
Plant Breeder's Rights and Patents for Plants

A Compendium of Key Case Law for the
Horticulture Industries in Australia

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Know-how for Horticulture™



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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 (Cth; superseded by 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)², and most patent legislation is consistent with the Patent Cooperation Treaty 1970 (as amended).³

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

² 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>

³ 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>

Australian Advisory Council on Intellectual Property (ACIP) are examining the issue of enforcement of PBR. ACIP released its Issues Paper on 12 March 2007⁴.

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.

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.⁵

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.⁶ 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

⁴ www.acip.gov.au/reviews.htm#pbr

⁵ The ACIPA website gives detailed information on PBR and basic information on patents in Australia: 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

⁶ [2002] 4 SCR 45, 2002 SCC 76; <http://scc.lexum.umontreal.ca/en/2002/2002scc76/2002scc76.html>

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 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 2) or Patents (Section 3). Section 4 does not deal with patents or PBR per se, 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]⁷ ('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;

⁷ 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

(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.⁸

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.⁹

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),¹⁰ 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

⁸ 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

⁹ *Commonwealth of Australia Constitution Act* 1900 (Cth)

¹⁰ Gives the Commonwealth power to make laws in relation to copyrights, patents of invention, designs and trade marks

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 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.¹¹ 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).

¹¹ Australia became a member of UPOV on 1 March 1989; the PVR Act received royal assent on 13 March 1987

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 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'.¹² It also is within power, as *Nintendo*¹³ demonstrates, to determine that there be new rights in the nature of copyright, patents of inventions, designs and trademarks.¹⁴ 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'.¹⁵

¹² *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).

¹³ *Nintendo Co Ltd v Centronics Systems* (1994) 181 CLR 134 at 160

¹⁴ *Grain Pool* at 41

¹⁵ *Grain Pool* at 136

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.¹⁶

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.

However the Joint Judgement in the Grain Pool case held that the Australian Constitution does not require such conditions for usefulness.¹⁷ The issue of utility in contrast to ‘usefulness’ was also considered.¹⁸ 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.¹⁹

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.²⁰

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).²¹

¹⁶ *Grain Pool* at 12

¹⁷ *Grain Pool* at 32

¹⁸ *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

¹⁹ *Grain Pool* at 276–277

²⁰ *Grain Pool* at 55 discussing *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Lt* (1998) 194 CLR 171

²¹ *Grain Pool* at 42

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.²² 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.²³ 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 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.²⁴ In addition Section 3(3A) provides that a person who selected a distinct²⁵ 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.’²⁶ 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’.²⁷ There is an inventive step by virtue of ‘origination by a breeder’ and there is novelty by

²² *Grain Pool* at 53

²³ *Grain Pool* at 64

²⁴ *Grain Pool* at 60–62

²⁵ In the sense given by paragraph (d) of the definition of ‘new plant variety’ the *PVR Act*

²⁶ *Grain Pool* at 67

²⁷ *Grain Pool* at 68

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).²⁸

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:²⁹

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 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.³⁰ 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,³¹ may be subjected to conditions restricting the powers of assignment and license,³² and is required to supply reproductive material and plant specimens to specified authorities.³³

²⁸ *Grain Pool* at 72

²⁹ *Grain Pool* at 75

³⁰ *Grain Pool* at 77

³¹ *PVR Act*, s39, *PBR Act*, s19

³² *PVR Act*, s34, *PBR Act*, s49

³³ *PVR Act*, s33; *PBR Act*, s44(1)(b)(vii)–(viii).

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.³⁴

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.³⁵

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.³⁶ 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.³⁷

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

³⁴ *Grain Pool* at 78

³⁵ *Grain Pool* at 81

³⁶ *Grain Pool* at 82

³⁷ *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

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]³⁸

Single Judge in the Federal Court of Australia, and

Cultivaust v Grain Pool [2005]³⁹ ('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).

³⁸ *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

³⁹ *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*.⁴⁰ 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

⁴⁰ 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

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)'.⁴¹

In May 1991 Cultivaust was appointed Tasmania's agent for commercialising *Franklin* barley outside Tasmania.

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.⁴²

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.⁴³

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

⁴¹ *Cultivaust v Grain Pool* [2004] para 39

⁴² *Cultivaust v Grain Pool* [2005] para 20

⁴³ *Cultivaust v Grain Pool* [2005] para 85

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.⁴⁴

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.

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.⁴⁵

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.

⁴⁴ *Cultivaust v Grain Pool* [2005] para 86

⁴⁵ *Cultivaust v Grain Pool* [2004] para 159

Grain Pool claimed that it had not infringed PVR in *Franklin* barley. Section 8 of the PVR⁴⁶ 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*.⁴⁷ 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 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.⁴⁸

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*

⁴⁶ <http://www.scaleplus.law.gov.au/html/comact/6/3023/0/CM000480.htm>

⁴⁷ <http://www.scaleplus.law.gov.au/html/pasteact/1/618/0/PA000230.htm>

⁴⁸ *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>

(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 2005.⁴⁹ 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 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 s 14(1)(b), which is in the same terms as s 15(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

⁴⁹ *Cultivaust v Grain Pool* [2005] <http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/FCAFC/2005/223.html?query=cultivaust>

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 Communities⁵⁰

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

⁵⁰ *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>

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.

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]⁵¹

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*.⁵²

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

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

⁵¹ *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

⁵² S3: ‘sell’ includes letting on hire and exchanging by way of barter

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) 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 sale⁵³.

⁵³ 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;

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.

-
- (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.

2.5 PBR: What Constitutes a Sale

Cropmark Seed v Winchester [2005]⁵⁴

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*⁵⁵

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.

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

⁵⁴ (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

⁵⁵ (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

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]⁵⁶

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.

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 *Dangyppmini*.

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 *Dangyppmini* (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 *Dangyppmini*.

Danziger claimed that its DNA fingerprinting showed such a strong genetic similarity between *Dangyppmini* and *Blancanieves* that the latter must be considered to be essentially derived. Astee Flowers, the owner of the European

⁵⁶ (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; 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

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’⁵⁷.

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.⁵⁸

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

⁵⁷ <http://home.tiscali.nl/~sarjf/vonnis/vonnisgb.pdf> para 12

⁵⁸ *Astee v Danziger* [2005] <http://home.tiscali.nl/~sarjf/vonnis/vonnisgb.pdf>, paras 13–15

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.⁵⁹

⁵⁹ 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'⁶⁰). 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

⁶⁰ <http://www.defra.gov.uk/planth/pvs/gaz2001/nov01gaz.PDF> p10

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).

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]⁶¹

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 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.

⁶¹ [2006] FCA 757; http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/2006/757.html?query=flemings

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.⁶² 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.'⁶³

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.⁶⁴ 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

⁶² 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).

⁶³ *Flemings v Siciliano* para 13

⁶⁴ 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.

trees without the authority of the breeder. The facts 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 Rules⁶⁵ 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*.

⁶⁵ 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)

2.9 PBR: Misrepresentation

***Buchanan Turf Supplies v Premier Turf Supplies* [2003]⁶⁶**
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 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

⁶⁶ [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+))

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.⁶⁷

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.⁶⁸

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*.

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.⁶⁹

The Court also accepted evidence from a third witness but rejected evidence of two others as being unreliable or confused.

⁶⁷ Buchanan v Premier Turf para 11

⁶⁸ Buchanan v Premier Turf para 16

⁶⁹ Buchanan v Premier Turf para 36

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.

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*⁷⁰ case later in this Compendium).

As pointed out by Wurtenberger⁷¹, 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

⁷⁰ *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>

⁷¹ 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

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.

ACIP released its Issues Paper *Enforcement of PBR* on 12 March 2007 and sought public submissions prior to completing its Review.⁷² 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.

⁷² ACIP (2007) “A Review of Enforcement of Plant Breeder’s Rights: Issues Paper” March 2007
<http://www.acip.gov.au/reviews.htm#pbr>

2.11 PBR: Grower Agreements; Contract Law

Zee Sweet v Magnom Orchards [2003]⁷³

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.

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.

⁷³ [2003] VSC 48; <http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/vic/VSC/2003/486.html?query=%5E+zee+sweet>

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 16.⁷⁴

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.⁷⁵ Magnom also owned and operated a second property (Lakeridge) in conjunction with partners who were also defendants in this case.

⁷⁴ *Zee Sweet v Magnom Orchards* [2003] VSC 486 para 17

⁷⁵ *Zee Sweet v Magnom Orchards* [2003] VSC 486 para 24

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.

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.⁷⁶

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

⁷⁶ *Zee Sweet v Magnom Orchards* [2003] VSC 486 para 52

indefinitely as long as the trees bear fruit. I will say nothing further except that I would not make such an order.⁷⁷

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.⁷⁸

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.

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

⁷⁷ *Zee Sweet v Magnom Orchards* [2003] VSC 486 para 59

⁷⁸ *Zee Sweet v Magnom Orchards* [2003] VSC 486 para 62

- 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]⁷⁹

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)⁸⁰; 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.

⁷⁹ (2001) 534 USA 124

<http://supct.law.cornell.edu/supct/search/display.html?terms=pioneer&url=/supct/html/99-1996.ZO.html>

⁸⁰ *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

Plant Breeder's Rights is usually seen as the most straightforward method for protecting a new plant variety.⁸¹ 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*.

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.⁸²

The Court relied on the 1980 case of *Diamond v Chakrabarty*⁸³, 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

⁸¹ *JEM Ag Supply v Pioneer Hi-Bred International Inc* (2001) 534 USA 124 at 143 – Justice Thomas in the majority opinion

⁸² JEM Ag 1

⁸³ 447 U.S. 303 (1980), United States Supreme Court;

<http://caselaw.lp.findlaw.com/scripts/getcase.pl?Court=USA&vol=447&invol=303>

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.⁸⁴

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'.⁸⁵ 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 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.⁸⁶

⁸⁴ <http://www.law.cornell.edu/supct/pdf/99-1996P.ZO.p8>

⁸⁵ 447 US 303 (1980) 313

⁸⁶ See 7 USC 2541(a)(4) (infringement includes 'use [of] the variety in producing (as distinguished from developing) a hybrid or different variety therefrom')

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.⁸⁷

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 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.

⁸⁷ *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.

3.2 Patents: Co-existence of Patents and PBR for Plants

Monsanto v Mitchell Scruggs [2006]⁸⁸

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 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 Act⁸⁹) 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).

⁸⁸ [2006] USCAFC 04-1532, 05-1120-1121, August 16 2006; <http://fedcir.gov/opinions/04-1532.pdf>

⁸⁹ 15 USC 1-2

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.

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 rights⁹⁰
- The no-replant policy was valid within the scope of the patent⁹¹
- 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 precedents⁹² 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.⁹³
- 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.

⁹⁰ 35 USC 271(d)

⁹¹ *Monsanto v McFarling 1343* (Fed Cir 2004)

⁹² Fed Trade Commission v Ind Federation of Dentists 476 USA 447, 465 (1986)

⁹³ 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.

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)⁹⁴ 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

⁹⁴ 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.

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.

- 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]⁹⁵

USA Board of Patent Appeals and Interferences

Ex parte Elsner [2004]⁹⁶

Federal Circuit

Issues

The key issue for decision in this case was whether or not under *35 USC 102(b)*⁹⁷ (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.

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.

⁹⁵ 24 USPQ 2d 1618

⁹⁶ 318 F 3d 2004

⁹⁷ '(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...'

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.⁹⁸

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 reported⁹⁹ 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.

⁹⁸ 301 F 2d 1962 at 936 Court of Customs and Patent Appeals (USA)

⁹⁹ Personal communication

***Ex Parte Elsner* [2004]**

The approach was further strengthened in the Federal Circuit case of *Ex parte Elsner*.¹⁰⁰ 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.¹⁰¹

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.¹⁰²

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

¹⁰⁰ 381 F 3d

¹⁰¹ 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)

¹⁰² 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)

in the USA, the application must not be lodged later than **12 months** from the date of first filing an application in another country.¹⁰³ (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 2005.¹⁰⁴ 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)*¹⁰⁵ 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

¹⁰³ 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

¹⁰⁴ *Plant Breeder's Equity Act 2005* <http://www.govtrack.us/congress/billtext.xpd?bill=h109-121>

¹⁰⁵ 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,

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.¹⁰⁶

¹⁰⁶ 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

3.4 Patents: Infringement

Schmeiser v Monsanto [2004]¹⁰⁷

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.¹⁰⁸ 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.

¹⁰⁷ [2004]SSC 34

¹⁰⁸ *Schmeiser v Monsanto* [2004]SSC 34 para 8

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% 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.¹⁰⁹

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.¹¹⁰

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.¹¹¹

The majority found that the infringement was due to 'use' of the patented invention by Schmeiser rather than through reproduction of the patented invention.

¹⁰⁹ *Schmeiser v Monsanto* [2004]SSC 34 para 21

¹¹⁰ *Schmeiser v Monsanto* [2004]SSC 34 para 25

¹¹¹ *Harvard College v Canada* [2002] 4 SCR 45, 2002 SCC 76;

<http://scc.lexum.umontreal.ca/en/2002/2002scc76/2002scc76.html>

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:¹¹²

- It must be purposive under the Section 42 of the Canadian Patents Act—the reasons for which the patent protection is given¹¹³
- It must be contextual, giving consideration to the other words of the provision
- It must take into account case law.

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.¹¹⁴ 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.¹¹⁵

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

¹¹² *Schmeiser v Monsanto* [2004]SSC 34 para 32

¹¹³ <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.’

¹¹⁴ *Schmeiser v Monsanto* [2004] SSC 34 para 40

¹¹⁵ *Schmeiser v Monsanto* [2004] SSC 34 para 42

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.

3.5 Patents: Breach of Contract

Monsanto v McFarling [2004]¹¹⁶

United States Court of Appeals for the Federal Circuit

Monsanto v McFarling [2007]¹¹⁷

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

¹¹⁶ 03-1177, -1228 19 April 2004 <http://caselaw.lp.findlaw.com/cgi-bin/getcase.pl?Court=fed&navby=docket&no=031177>

¹¹⁷ *Monsanto v McFarling*, 05-1570-1598 (Fed Cir App, 2007); <http://fedcir.gov/opinions/05-1570.pdf>

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 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*¹¹⁸ indicated that Congress intended the exemption to apply to utility patents over plant material as well.

The Court referred to the *JEM Ag*¹¹⁹ 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

¹¹⁸ 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

¹¹⁹ (2001) 534 USC 124

<http://supct.law.cornell.edu/supct/search/display.html?terms=pioneer&url=/supct/html/99-1996.ZO.html>

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.

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. The matter was referred back for hearing in the District Court. A jury then awarded damages against McFarling of \$40/bag, based on expert assessment. This was much higher than the Monsanto royalty rate of \$6.50/bag and considerably less than the \$70–80/bag sought by Monsanto.

Appeal decision re damages – what can be included in damages

McFarling appealed the damages decision to the Federal Circuit Court of Appeals. The judgement was bought down on 24 May 2007.¹²⁰ The Court held that:

because that fee does not take into account the added obligation imposed on all authorized licensees under the Technology Agreement—to purchase seed from an authorized seed store—the trial court was correct to refuse to treat the \$6.50 Technology Fee as the established royalty for a license comparable to the infringing conduct.... It means that, for a variety of economic reasons, Monsanto decided to split the royalty up into two parts and to direct part of the royalty to the third-party seed companies, which promoted and distributed Monsanto’s products. The out-of-pocket cost that the farmers paid for the right to use Monsanto’s technology was thus \$25.50 to \$28.50. In effect, the amount of that cost that can be characterized as a pure royalty payment was \$25.50 to

¹²⁰ *Monsanto v McFarling*, 05–1570–1598 (Fed Cir App, 2007); <http://fedcir.gov/opinions/05–1570.pdf>

\$28.50 minus the modest cost of cleaning and bagging the seeds and other transaction costs¹²¹.

If McFarling had only paid the \$6.50 in damages, he would have avoided the additional costs required in purchasing from a licensed merchant – a condition of the use of the patented seed.

Further the Court held that reasonable damages should not be held to be the total of the royalty from the grower and the licence fee from the distributor, but could also take into account non-monetary benefits to Monsanto from not allowing farmers to save seed. Monsanto argued that these included:

- decreased risk of underreporting and the consequent reputation harm to Monsanto with farmers,
- certainty in relation to Monsanto's knowledge of the quality of seed planted each year, and
- increased leverage for signing up new seed companies

The court also held that it was reasonable to include the made by the farmer from using the Monsanto patented product, including increased yield (over non-protected varieties), reduced weed control costs and other similar benefits that the grower obtained by using the patented variety while breaching the terms and conditions of use.

Implications for the horticulture industries in Australia

This case highlights that in the USA:

1. 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
2. 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
3. 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
4. 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

¹²¹ The Court cited *Monsanto v. Ralph*, 382F.3d 1374, 1383–84 (Fed. Cir. 2004)

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.

5. Reasonable damages need to be calculated but can include more than just the royalty that the patent holder may have obtained under the licence agreement. Other costs such as the licence fee paid to Monsanto by the distributor (and then passed on to the farmer), benefits of patented variety to the farmer over other varieties eg increased yield, lower weed control costs and other genuine benefits that the farmer obtained by using the patented variety but breaching the terms and conditions of use.

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)¹²²
Supreme Court of the Netherlands ¹²³

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?

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

¹²² www.ipgeek.blogspot.com/2006/10/is-patentee-liable-for-wrongfully.html

¹²³

http://zoeken.rechtspraak.nl/resultpage.aspx?snelzoeken=true&searchtype=kenmerken&vrije_tekst=cfs+bakel

action against any infringement that occurred during the provisional protection period.¹²⁴

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.¹²⁵

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 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.

¹²⁴ *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

¹²⁵ *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.

3.7 Action Taken to Enforce Patent which Later Turns Out to be Invalid: Liability

Unilin Beheer BV v Berry Floor NV, IMC, and B&Q [2007] EWCA Civ 364 England and Wales Court of Appeal¹²⁶

Summary

The European Patent Convention enables the grant of a single European Patent which is valid in all the signatory countries as if it had been granted by each jurisdiction¹²⁷. Action for infringement is taken in the national courts where the infringement occurs. Validity of the patent can be determined by the national courts, but also under an ‘opposition’ action to the European Patent Office. The latter actions can take longer than the Court actions, and in this case the Court of Appeal for England and Wales has declared a patent to be valid, but the European Patent Office has subsequently revoked the patent. The Appeal Court held that the damages (which still had to be determined) would still be payable by the defendants as the final appeal judgment had been made before the patent was revoked.

Issues

If the holder of a European Patent successfully sues for infringement and the patent is held to be valid by the Courts of England and Wales “right up to the point where no further avenue of appeal lies”, is the patentee still entitled to damages (or other compensation) determined by the court even if the patent is subsequently revoked by the European Patent Office.

Background

1. Unilin’s Patent was granted on 26th June 2002 by the EPO and Unilin sued the Defendants as soon as the patent was granted.

¹²⁶ [http://www.bailii.org/cgi-](http://www.bailii.org/cgi-bin/markup.cgi?doc=/ew/cases/EWCA/Civ/2007/364.html&query=unilin&method=boolean)

[bin/markup.cgi?doc=/ew/cases/EWCA/Civ/2007/364.html&query=unilin&method=boolean](http://www.bailii.org/cgi-bin/markup.cgi?doc=/ew/cases/EWCA/Civ/2007/364.html&query=unilin&method=boolean)

¹²⁷ European Patent Convention Art. 64

Rights conferred by a European patent

(1) A European patent shall, subject to the provisions of paragraph 2, confer on its proprietor from the date of publication of the mention of its grant, in each Contracting State in respect of which it is granted, the same rights as would be conferred by a national patent granted in that State.

2. The claim included a claim for financial relief for infringements committed between the date of publication of the patent application (2nd August 2000) and its grant.
3. In addition to defending the infringement claim the Defendants counterclaimed for an order for revocation of the Patent.
4. In September 2003 HHJ Fysh gave judgment for Unilin, holding the patent to be valid and infringed
5. The Appeal Court upheld the validity and infringement and the House of Lords dismissed the Defendants' Petition for leave to appeal
6. After some further skirmishing Unilin had unconditional final orders in its favour, resulting from "fully fought" legal proceedings:
 - (a) entitling it to proceed with an inquiry or account in respect of the Defendants' dealings in the Berry products.
 - (b) for 80% of the costs of the original trial and all the costs of the appeal, and
 - (c) all of the costs of the issue of good faith and reasonable skill and knowledge both at first instance and on appeal.
7. In March 2006 Unilin applied for directions for the damages inquiry or account of profits. The Defendants applied for a stay of those proceedings until the "opposition" action to the EPO had been determined
8. The Judge first had to consider whether Unilin's entitlement to financial relief and costs was *res judicata* (an adjudicated issue that cannot be re-litigated). The Judge at first instance found that it was not, but used his discretionary powers to refuse a stay.
9. Unilin appealed the finding of no *res judicata*, and the Defendants appealed the refusal to stay the inquiry or account.

This is the outcome of those appeals.

Court Decision

The Appeal Court held that:

- *Res judicata* applied unless there was something in the statute to say that it did not apply if there was still an 'opposition' action before the EPO
- The Court could not find such a clause in the statute – it held that the statute confirmed that the European patent should be dealt with as if it were a national patent:

Putting it another way it is impossible to find in the Act any intention that a final and binding decision of our courts is to be regarded as only provisional

- In the European situation, where the patent is enforced through the national courts, if the court holds the patent to be invalid in its country, then it cannot be overturned by a decision of the European Patent Office, as far as that country is concerned; similarly if the final appeal court holds the patent to be valid, that too is final
- The Defendant is estopped from claiming that the patent is invalid during a hearing for damages or account of profit if the patent had been determined to be valid by the final appeal court. The court held that deferral of the determination of amount to a future proceeding was for convenience rather than to provide an avenue for reopening the case which had been finally determined and appeals exhausted – the cause of action for infringement had been determined and was now a judgment, in itself a property right – there was no further issue as to whether or not a cause of action existed¹²⁸.
- The *res judicata* and subsequent estoppel only applies to those matters that have been appealed and a judgment has been made by the final appellate jurisdiction.

Implications for the Australian horticulture industries

Although this matter deals with the situation where a the court of signatory to the European Patent Convention confirms the validity of a patent, which is subsequently revoked by the European patent Office, the principles are still valid and could be applied by the Courts in Australia unless the statute specifies to the contrary.

Therefore if a holder of an intellectual property right (patent, PBR, trade mark etc) sues for infringement and has damages or account of profit awarded (whether or not the final amount has been determined) and upheld by the final appeal court, that judgment stands and is enforceable even if the IP right is later revoked.

¹²⁸ *Unilin v Berry* [2007] EWCA Civ 364 para 67; <http://www.bailii.org/cgi-bin/markup.cgi?doc=/ew/cases/EWCA/Civ/2007/364.html&query=unilin&method=boolean>

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]¹²⁹
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

¹²⁹ [2006] VSCA 28 (24 February 2006)

in those documents, and not the one decided after the harvest, when market conditions were known.

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.¹³⁰

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

¹³⁰ *Hardy Wine v Janevruss Nominees* [2005] VSC 41 (4 March 2005) at para 13
<http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/vic/VSC/2005/41.html?query=janevruss>

price range for each variety. It is also common ground that this publication of indicative prices ceased in 1996'.¹³¹

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 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:

- It did not advise the respondents of the fair market price in the 19 December 2001 letter, and
- 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

¹³¹ *Hardy Wine v Janevruss Nominees* at para 15

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.¹³²

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.¹³³

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.¹³⁴

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.

¹³² *Hardy Wine v Janevruss Nominees* at para 78

¹³³ *Hardy Wine v Janevruss Nominees* at para 86

¹³⁴ *Hardy Wine v Janevruss Nominees* at para 89

4.2 Grower Cooperatives

Case–Swayne v Sunkist Growers [1967]¹³⁵

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 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.

¹³⁵ 389 USA 384 (1967); www.findlaw.com/us/389/384.html

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.

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).

New Zealand *Plant Variety Rights Act 1987*

(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.

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.

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.

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*¹³⁶

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— that the variety to which the application relates—
 - a) is available to the public at reasonable prices,
 - b) is widely distributed, and
 - c) is maintained in quality, and

¹³⁶ <http://www.opsi.gov.uk/ACTS/acts1997/97066--b.htm#17>

- d) that there is reasonable remuneration for the holder of the plant breeders' rights to which the application relates.
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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.

USA Plant Variety Protection Act¹³⁷

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—

¹³⁷ http://www.ams.usda.gov/Science/PVPO/PVPO_Act/PVPA2005.pdf

- (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;
-

USA Plant patents (Asexually propagated varieties) and utility patents (all plants)

35 USC 102¹³⁸ 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,

¹³⁸ http://www.uspto.gov/web/offices/pac/mpep/consolidated_laws.pdf

Case List

Case	Country	Reference	Web Reference	Subject
Plant Breeder's Rights				
<i>Grain Pool of Western Australia v The Commonwealth</i>	Australia	[2000] HCA 14	http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/high_ct/2000/14.html?query=grain+pool	Constitutional Validity of PBR
<i>Cultivaust Pty Ltd v Grain Pool Pty Ltd</i>	Australia	[2004] FCA 638	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	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	http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/FCAFC/2005/223.html?query=cultivaust	“” “”
<i>Saatgut-Treuhandverwaltungsgesellschaft mbH v Brangewitz GmbH</i>	Europe	[2004] C-336/02, 17 February Preliminary ruling from Court of Justice of the European Communities	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&alldocnrec=alldocnrec&docnoj=docnoj&docnoor=docnoor&typeord=ALLTYP&allcommjo=allcommjo&affint=affint&affclose=affclose&numaff=&ddatefs=&mdatefs=&ydatefs=&ddatefe=&ydatefe=&nomusuel=brangewitz&domaine=&mots=&resmax=100&Submit=Submit	Farm saved seed
<i>Sun World International v Registrar, Plant Breeder's Rights</i>	Australia	[1998] 1260 FCA (12 October 1998)	http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/1998/1260.html?query=%22sun+world%22	Prior disclosure/sale definition of 'sell'
<i>Cropmark Seed v Winchester Intl</i>	New Zealand	(NZ) HC 28/9/04	http://www.upov.int/en/publications/gazette/pdf/gazette_99.pdf	Extent of right — arranging for sale
<i>Astee Flowers v. Danziger 'Dan' Flower Farm</i>	Netherlands	Court of the Hague case number 198763 case list number 03/1054, 13 July 2005	http://home.tiscali.nl/~sarjf/vonnis/vonnisgb.pdf http://www.upov.int/en/publications/gazette/pdf/gazette_99.pdf	Essential derivation
<i>Sacker Potatoes Ltd v C Meijer</i>	UK	Unreported		Compulsory licence

<i>BV</i>				
<i>Flemings Nurseries v Siciliano</i>	Australia	[2006] FCA 757	http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/cth/federal_ct/2006/757.html?query=flemings	Pleadings— Court Rules
<i>Buchanan Turf Supplies v Premier Turf Supplies</i>	Australia	[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+)	Misrepresentation
<i>Zee Sweet v Magnom Orchards</i>	Australia	[2003] VSC 486	http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/vic/VSC/2003/486.html?query=%5E+zee+sweet Breach of contract	

Case	Country	Reference	Web Reference	Subject
Patents				
<i>JEM Ag Supply v Pioneer Hi-Bred International Inc</i>	USA	(2001) 534 USA 124	http://supct.law.cornell.edu/supct/search/display.html?terms=pioneer&url=/supct/html/99-1996.ZO.html	Patentability of plant material
<i>Monsanto v Mitchell Scruggs</i>	USA	USA Court of Appeals for the Federal Circuit	http://fedcir.gov/opinions/04-1532.pdf	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 rd Federal Circuit 2004		Disclosure and prior sale – filing date in USA
<i>Schmeiser v Monsanto</i>	Canada	[2004]SSC 34	http://scc.lexum.umontreal.ca/en/2004/2004scc34/2004scc34.html	Patents infringement
<i>Monsanto v McFarling</i>	USA	03-1177, -1228 19 April 2004 The Appeal Court of the Federal Circuit	http://caselaw.lp.findlaw.com/cgi-bin/getcase.pl?Court=fed&navby=docket&no=031177	Breach of contract and evidence
<i>Monsanto v McFarling</i>		1570-1598, 24 May 2007 Fed Cir App;	http://fedcir.gov/opinions/05-1570.pdf	Calculation of reasonable damages
<i>CFS Bakel v Stork Titan</i>	Netherlands	Supreme Court of the Netherlands 6	http://zoeken.rechtspraak.nl/resultpage.aspx?sneIzoeken=true&searchtype=kenmerken&vrije_tekst	Enforced and then right

		October 2006	=cfs+bakel www.ipgeek.blogspot.com/2006/10/is-patentee-liable-for-wrongfully.html	revoked
<i>Unilin Beheer BV v Berry Floor NV, IMC, and B&Q</i>	UK	England and Wales Court of Appeal [2007] EWCA Civ 364	http://www.bailii.org/cgi-bin/markup.cgi?doc=/ew/cases/EWCA/Civ/2007/364.html&query=unilin&method=boolean	Can't reclaim damages if patent later found invalid
<i>Hardy Wine Company v Janevruss; Hardy v Mazza</i>	Australia	[2006] VSCA 28 (24 February 2006)	http://www.austlii.edu.au/cgi-bin/disp.pl/au/cases/vic/VSCA/2006/28.html?query=hardy	Contract - determination of price
Grower Cooperatives				
<i>Case-Swayne Inc V Sunkist Growers Inc</i>	USA	389 USA 384 (1967)	www.findlaw.com/us/389/384.html	Can non-growers be a member of a grower cooperative