



Plant Breeder's Rights

Enforcing PBR – The issues

*A perspective from a Rights
Owner / Licensee*

Background

- Largest deciduous fruit tree nursery in Australia
- Grow approx. 1 million trees per year
- Imported in excess of 800 new cultivars in last 20 years
- The nursery holds exclusive rights in Australia for approx. 60% of trees we produce



Background



■ Before PVR

- Non-propagation agreements
- Little or no protection

■ Plant Variety Rights Act 1987

- First PVR lodged by the Nursery around October, 1988
- 41 Applications for cultivars lodged under the PVR legislation

■ Plant Breeder's Rights Act 1994

- 175 Applications for cultivars lodged to date under PBR legislation
- total 180 cultivars currently covered by PBR

Simple Cost - Benefit Analysis

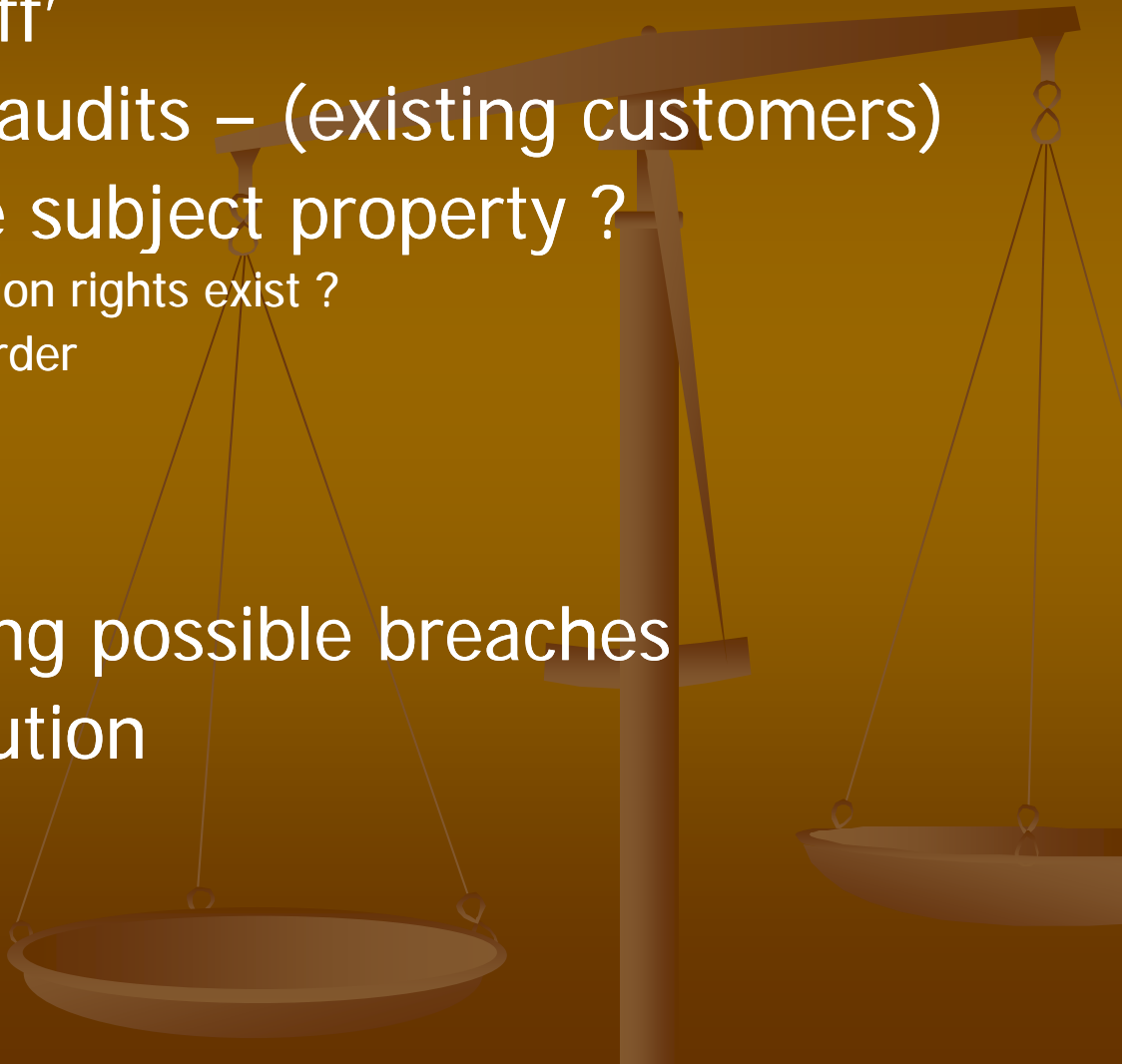


- Considerable 'costs' expended in obtaining the PBR rights.

vs.

- The 'value' / 'benefit' of the PBR rights rests with the deterrent factor and / or ultimate enforcement of infringement.

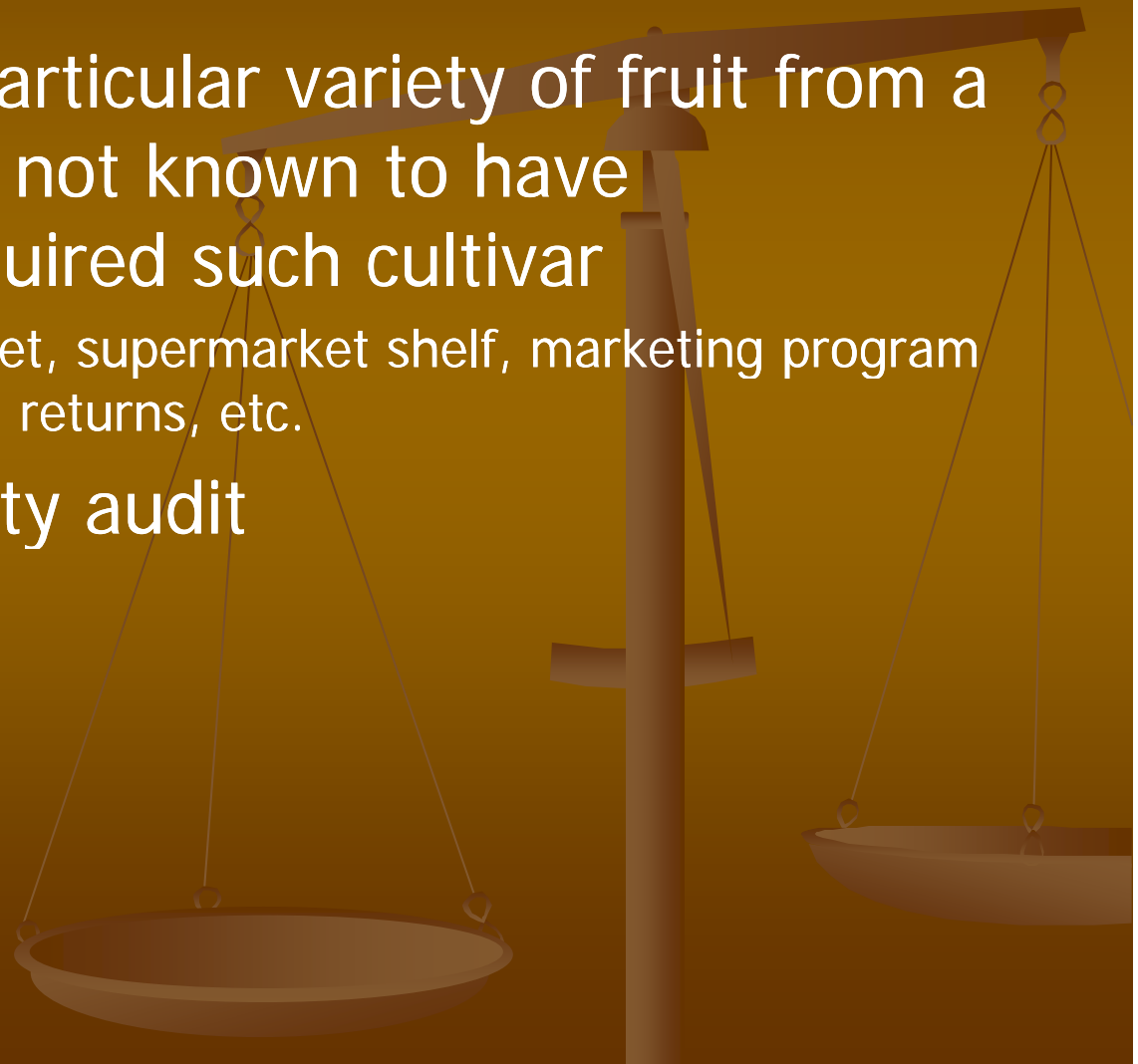
Enforcement – The process

- Suspicions / 'Tip off'
 - Random property audits – (existing customers)
 - Can we access the subject property ?
 - Do any contractual inspection rights exist ?
 - Requirement for a Court Order
 - Evidence required
 - Access
 - Positively identifying possible breaches
 - Commercial Resolution
 - Legal action
- 

The process

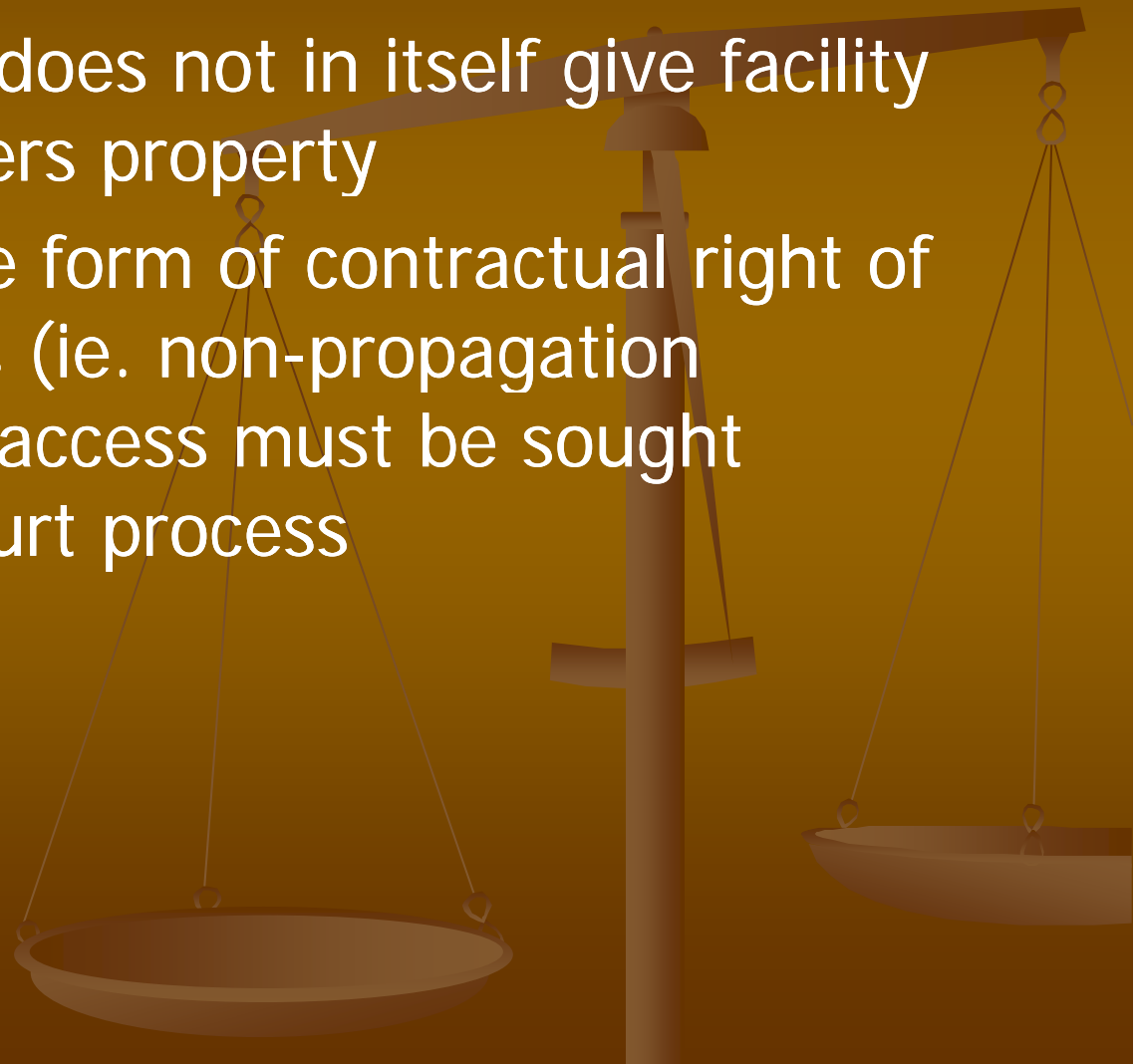
■ Suspicions

- Evidence of a particular variety of fruit from a growing source not known to have legitimately acquired such cultivar
 - ie. wholesale market, supermarket shelf, marketing program fruit production returns, etc.
- Random property audit
- 'Hot tip'



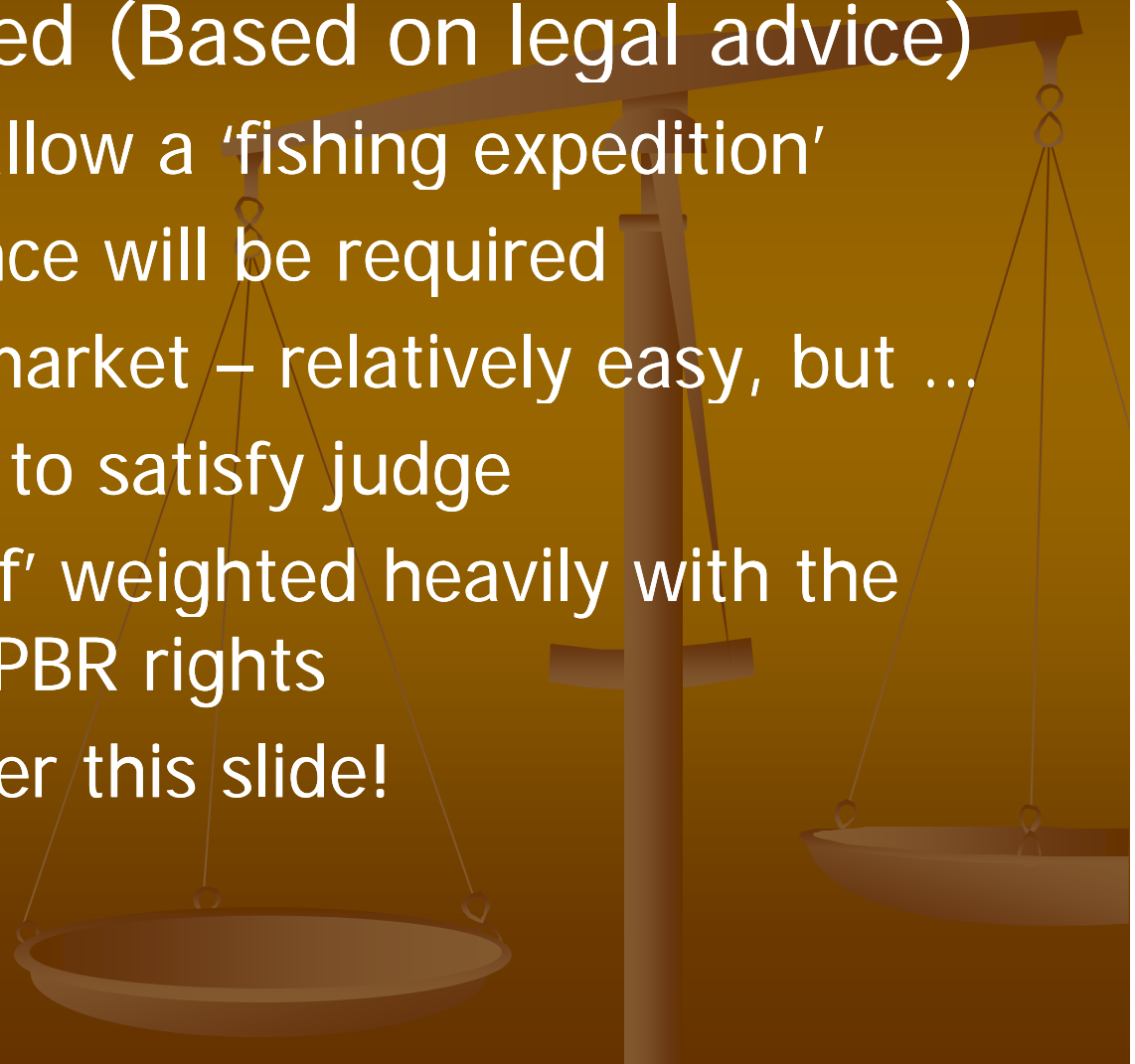
The process

- *Can we access property ?*
 - PBR legislation does not in itself give facility to access growers property
 - Reliant on some form of contractual right of property access (ie. non-propagation agreement) **or** access must be sought through the Court process



The process

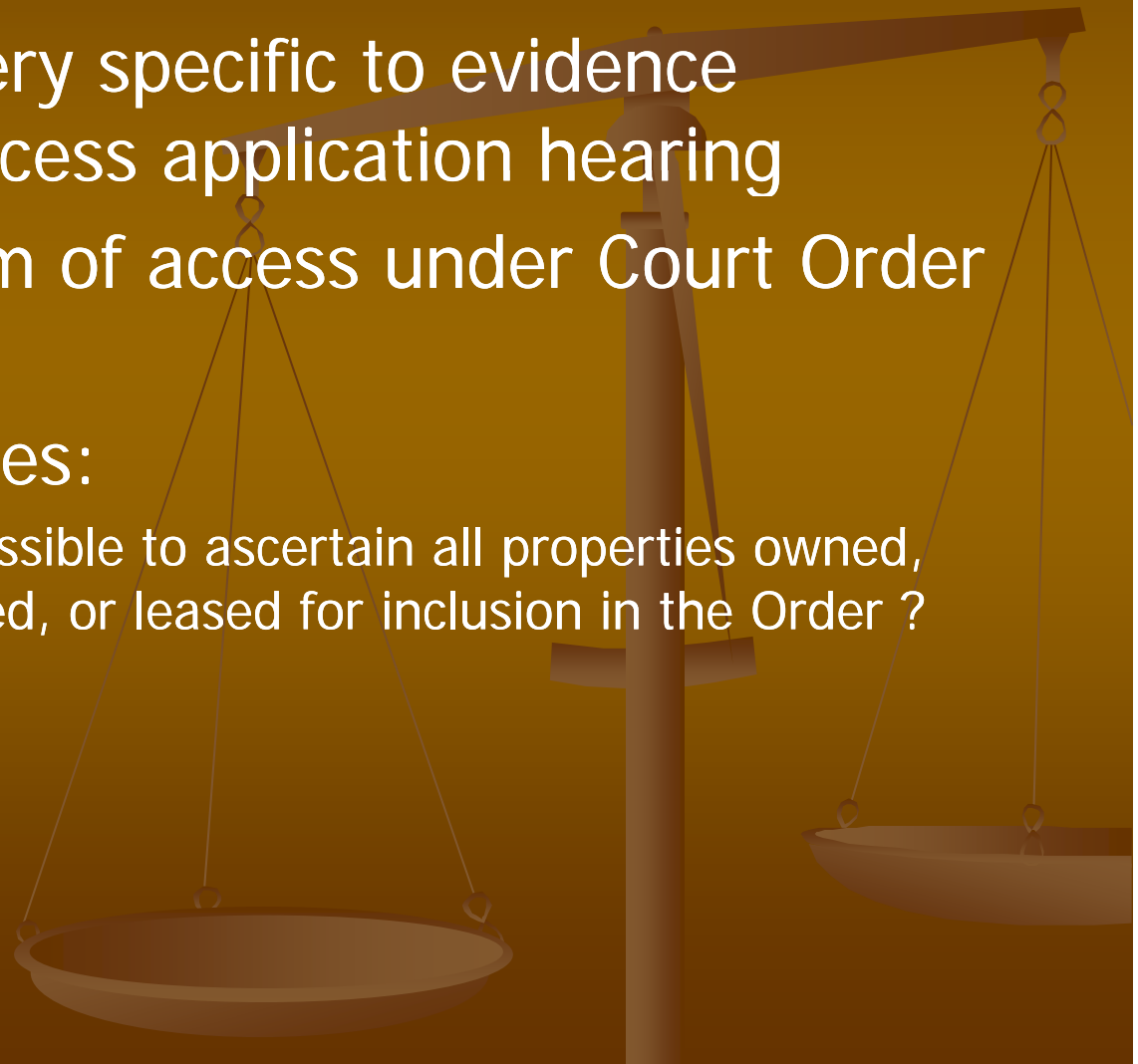
- Evidence required (Based on legal advice)
 - Judge will not allow a 'fishing expedition'
 - Tangible evidence will be required
 - Samples from market – relatively easy, but ...
 - Other evidence to satisfy judge
 - 'Burden of Proof' weighted heavily with the Grantee of the PBR rights
 - Please remember this slide!



The process

■ Access

- Court Orders very specific to evidence submitted at access application hearing
- 'Restrictive' form of access under Court Order granted
- Evidentiary issues:
 - Is it reasonably possible to ascertain all properties owned, managed / operated, or leased for inclusion in the Order ?



The process

- Positively identifying possible breaches
 - Trees take up to 5 years to fruit
 - PBR differences in fruiting cultivars mostly based on fruit characteristics
 - Seasonal / timing limitations
 - DNA fingerprinting
 - Relatively Expensive
 - Can be treated as 'experimental' under Federal Court procedures
 - Effectively increasing costs resulting from additional testing protocols, independent testing regime, etc.

The process

- Commercial Resolution

- Initially approach the grower with a proposal:

- Includes Stat Dec
- Full disclosure of all varieties growing
- Full list of properties



The process

- Legal action
 - Time frame
 - Legal cost
 - Time cost
- Federal law
 - Federal police
 - State police?



Example

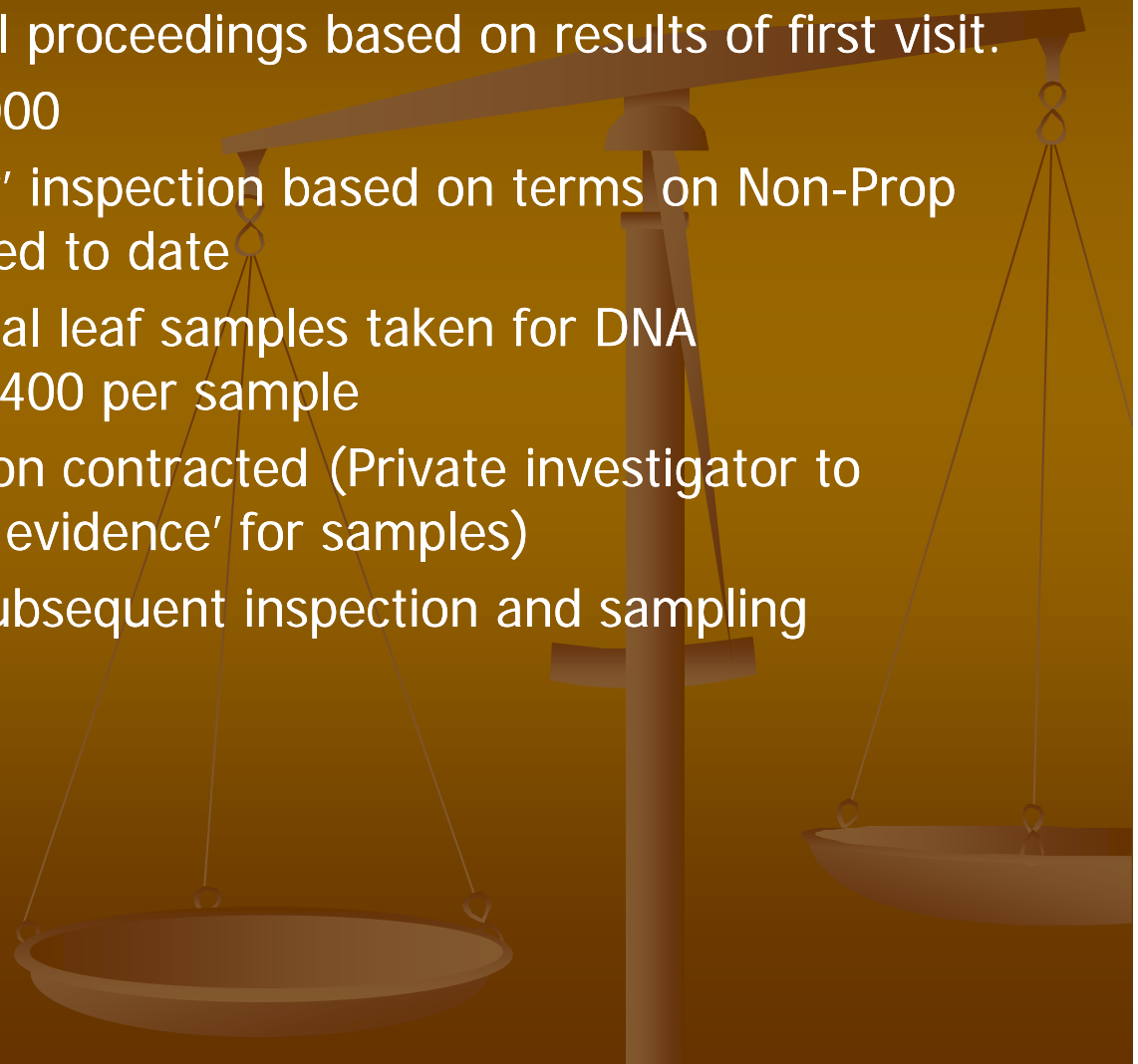
Common scenario in 'challenged' infringement situations

- Initial information obtained (ie. Found fruit in market)
 - Evidence
 - Cost time & \$500 for DNA fingerprinting
- Non-propagation agreement in place
- Formal notice served requesting inspection
 - Legal advice, cost \$400+ per hour
 - Inspection request refused / challenged
- The 'Property Inspection' – 'non cooperative'
 - Legal advice over telephone \$400+ per hour
 - Approval for 1 representative and independent solicitor to attend
 - Cost \$3200 (not including my time or costs)
 - Additional \$20,000 if Court Order process required to gain inspection
- The result from 'the initial inspection'
 - Generally enough evidence to support a claim of breach of PBR

Example

■ Subsequent Inspection

- Required to start legal proceedings based on results of first visit.
 - Cost about \$100,000
- Judge orders 'broader' inspection based on terms on Non-Prop and evidence presented to date
 - Up to 100 individual leaf samples taken for DNA fingerprinting @ \$400 per sample
 - Independent person contracted (Private investigator to maintain 'chain of evidence' for samples)
 - Cost incurred in subsequent inspection and sampling approx. \$45,000



Example



- Results generally identify substantial additional infringing trees. (ie. up to 25,000 trees in breach not uncommon.)
- Amendment of existing Statement of Claim requires updating to include subsequent evidence
 - Another \$100,000 legal fees
- Litigation process involves a number of complexities (ie. Development of protocols for sampling process for DNA fingerprinting)
- Further amendments required to the Statement of Claim as matter progresses

Example

- At the half way point of infringement litigation accrued costs can be in excess of \$500,000
- Final cost in excess of \$1,000,000



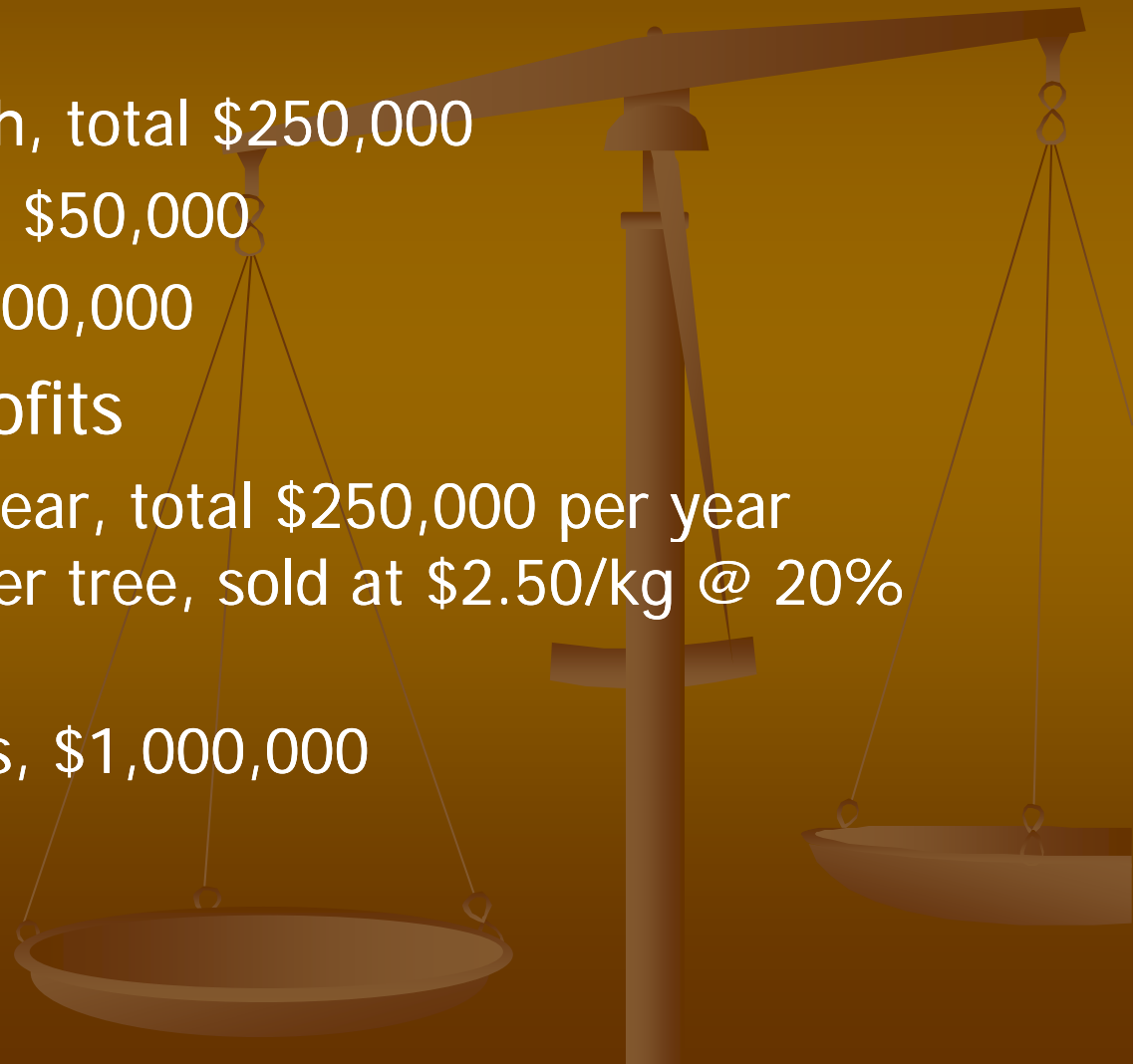
Total exposure for infringer (use 25,000 tree example)

■ Damages

- Tree cost \$10 each, total \$250,000
- Royalties \$2 each, \$50,000
- Total Damages \$300,000

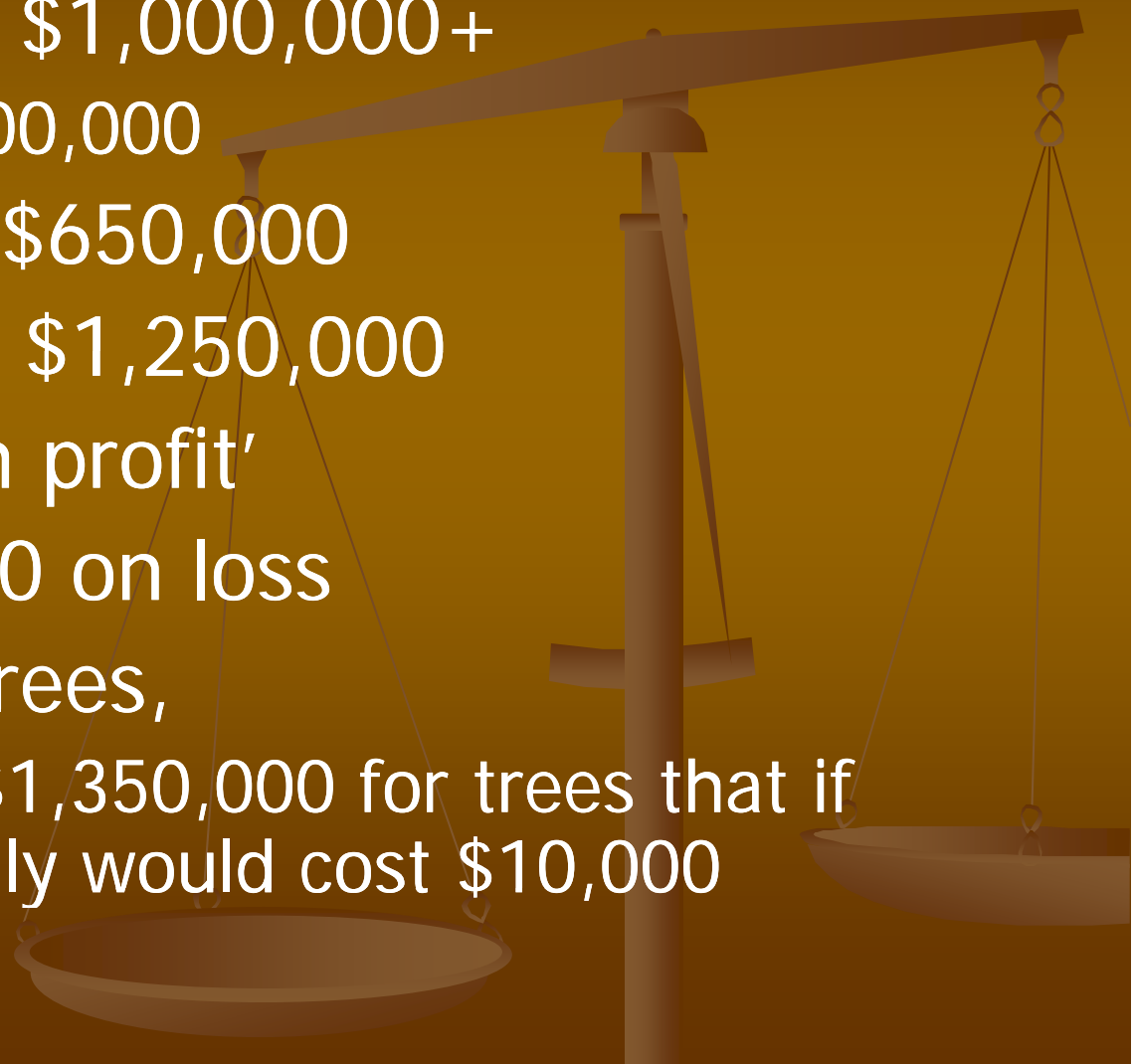
■ OR Account on Profits

- \$10 per tree per year, total \$250,000 per year (assuming 20kg per tree, sold at \$2.50/kg @ 20% profit)
- 4 production years, \$1,000,000



Total exposure for infringer (use 25,000 tree example)

- Applicants cost \$1,000,000+
 - After taxing \$600,000
- Defendant cost \$650,000
- Total Legal cost \$1,250,000
- Plus 'account on profit'
- Total \$2,250,000 on loss
- If it only 1000 trees,
 - Total cost still \$1,350,000 for trees that if purchased legally would cost \$10,000



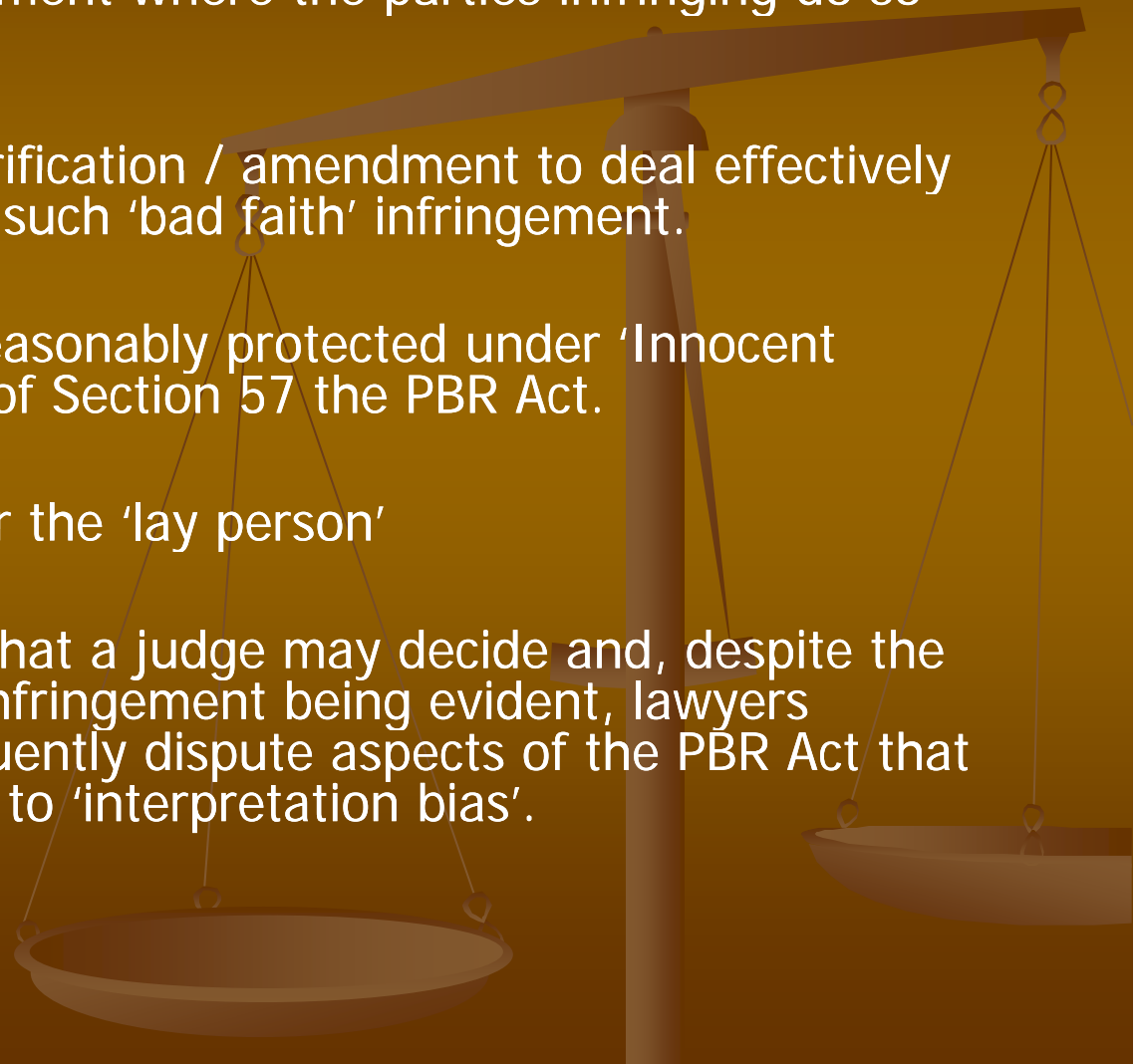
Hold the phone!!

- Another Example
- Remember the previous slide:-
 - Evidence required (Based on legal advice)
 - Judge will not allow a 'fishing expedition'
 - Tangible evidence will be required
 - Samples from market – relatively easy, but ...
 - Other evidence to satisfy judge
 - 'Burden of Proof' weighted heavily with the Grantee of the PBR rights



Issues that we see so far

- Tangible evidence that 98%+ of infringement in commercial stone fruit is 'bad faith' infringement where the parties infringing do so flagrantly and blatantly
- PBR legislation needs clarification / amendment to deal effectively and more efficiently with such 'bad faith' infringement.
- Bona fide infringement reasonably protected under 'Innocent Infringement' provisions of Section 57 the PBR Act.
- PBR legislation written for the 'lay person'
- Lawyers can't interpret what a judge may decide and, despite the real intent of 'bad faith' infringement being evident, lawyers defending infringers frequently dispute aspects of the PBR Act that are perceived to be open to 'interpretation bias'.



Aspects of the PBR Act that would benefit from clarification / amendment

- Further clarification of some of the definitions within the Act that presently contribute to interpretation dispute.

(ie. "Propagation Material" used intrinsically in the interpretation of many sections of the Act including Section 11 (essential nature of PBR rights) and Sections 14 and 15 (harvested material)

- Inspection Rights

Consideration of transfer / reversal of 'onus of proof' from the PBR Grantee to the infringer

- Higher 'duty of care' for 'commercial' operators within the industry (ie. nursery operators, orchardists, etc.)

Aspects of the PBR Act that would benefit from clarification / amendment

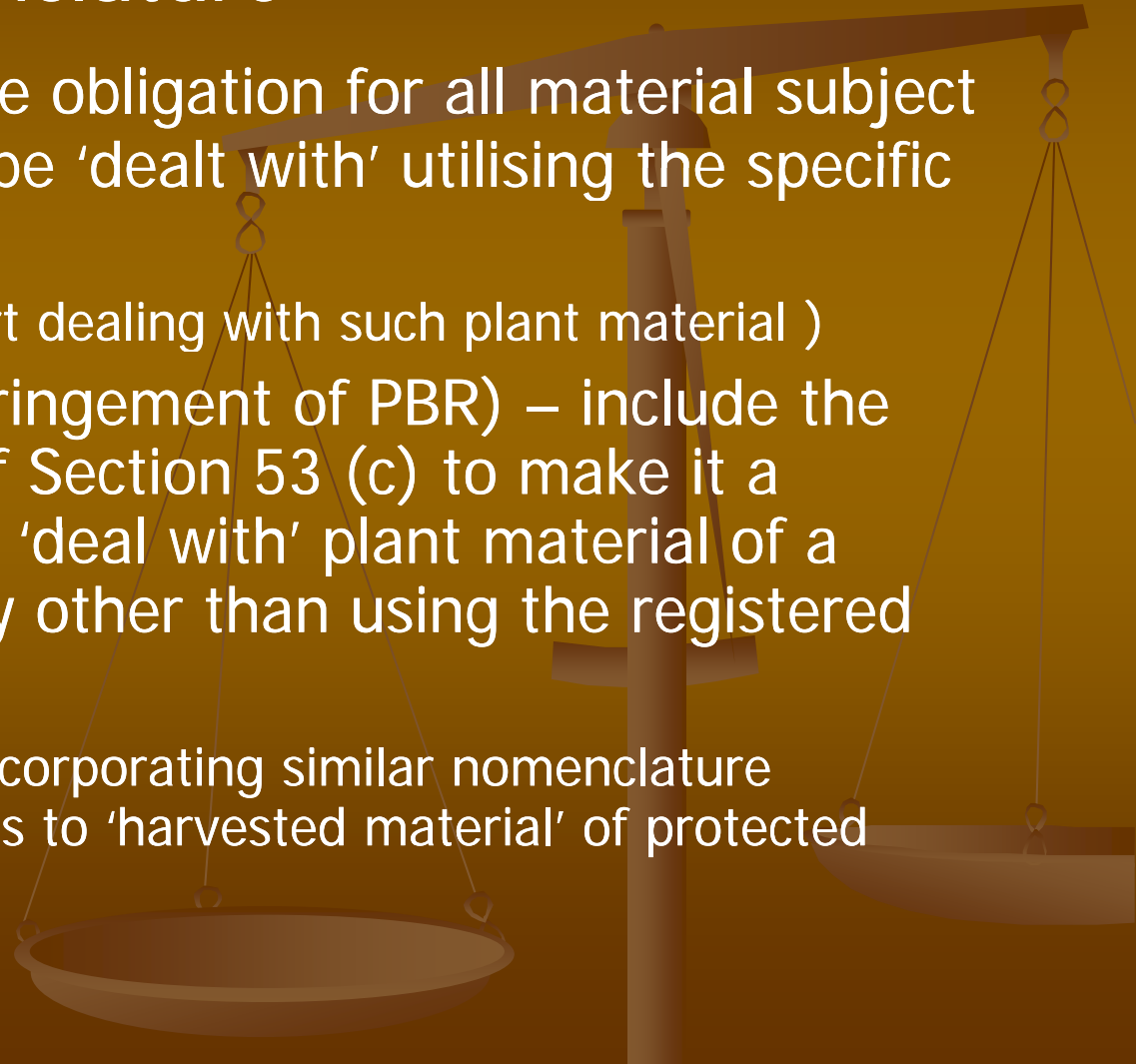
- Cultivar nomenclature

- Introduce positive obligation for all material subject to PBR rights to be 'dealt with' utilising the specific Cultivar name

(ie. to counter covert dealing with such plant material)

- Section 53 (Infringement of PBR) – include the reverse aspect of Section 53 (c) to make it a breach of PBR to 'deal with' plant material of a registered variety other than using the registered variety name.

(Consider incorporating similar nomenclature requirements to 'harvested material' of protected varieties)



Aspects of the PBR Act that would benefit from clarification / amendment

- Section 57 Innocent Infringement

- Recognise a 'higher duty of care' that should apply to commercial operators in the industry (ie. nursery operators, propagators, orchardists, etc.)

- Sections 14 / 15 – Harvested Material

- Positive clarification that fruit produced from protected cultivars is 'harvested material' with the provisions of PBR rights under Section 11 to apply fully to such fruit.

- Negate a 'whole tree' argument being claimed as a possible defence tactic against flagrant breaches of PBR.

- Substantial financial 'ill-gotten' gains being made by infringers / members of supply chain from fruit produced from illegal cultivars.

Aspects of the PBR Act that would benefit from clarification / amendment

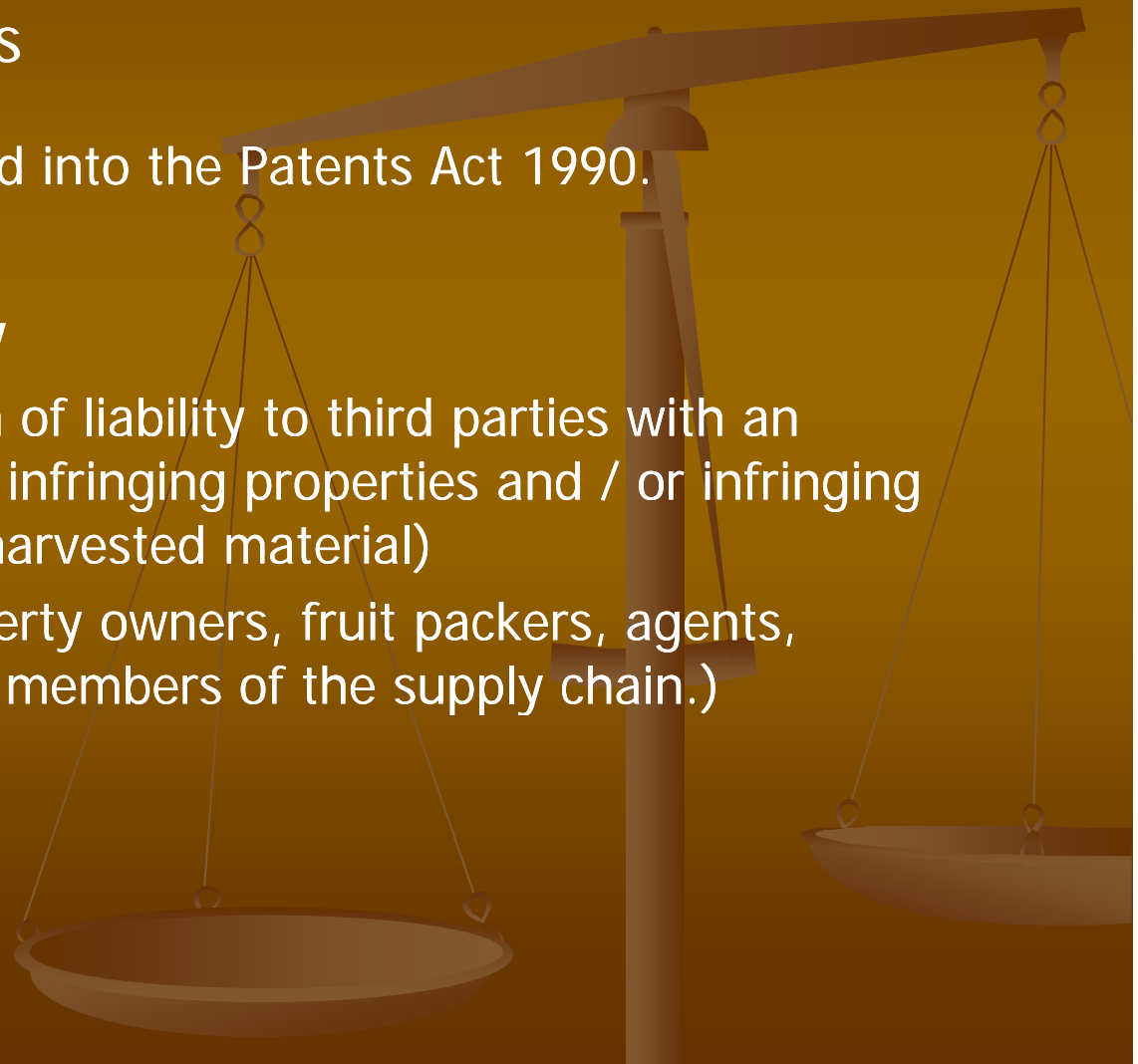
- Exemplary Damages

- Recently introduced into the Patents Act 1990.

- Third Party Liability

- Consider extension of liability to third parties with an equitable interest in infringing properties and / or infringing material (including harvested material)

(ie. Financiers, property owners, fruit packers, agents, exporters and other members of the supply chain.)



SUMMARY

- For Plant Breeder's Rights to be effective and provide the protection / benefit to the Breeder:
 - Improvements to the clarity and enforcement provisions of the PBR Act need to be provided.
 - The regulatory authorities responsible for 'policing' flagrant and blatant breaches of this legislation need to become active.
 - The promotion of the importance of the protection of PBR to industry participants
 - improvements to the enforcement provisions (hopefully to come out of the current review)