents
- the exporting of the apples through approved exporters

## Why use closed loop arrangement?

In a horticultural context, closed loop arrangements may be used for some, or all, of the following reasons:

- to ensure control over the quality of the supply chain
- to maximise returns on produce
- to protect and capture end point royalties
- to ensure product integrity

## Possible legal implications

There are number of possible legal implications of using closed loop contracts. This fact sheet will focus on three key areas: competition law, contract law and plant breeder's rights.

## Competition Law

Increasingly, growers must negotiate their own terms of trade with wholesalers and retail outlets. This opens up great opportunities but is not without risk. Currently, the government is investigating a mandatory code of conduct for the wholesale horticultural industry under the *Trade Practices Act*. In the horticultural industry, one concern is that anti-competitive structures may be used that could force some growers out of the market.

One possible consequence of using a closed loop arrangement is that the contract may infringe the *Trade Practices Act 1974* (Cth). The *Trade Practices Act* prohibits certain anti-competitive practices. Broadly speaking these may include: anti-competitive agreements (eg price fixing, market sharing); misuse of market power; or exclusive dealing.

Exclusive dealing occurs when one person trading with another imposes some restrictions on the other's freedom to choose how they conduct their business. While this is common, there are times when such agreements are unlawful. Conduct can either be prohibited outright or subject to a test on whether it has substantially lessened competition in a market. However, it is possible for a company to seek permission to use restrictive practices if they can show that it has 'public benefit' (see Example 1).

The following provides two examples of exclusive dealing: third-line forcing and full-line forcing.

### Example 1: Third-line forcing

A contract may provide a product to a grower on condition that the grower buys another product from a third person. For example, Jay's Fruits will sell you propagating material on the condition you buy fertiliser from Tom's Fertilisers. Under the *Trade Practices Act* this conduct is unlawful. It is lawful to recommend the product of a third person to a grower, however, it is unlawful to force those products on growers.

An authorisation process within the *Trade Practices Act* provides for immunity from court action for some restrictive practices that could otherwise breach the Act. The Australian Competition and Consumer Commission (ACCC) needs to be satisfied that the arrangement delivers 'public benefit' (eg choice or price). However, immunity does not operate until authorisation has been granted. Third-line forcing may be changed from an outright prohibition to a substantial lessening of competition test in the future (see example 2). If this happens, obtaining authorisation will not be necessary.

Authorisation is available for anti-competitive agreements, primary boycotts, secondary boycotts, exclusive dealing including third line forcing, and resale price maintenance. It is not available for misuse of market power. Third-line forcing should not be confused with 'bundling' – which is the packaging of a number of goods to form a new product.

### Example 2: Full-line forcing

Charlie's Fruit will only sell you propagating material for stone fruit if you agree not to buy goods from a competitor. This is an exclusive supply arrangement but is only unlawful if it substantially lessens competition in the relevant market. A substantial lessening of competition occurs when the ability of buyers to shop around for a deal is significantly diminished.

## Contract law

One of the fundamental principles of contract law is that parties are free to contract on whatever terms and conditions they see fit. This is known as 'freedom of contract'. The law has always taken the view that it would not grant relief from harsh or oppressive contracts made between parties. However, courts may be prepared to set aside contracts on grounds of fraud, misrepresentation or unconscionability (ie unfair, unreasonable, oppressive).

In addition, there have been some statutory inroads into the notion of freedom of contract. This has largely been to afford protection to consumers, and in some case, businesses where they may lack bargaining power and the resulting contract may be unfair or unconscionable.

## Plant Breeder's Rights and Public Access

There must be reasonable public access to plant varieties protected by Plant Breeder's Rights (PBR). As a result, in some circumstances, onerous closed loop contracts may prevent growers from obtaining propagating material.

Under the *Plant Breeder's Rights Act 1994* (Cth) a person who believes that their interests have been affected may seek a compulsory licence. The variety must be unavailable for at least two years. An affected person would have to demonstrate that there is not reasonable public access (and their interests are being affected). This is satisfied if a reasonable quality of propagating material is not available to the public at reasonable prices in sufficient quantities.

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# Biodiscovery

This fact sheet explores the National and State frameworks that regulate bioprospecting or biodiscovery in Australia. The laws that regulate biodiscovery in Australia are important to Australian horticulture, particularly those sectors such as native flowers and bush tucker which utilise a wide variety of natural resources.

“Biodiscovery” refers to the process of collecting and analysing biological resources (eg plants, animals, micro-organisms) in the search for new varieties, new traits, active compounds or ingredients that can be developed into useful (commercial) products. Biological resources may be developed into new plant varieties, pharmaceuticals, insecticides or herbicides. There are many examples of naturally occurring biological materials that have been turned into commercial products including:

- the extraction of Echinacea from Daisies or Pyrethrum from opium poppies;
- the use of Milkweed as an anti-cancer compound; and
- new macadamia nut varieties found in the Australian bush.

## Why is biodiscovery important?

There are a number of reasons why biodiscovery is important for the Australian horticulture industry. Australia has approximately 10% of the world’s biodiversity. In addition, advances in science and technology mean that it is possible to systematically search biological materials for traits, chemicals and products that may have commercial values.

Until 1993, genetic resources were considered to be the “common heritage of mankind”. As a result, discoveries based on natural genetic resources did not result in benefits returning to the country, or community, providing the material. In 1993, the position changed substantially with the introduction of the United Nations *Convention on Biodiversity* (CBD). In effect, this allowed countries to treat genetic resources as a national resource.

The aim of the CBD is to:

- conserve biological diversity;
- promote the sustainable use of the components of biological diversity; and
- ensure the fair and equitable sharing of benefits arising from the use of genetic resources.

The CBD entered into force for Australia in 1993, and sets out some of the principles for access to genetic resources, and the sharing of benefits in Australia. In 2002, the voluntary *Bonn Guidelines* were developed to represent world best practices for biodiscovery. These provide the basis for specific national laws in the area of biodiscovery. As an international legal instrument, the CBD (and the *Bonn Guidelines*) needed to be implemented into Australian law to take effect. To date, this has only been done by the Commonwealth, Queensland and Northern Territory Governments.

While the exact details of the legislation vary, there are a number of key issues.

## **What is the basis of the scheme?**

The biodiscovery schemes set out to regulate access to biological resources. In doing so, the schemes introduce a number of obligations and requirements for potential bioprospectors.

## **When does a scheme operate?**

The biodiscovery schemes may be relevant if you are on areas (land or sea) that are controlled by:

- the Commonwealth;
- the State of Queensland; or
- the Northern Territory.

## **Do you need a permit?**

Where a biodiscovery scheme operates applicants need to apply for a permit (called a “Biological Collection Authority” in Queensland) to be able to collect and examine biological material. This application needs to be made to the relevant Permit Issuing Authority.

The requirements of an application will vary depending on the intended use of the biological material. If access is sought for “commercial purpose”, the permit is generally granted if the collection is:

- ecologically sustainable; and
- a Benefit-Sharing Agreement has been reached with the resource provider, which includes prior informed consent and mutually agreed terms.

## **Benefit sharing agreement**

It is a condition of all of the biodiscovery schemes in Australia that a Benefit Sharing Agreement be entered into with the resource access provider. An access provider may include the Commonwealth, State or Territory; an indigenous Land Council; or a native title holder. Importantly, there may be more than one access provider.

While the benefits generally go back to the Government, there are provisions within the Acts for the sharing of benefits with local Indigenous communities.

The benefits may be monetary (for example, up-front payments or royalties on future profits) or non-monetary (for example, training and jobs).

## **Biodiscovery plan**

A biodiscovery plan may also be required. This will outline details of the biodiscovery research, a proposed timetable of the research, proposals for commercialising the outcomes of the research and other relevant information.

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# End Point Royalties

Plant breeder's rights provide exclusive rights to various uses of new varieties and plants. While the law provides a framework for plant breeders to obtain protection, it does not stipulate how protected varieties can be commercialised. Commonly, growers are asked to agree to a contract (often referred to as a "Grower Agreement" or "Licence"); setting out the terms which a grower must comply with when they use a variety, including the purchase price of the propagating material, terms of use, reporting requirements, and the amount (and timing) of any royalty payments.

## What are royalties?

Royalties are payments made for the use of new varieties and plants.

While royalties were traditionally collected at the point of sale, increasingly growers are being asked to pay an end point royalty on newly released varieties. An end point royalty is a payment based on production (rather than on the purchase of propagating material). In this way, end point royalty payments are usually based on volume, quantity or weight of the product sold by growers.

Importantly, end point royalties are not restricted to protected varieties. Any royalty depends on the contract between the grower and the seller (often the plant breeder's rights owner or their licensee) of the propagating material.

## Why end point royalties?

The horticulture industry needs new varieties to remain competitive in world markets, and the development of improved varieties through breeding is vital to future success. End point royalties are a user-pays system that enables the grower to produce the variety, and contribute proportionately to breeding costs, based on the varieties success rather than increasing propagating material costs.

Some industry sectors promote end point royalties as a fairer system to assist breeders to get a return on their investment, while keeping the cost of propagating material at a reasonable level. These industry sectors further argue that end point royalties help share the risk of crop and variety failure.

## How do end point royalties affect the grower?

In most circumstances the grower is required to enter into a contract when they purchase a new

variety. This contract may be subject to end point royalties. The contract outlines the obligations of the grower when purchasing the variety. These obligations usually require a grower to:

- pay a royalty on the harvested crop, either sold or retained on farm; and
- retain records regarding the volume of crop produced, either sold or retained.

Any propagating material (eg farm saved seed) retained by the grower is usually subject to the terms and conditions of the contract and payment of royalties, as is successive production from this propagating material.

## How do growers pay end point royalties?

If harvested material from the end point royalties variety is delivered to agreed buyers, payment of the end point royalties will often be deducted from the grower payment. If delivery is made to a collection agency that does not automatically deduct the royalty then the grower is usually invoiced directly for the end point royalties.

Grower declarations, crop delivery information and contract auditing are all used to ensure appropriate end point royalties are being collected.

## How do I know if I have to pay end point royalties?

You need to check your contract: royalties are a contractual mechanism that can be used to gain commercial benefit from the exclusive right granted by Plant Breeder's Rights. End point royalties can also be implemented under contract for non-protected varieties, although this is less common.



## Who receives the end point royalty?

The recipient of the end point royalty will be stipulated by the contract. This may be the breeder, distributor or licensee.

## What are the issues?

**Transparency:** Occasionally, breeders will collect a royalty on the propagating material, as well as by way of end point royalty. Some growers believe this constitutes “double-dipping” because they are paying two royalties: one for the propagating material, as well as an end point royalty on the harvested material.

**Variation in end point royalty rates:** There can be a large variation in end point royalty rates depending on the variety. This is generally a result of consideration of the costs of other varieties in the market place; the benefit/s of the new variety and market tolerance. Rather than on a dollar per tonne (or cutting) basis, another option would be to charge the end point royalty as a percentage rate of sale price.

**Collection (Management) fees:** Collection of end point royalties was seen as a particular problem when the system was first introduced in the mid-1990s. Plant breeder's rights owners may be in a position to negotiate with the collection agency about the fee they will charge or (at the very least) to be transparent about the need for those additional charges.

**Standardised contracts:** While end point royalties are widely used, they have not been implemented in a uniform manner by the various organisations and industries involved.

This has resulted in several similar but separate systems operating across industry sectors. As a result, there are a wide range of end point royalty contracts that may vary markedly in length and content.

**Paper work:** One complaint of growers is that the end point royalty system has resulted in an increase in the amount of administrative work that they are required to complete for reporting and auditing purposes.

**Third-line forcing (Competition Law):** While it is lawful to recommend a product or service of a third person to a grower, it is unlawful to force those products or services on growers. For example, it may be unlawful to force growers to use a particular collection agent, packing shed or marketer. Under the *Trade Practices Act*, a scheme of “notification” and “authorisation” provides protection from court action for some restrictive practices that could otherwise breach that Act.

The Australian Competition and Consumer Commission (ACCC) needs to be satisfied that the arrangement delivers “public benefit” (e.g. choice or price). For example, the Queensland Department of Primary Industries and Fisheries has “notified” the ACCC in relation to its dealings with certain mango varieties. On the other hand, the Australian Nurserymen's Fruit Improvement Company's request for authorisation (for certain collective practices) was rejected on the grounds that sufficient public benefit had not been shown.

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# Farm-saved propagating material in horticulture

Growers have been retaining propagating material from their harvested crops to grow future plants and trees for thousands of years. While this practice is generally known as “farm-saved seed”, the phrase has wider application than seed, as individuals may save other propagating material including grafted cuttings, bulbs and budwood. The *Plant Breeder's Rights Act* defines propagating material as “any part or product from which another plant with the same essential characteristics can be produced”.

In Australia, many of the commercially grown horticultural plant varieties are protected by plant breeder's rights. Under the *Plant Breeder's Rights Act*, plant breeders are afforded certain exclusive rights in relation to the propagating material (eg produce or reproduce, sell, import the material). In limited circumstances there are exceptions to the rights of the plant breeder, including farm-saved seed. In addition to plant breeder's rights, it is possible to obtain patent protection under the *Patents Act 1990*, which does not include an exception for farm-saved seed (or other propagating material). This fact sheet explores the farm-saved seed exception under the *Plant Breeder's Rights Act*.

## ***Plant Breeder's Rights Act***

The *Plant Breeder's Rights Act* protects plant varieties that are new, distinct, uniform and stable. The owner of the protected variety or its reproductive material is given exclusive rights over the propagating material. These include the right to:

- produce or reproduce the material;
- offer the material for sale;
- sell the material.

The owner may initiate legal action seeking damages, or part of the profits gained, from any infringements of these exclusive commercial rights.

Not knowing whether a variety is protected is not an excuse at law and inadvertently trading in protected varieties is illegal. To this

end, the  logo is usually present on protected varieties. In addition, information on protected varieties is available on the IP Australia website (see [www.ipaustralia.gov.au](http://www.ipaustralia.gov.au)).

The *Plant Breeder's Rights Act* provides for additional penalties for infringement of up to \$75,000 for individuals and \$275,000 for companies. However, there are some very important exceptions to these rights, including

the ability of farmers to save seed in limited circumstances.

## **The farm-saved seed exemption**

Under the *Plant Breeder's Rights Act*, the conditioning and use of propagating material does not infringe an owner's right. Therefore, in certain circumstances, growers can save propagating material to sow in following years.

There has been some doubt about the practical effect of the farm-saved seed exception after the Federal Court's decision of *Cultivaust v Grain Pool* in 2004. While growers can save seed indefinitely there is a limit on a growers ability to commercially sell second (and further) generation crops from saved propagating material.

Doubt arises because the *Plant Breeder's Rights Act* does not state what the grower may do with the propagating material generated from farm saved seed beyond its further use as farm saved seed. Essentially, a crop grown from farm-saved seed can only be commercialised if the owner of the variety has authorised the grower to do so.

To overcome any uncertainty about whether growers can commercially sell these second

and future crops, many owners of protected varieties expressly prohibit growers from saving seed under the “Grower Agreement” or “Licence”.

## Key issues

Some of the major issues relating to farm saved propagating material are grower licences, patents and end-point royalties.

### 1) Grower licences (contracts)

While the *Plant Breeder's Rights Act* gives the breeder the exclusive right to commercialise the variety, it does not stipulate how this is to be achieved. It is therefore left to the owner to determine how the protected variety is used. Typically, this is done by way of contract (often referred to as a “Grower Agreement” or “Licence”) which sets out the terms and conditions by which the variety can be used.

Specific clauses may relate to your ability to terminate the contract, outline costs and stipulate terms of use, including restricting farm-saved seed (often referred to as non-propagation clauses).

Importantly, if you agree to a contract's terms and conditions saying that you cannot save seed (or other propagating material), the contract overrides the exception in the *Plant Breeder's Rights Act*.

### 2) Patents

A plant variety may also be protected by a patent, either in conjunction with, or as an alternative to, plant breeder's rights. To do so, the variety must satisfy the requirements of a patent.

This means that there must be some technical intervention: the invention is new; an inventive step; the invention must be fully described; and it must have some demonstrated use.

It is worth noting that if a variety is protected under the *Patents Act* there is no farm-saved seed exception.

### 3) End point royalties

As plant breeder's rights relate to the propagating material, royalties were traditionally collected at the point of sale as part of the seed cost. Increasingly, however, some breeders are electing to apply end point royalties on newly released varieties. This is thought to be a more equitable mechanism for generating a revenue stream back to the breeder.

End point royalties are payable on many varieties. A variety does not need to be protected by plant breeder's rights for this royalty to be applied, although this is usually the case. The “Grower Agreement” or “Licence” specifies the terms under which a grower can have access to the variety, and this agreement may include an end point royalty payment.

One downside of the end-point royalty system is that it relies on a series of contracts. This may result in increased paperwork for growers, breeders, retailers and marketers. In addition, it means that some of the royalty paid by growers is taken up in administration/management costs.

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