

18 December 2018

Business Law
Building, Resources and Market
Ministry of Business, Innovation & Employment
Wellington

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Review of the Plant Variety Rights Act 1987

The New Zealand Law Society (Law Society) welcomes the opportunity to comment on the Issues Paper: *Review of the Plant Variety Rights Act 1987 Issues Paper, September 2018* (issues paper).

The Law Society's Intellectual Property Law Committee has considered the issues paper. The committee has not responded to some questions in the issues paper that relate to policy matters outside the Law Society's remit and expertise.¹ Responses to the remaining questions are set out below.

Objectives of the PVR Act

Q1: *Do you think the objectives correctly state what the purpose of the PVR regime should be? Why/why not?*

Paragraphs 27 to 31 set out what is generally understood to be the purpose of the PVR (Plant Variety Rights) regime. However, reference in paragraph 31 to a commercial monopoly is not strictly accurate. A PVR grant gives the grant holder only the right to exclude others from reproducing for sale or selling reproductive material of the variety the subject of the grant. It does not grant a monopoly in the market for competing plants of distinct varieties or those of essentially derived varieties. This limitation is explained in paragraph 176.

Q4: *Do you think there would be a material difference between implementing a sui generis regime that gives effect to UPOV 1991 (as permitted under the CPTPP) and actually becoming a party to UPOV 91? If so, what would the costs/benefits be?*

If New Zealand were to enact a sui generis regime and did not accede to UPOV 91, it would not have the benefits of national treatment under article 4 of UPOV 91. However, if it were to remain a member of UPOV 78² it would still have the national treatment benefits under article 3 of that treaty (as it currently does). UPOV 91 does not have any provision that would enable a UPOV 91 country to

¹ Reproduced at Appendix A: Qs 2 – 3, 5– 9, 11 – 12, 14 – 15, 18 – 21, 23 – 24, 27, 29, 30, 34 – 41.

² The 1978 version of the UPOV Convention: *The 1978 revision of the International Convention on the Protection of New Varieties of Plants*.

limit the rights granted under its law for New Zealand residents to the UPOV 78 rights. Therefore there would appear not to be a material effect on the rights of New Zealanders seeking PVRs in UPOV 91 countries.

Farm-saved seed

Q10: *Do you think farmers should have to get permission from the PVR owner before sowing the farm-saved seed of a protected variety? Why/why not?*

Planting farm saved seeds with the intention of selling the resulting crop would be an infringement of the PVR owner's right and therefore should (and does) require the owner's permission. Planting farm saved seeds for use on the farmer's own property (for example, to sow a pasture) would not be an infringement.

Rights over harvested material

Q13: *Do you agree with our definition of 'harvested material'? Why/why not?*

The term "harvested material" is not a technical term that needs a special definition, but one that is well understood within the industry. An attempt to define it would risk making the term inconsistent with the UPOV 91 provision.

Rights over similar varieties

Q16: *Are there other important features of the current situation regarding distinctness that we have not mentioned?*

It is difficult to determine if a variety is distinct (both for eligibility and for infringement) from the description in the PVRO file alone. Currently the Commissioner "may undertake or commission, or approve the applicant's undertaking or commissioning of, growing trials of the variety, or may examine and evaluate the results of growing trials already conducted by a person or body independent of the applicant" (reg 16 of the PVR Regulations 1988), because the information on the PVRO file may be insufficient to determine distinctness without additional trials. More detail and the reasons for the determination that a variety is distinct would be of assistance.

Q17: *Are there other important features of the concept of EDVs that we have not mentioned?*

The explanation in paragraphs 169 – 171 does not make clear that a PVR in an essentially derived variety (EDV) is an independent right. While under UPOV 91 the EDV cannot be exploited without the authorisation of the owner of the PVR in the protected initial variety, equally no-one, including the owner of the rights in the initial variety, can exploit a PVR protected EDV without the authorisation of the owner of the EDV PVR.

Q22: *Do you think there are problems with not having an EDV regime? What are they? What is the size of these problems? What are the consequences of these problems? Please provide evidence where possible.*

This is a policy matter on which the Law Society expresses no view. However, we note that New Zealand is committed (subject to Treaty exceptions) to UPOV 91 standards by the CPTPP.³ EDV

³ Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

protection is prescribed under UPOV 91. There was no suggestion in the Wai 262 report that an EDV regime was in breach of the Treaty of Waitangi.

Compulsory licences

Q25: *Are there important features of the current situation regarding compulsory licences that we have not mentioned?*

Subsection 21(7) of the Plant Variety Rights Act 1987 allows the Commissioner to “limit, vary, extend or revoke” a compulsory licence or sale order “if the Commissioner thinks it appropriate”. This provision has never been used and its predecessor (s 23(3) of the 1973 Act) was not considered in the *Gemini/Apollo* decisions.⁴ At paragraph 14.2 of the Registrar’s decision in that case, he noted that the grantee had attempted to retrospectively make the variety more available, but it was too late and did not affect his decision. But if the grantee had then applied to have the compulsory licence revoked, the Registrar might have concluded that it was appropriate for him to do so. There should be some guidance as to how the Commissioner may exercise his or her discretion.

Q26: *Do you think there are problems with the current compulsory licence regime? What are they? What is the size of these problems? What are the consequences of these problems? Please provide evidence where possible.*

There is no guidance as to the procedure that is to be followed in compulsory licence applications other than that the Commissioner must give the grantee an opportunity to be heard (s 21(2)) and that the applicant for a licence must “supply the Commissioner with information and arguments to assist the Commissioner to arrive at a conclusion” (PVR Regulations 1988, reg 17). This is not acceptable for such an important proceeding. In one of the compulsory licence applications referred to in paragraph 196, the parties agreed to follow the procedures laid out in the trade marks regime. Although such an arrangement might work where there is agreement, it could not be binding on a party who insisted on following the existing Act and Regulations in a future case.

Enforcement: infringements and offences

Q28: *Are there important features of the current situation regarding infringements and offences that we have not mentioned?*

The *Winchester* Court of Appeal decision⁵ expanded the definition of what constituted infringement to include “diminishing the grantee’s enjoyment of its exclusive right.” That is an open-ended proposition that might have done justice in the case, but which could raise uncertainty in future cases. The Patents Act 2013 codified what constitutes infringement in sections 140 and 141. But that codification did not go so far as to include what the defendant had done in the *Winchester* case – to induce infringement. The US Patent Act at 35 USC 271(b) provides that “Whoever actively induces infringement of a patent shall be liable as an infringer.” Such a provision in a new PVR Act would codify the decision in *Winchester* without the uncertainty about the scope of a “diminishing the enjoyment of its exclusive right” test.

⁴ Issues paper at [195].

⁵ *Winchester v Cropmark Seeds Limited* CA 226/04, 5 December 2005, discussed in the issues paper at [214].

Q31: *Do you think there are problems with the infringement provisions in the PVR Act? What are they? What is the size of these problems? What are the consequences of these problems? Please provide evidence where possible.*

The Law Society notes that the (now defunct) Australian Advisory Council on Intellectual Property (ACIP) conducted a comprehensive review of the enforcement of Plant Breeder's Rights and issued their final report in 2010.⁶ The problems and possible solutions considered in that report may help to answer Q31.

Q32: *Do you think there are problems with the offence provisions in the PVR Act? What are they? What is the size of these problems? What are the consequences of these problems? Please provide evidence where possible.*

It is not clear what purpose is served by any of these offence provisions. As is pointed out in paragraph 227, most of the activities are governed by the Fair Trading Act 1986. If an applicant had supplied false or misleading information in an application (paragraph 226(a)), that would lead to the loss of any rights. It is not clear that a potential \$1,000 fine under the PVR Act would be any more of a deterrent. It is also not apparent why the failure to use a denomination in a way that may not be an offence under the Fair Trading Act (paragraph 226(e)) should be an offence under the PVR Act. We are not aware of prosecutions ever being taken for any of these offences. That should be sufficient to question whether they should remain.

The kaitiaki relationship and the PVR Act

Q33: *How does the current PVR regime assist, or fail to prevent, activity that is prejudicial to the kaitiaki relationship? What are the negative impacts of that activity on the kaitiaki relationship?*

The review should consider what purpose is served by these offence provisions, especially if already captured by the Fair Trading Act. Historically, intellectual property statutes have incorporated some criminal offence provisions, although they were significantly restricted in the Patents Act 2013.

Additional issues

Q42: *Do you have any comments on these additional issues, or wish to raise any other issues not covered either in this section, or elsewhere in this paper?*

The Law Society considers that the provisions of sections 6 (Objections before grant), 15 (Objections after grant) and 16 (Cancellation of grants) of the PVR Act 1987 should be reviewed to improve their clarity, both with respect to substantive law and procedurally.

- **Section 6: Objections before grant**

While section 6(2) provides that a person may object on the ground that the applicant is not the owner, there is no provision to enable the rightful owner to be substituted for the wrongful applicant. Such a provision ought to be considered for the PVR regime, as section 63 of the Patents Act 2013 does in that regime.

⁶ Advisory Council on Intellectual Property *Review of enforcement of Plant Breeder's Rights (PBR)* (2007–2010), <https://www.ipaustralia.gov.au/about-us/public-consultations/archive-ip-reviews/ip-reviews/Review-of-enforcement-of-Plant-Breeders-Rights>

While section 6(4) provides that both the applicant and objector must be heard, there are no regulations governing procedures for such hearings. As noted above in relation to compulsory licences, there should be clear procedures.

- **Section 15: Objections after grant, and section 16: Cancellation of grants**

It is unclear what the relationship is between sections 15 and 16. The grounds upon which an objector may object are set out in subsections 15(1) and (2). Subsection 16(2) sets out seven grounds under which the Commissioner may cancel a grant, some of which overlap with the section 15 grounds and some of which stand on their own. This could mean that an objector is not able to object on grounds that are only in section 16. Or it could mean that if an objector drew these grounds to the attention of the Commissioner, the Commissioner could then act in accordance with subsection 16(3) and give the grantee 28 days to show sufficient cause why the grant should not be cancelled. In this second scenario the proceeding would be *ex parte*. It would provide more certainty if the grounds for objecting were the same as the grounds under which the Commissioner could cancel a grant.

Subsections 16(2) (e) and (f) also create uncertainty. They provide that the Commissioner may cancel a grant if the grantee has not provided material or allowed inspection when requested by the Commissioner. The purpose of these provisions is (presumably) to ensure that the variety has remained stable and homogenous throughout the lifetime of the grant. But subsection 16(2)(c) already provides that if the variety has not remained stable and homogenous the Commissioner may cancel the grant. Subsections 16(e) and (f) imply that the Commissioner is to take an active role in policing the ongoing validity of a grant. Given that there are around 1300 grants in force this could be a very onerous task for which the PVRO has no power to recoup remuneration. These subsections should be reviewed in the context of deciding whether the Commissioner is to have an ongoing role.

As noted in paragraphs 374 and 375, subsection 16(2)(g) is unclear as to what the discretion of the Commissioner is if a renewal fee is not paid on time. This creates uncertainty both for the grantee who has missed a date and for the public. Both the Patents Act 2013 and the Designs Act 1953 allow for the restoration of rights that have lapsed (under specified conditions). There is no apparent reason why public policy considerations for restoration of lapsed PVR grants should be different from those for patents and designs. Provisions allowing for restoration on clear grounds would also remove the uncertainty of subsection 16(2)(g).

As with objections before grant, there should be a clear procedure set out in regulations for deciding objections after grant.

It should also be made clear that the court has the power to revoke a PVR grant. The grounds for revocation by the court should be the same as the grounds for revocation by the Commissioner.

Conclusion

We hope you find these comments helpful. If you have any questions or wish to discuss the submission, Greg Arthur, convenor of the Law Society's Intellectual Property Law Committee, can be contacted via the Law Society's Law Reform Adviser, Emily Sutton (Emily.Sutton@lawsociety.org.nz / 04 463 2978).

Yours faithfully

A handwritten signature in black ink, consisting of a large, stylized loop followed by a long horizontal line extending to the right.

Andrew Logan
Vice President

Appendix A

Appendix A – Issues Paper questions not answered in the submission

Q2: *Do you think the PVR regime is meeting these objectives? Why/why not?*

Q3: *What are the costs and benefits of New Zealand's PVR regime not being consistent with UPOV 91 (e.g. in terms of access to commercially valuable new varieties, incentives to develop new varieties)? What is the size of these costs/benefits? What are the flow on effects of these costs/benefits? Please provide supporting evidence where possible.*

Q5: *Are there important features of the current situation regarding farm-saved seed that we have not mentioned?*

Q6: *Can you provide any additional evidence/information that would assist us to understand this issue? For example, the nature and extent of royalties that are currently paid in different sectors, and the proportion of crops planted each year using farm-saved seed.*

Q7: *Do you think there are problems with the current farm-saved seed arrangements? What are they? What is the size of these problems? What are the consequences of these problems? Please provide evidence where possible.*

Q8: *Do you think there are benefits of the farm-saved seed arrangements? What are they? What is the size of these benefits? What are the consequences of these benefits? Please provide evidence where possible.*

Q9: *Do PVR owners use mechanisms outside the PVR regime to control farmers' use or saving of the seeds of their protected varieties? What are these?*

Q11: *What do you think the costs and benefits of a mandatory royalty scheme would be? What could such a scheme look like (e.g. should it cover all, or only some, varieties)?*

Q12: *Are there important features of the current situation regarding rights over harvested material that we have not mentioned?*

Q14: *Do you think there are problems with the current scope of PVR owners' rights over harvested material? What are they? What is the size of these problems? What are the consequences of these problems? Please provide evidence where possible.*

Q15: *Do you think there are benefits to the current scope of PVR owners' rights over harvested material? What are they? What is the size of these benefits? What are the consequences of these benefits? Please provide evidence where possible.*

Q18: *Do you think there are problems with the current approach for assessing distinctness? What are they? What is the size of these problems? What are the consequences of these problems? Please provide evidence where possible.*

Q19: *Do you think there are benefits with the current approach for assessing distinctness? What are they? What is the size of these benefits? What are the consequences of these benefits? Please provide evidence where possible.*

Q20: *How might technological change affect the problems/benefits of the current approach for assessing distinctness that you have identified?*

Q21: Do you have any examples of a plant breeder 'free-riding' off a variety? How often does this happen? What commercial impact did this have? Please provide evidence where possible.

Q23: Do you think there are benefits of not having an EDV regime? What are they? What is the size of these benefits? What are the consequences of these benefits? Please provide evidence where possible.

Q24: How might technological change affect the problems/benefits of not having an EDV regime that you have identified?

Q27: Do you think there are benefits with the current compulsory licence regime? What are they? What is the size of these benefits? What are the consequences of these benefits? Please provide evidence where possible.

Q29: Have you been involved in a dispute relating to the infringement of a PVR? How was it resolved? How was it resolved (e.g. was alternative dispute resolution used)? How effective was the process?

Q30: How prevalent are PVR infringements and offences?

Q34: What are the problems that arise from the PVR grant process, or the grant of PVR over taonga species-derived varieties more generally, for kaitiaki relationships? Please provide examples.

Q35: What role could a Māori advisory committee play in supporting the Commissioner of PVRs?

Q36: How does industry currently work with kaitiaki in the development of plant varieties? Do you have any examples where the kaitiaki relationship was been considered in the development of a variety?

Q37: Are there examples of traditional varieties derived from taonga species that have been granted PVR protection? Do you consider there is a risk of this occurring?

Q38: What characteristics might make a variety name offensive to a significant section of the community, including Māori?

Q39: What information do you think should/should not be accessible on the PVR register? Why?

Q40: As a plant breeder, do you gather information on the origin of genetic material used in plant breeding?

Q41: What else should we be thinking about in considering the Crown's Treaty of Waitangi obligations to Māori in the PVR regime? Why?