Submission on Exposure Draft of the Intellectual Property Laws Amendment Bill 2017

Response from the Grains Research and Development Corporation

About the GRDC

The Grains Research and Development Corporation (GRDC) is a statutory corporation, founded in 1990, under the Primary Industries Research and Development Act 1989 (PIRD Act).

The GRDC is one of the world’s leading grains research organisations, whose primary purpose is to invest in research, development & extension to create enduring profitability for Australian grain growers.

The GRDC currently invests close to $200 million per year planning, investing in and overseeing RD&E in the grains sector, and collaborates extensively with public and private sector research organisations.

The GRDC supports the delivery of research outcomes through commercialisation where warranted and where translation to the private sector is underpinned by a portfolio of intellectual property rights, including a significant portfolio of patents and plant breeder’s rights (PBRs), including over 150 granted PBRs.

Summary

GRDC notes the release of the Exposure Draft of the Intellectual Property Laws Amendment Bill 2017, and the broad number of changes contemplated in the draft across the various types of registered intellectual property (IP). In this submission, we have focussed on the proposed PBR-related changes, which form a substantial proportion of GRDC’s portfolio of IP assets.

GRDC is strongly supportive of the PBR Act, which underpins the Australian grain industry’s end point royalty system, which in turn supports investment in the commercial breeding of numerous crop varieties. Commercial breeding activities are fundamental to the delivery of new varieties of the four largest crops (based on production by volume) being wheat, barley canola and sorghum. GRDC is supportive of changes which serve to strengthen the PBR Act. The proposed amendments will achieve this through enabling essentially derived varieties to be declared regardless of whether they are registered in their own right, and further aligning the rights of PBR exclusive licensees and alleged PBR infringers with other forms of Australian intellectual property.

Proposed changes to PBR Act – responses to consultation questions in the exposure draft

Allowance of non-PBR-protected varieties to be declared an essentially derived variety

Under the PBR Act, a registered plant variety (second variety) is taken to be an essentially derived variety (EDV) of another registered plant variety (first variety) where it is demonstrated that the second variety is genetically derived from the first variety, but carries no ‘important’ phenotypic features that differentiate it from the first variety. These provisions recognise the intellectual contributions of the original grantee and the grantee of the derived variety, and where an EDV is declared both grantees assume rights in the second variety.

An apparent omission in the current PBR Act, however, is that an EDV can only be declared where a PBR application is made or granted. Therefore, where a variety is developed and commercialised without PBR, it cannot be declared an EDV. The proposed amendment addresses this loophole, and will provide that a PBR grantee can make an application that a non-PBR variety is an EDV.

GRDC is supportive of the proposed change, provided that it is introduced with appropriate checks and balances. The notices and procedural requirements under proposed s41(B) and s41(C) will afford opportunity for the breeder of the second variety to be notified of any proposed action, and to respond to the action. Furthermore, the requirements in EDV applications to contain a level of information to establish, on the balance of probabilities, that the second variety is both essentially derived from the initial variety, and a registrable plant variety within the meaning of section 43, should ensure that frivolous applications are minimal. Lastly, a decision under this proposed section will reviewable by the AAT under section 77.
The operation of this amendment should be extended to exclusive licensees for the same rationale as the proposed amendments to infringement actions discussed below, but should not require meeting all of the ordinary criteria of PBR registration. Specifically the commercialisation requirements in s43(1)(E) of the PBR Act are not in the control of the grantee of the first variety, and should be excluded.

Where test growing is required to establish whether the second variety is essentially derived or registrable, the current onus of payment under s41(E)(8) falls to the applicant. However, given that the commercialisation of the alleged EDV firstly may (1) affect the commercial interests of the grantee of the first variety, and (2) does not recognise the breeder of the first variety's intellectual contribution to the second variety, a cost sharing mechanism is more appropriate.

We suggest that current principles in the PBR Act relating to cost bearing arrangements for test growing relating to objection to PBR applications 37(5)(B) or revocation of granted PBR 37(5)(C) - whereby costs are borne by the breeder of the second variety where there are valid reasons for the application, or by the applicant in any other case - would provide an appropriate mechanisms to be used here as well.

**Unjustified threats of infringement in the PBR Act**

An unjustified threat of infringement, where a PBR owner threatens to sue another party for IP infringement without justification, is an important proposed protection among the proposed changes to the PBR Act, through proposed inclusions 57(A)-57(E). The proposed remedies available to the threatened party include the grant of injunctions against the threats being continued, or to allow the applicant to recover damages sustained as a result of the threats.

GRDC notes that the proposed provisions include protections for the party making the threats, where that party is the grantee or an exclusive licensee, and the acts in question infringe or would infringe the PBR in the plant variety.

GRDC supports these changes, along with the proposed balancing provisions, that will bring PBR into alignment with other forms of Australian intellectual property, and are intended to protect the interests of parties against unsubstantiated claims of infringement.

**Exclusive licensees in the PBR Act**

Currently the PBR owner is the party with authority to bring a court action to sue an alleged infringer. Similar to the proposed introduction of the unjustified threats provisions, the proposal to allow exclusive licensees to take infringement action in their own name will bring PBR into alignment with most other forms of Australian intellectual property, in contrast to the current situation where only the grantee(s) may take action.

The GRDC is not aware of wide public consultation on this proposed amendment, identified as a recommendation in the October 2015 report to the Plant Breeder’s Rights Advisory Committee on “End Point Royalty Collection in the Nursery and Garden Industry”, however is cautiously supportive of the proposal. For the Australian grains industry, GRDC believe that the proposed changes in this area will be generally impact public-bred varieties and as such are an important measure to allow ongoing management of these varieties.

In the Australian grains industry, many private breeding companies commercialise their own varieties, and to GRDC’s knowledge, would rarely make exclusive arrangements to undertake activities associated with seed sales and distribution. In contrast, exclusive licensing to a seed business is the primary mechanism used by the public sector, including GRDC, to commercialise commercial crop varieties that are the outputs of publically funded breeding programs.

Exclusive licence arrangements for a grains-industry licensee is important, as the grain industry end-point royalty (EPR) system relies on payment on the sale of harvested product collected by bulk grain handlers. This system is generally not well-suited to non-exclusive licensing, where the identity of the variety is the critical factor for tracing payment. Tracing and attributing a delivered variety EPR’s to multiple licensees is difficult to administer, unless closed-loop production arrangements are in place.

Typically, varieties which are outputs of GRDC investments have complex ownership, usually with 2 or more PBR title holders. In this scenario, the complexity is managed by licensing one of the title holders to hold exclusive commercial rights, which are subsequently exclusively on-licensed by that party to a suitable seed
industry applicant. Many exclusive licensees are already in place for many public varieties, and clarity on whether the changes will affect current or new exclusive licenses will be important.

An area of potential positive impact for the Australian grains industry may be an increased willingness of overseas-based companies to license commercial varieties into Australia, in the knowledge that their rights in the variety are able to be protected by their licensee.

In closing, we emphasise the importance of the PBR Act in supporting investment into crop breeding for the Australian grains industry, and GRDC’s support for amendments that support its use and administration.

Yours sincerely,

Ron Osmond,
Head of Business Development

Steve Thomas,
Deputy CEO